

Minutes

Meeting: Local Pension Board for the Dorset County Pension Fund

Time: **2.00 pm**

Date: **Wednesday 28 February 2018**

Venue: Committee Room 2, County Hall, Dorchester DT1 1XJ

Present:

Cllr Andrew Cattaway	Chairman - Employer Representative
Adam Richens	Employer Representative
Jason Vaughan	Employer Representative
Jeff Morley	Union Nominated Member Representative
John Jones	Employer Representative

Officer Attendance:

Karen Gibson	Interim Pensions Manager
David Wilkes	Finance Manager (Treasury and Investments)
Vince Elliott	Employer Relationship and Communications (DCPF)

Managers, Advisors and Others Attendance:

None

1. Apologies for Absence

- 1.1. Apologies for absence were received from Paul Kent (Member Representative - Vice-Chairman), James Stevens (Member Representative), Richard Bates (Chief Financial Officer / Fund Administrator) and Peter Scales (Independent Governance Adviser)
- 1.2. The Chairman noted that the Local Pension Board (LPB) currently meets twice during the year. He raised the question as to whether the other Board members felt this was sufficient. It was generally agreed that two meetings per year currently fulfilled the Board's need, but should this change, further meetings could be scheduled.
- 1.3. It was also noted that the Board requires another Member Representative. Adverts had previously been circulated seeking expressions of interest from LGPS members, but without success.

Action: Communications team to recirculate information for employers to pass on to employees. Advert to be added to the DCPF website.

2. Declarations of interest

- 2.1. None

3. Minutes from previous meeting

- 3.1. The minutes from the previous meeting were read and agreed.

4. Matters Arising

- 4.1. Late payment of contributions. The Finance Manager presented a summary of late payments for January 2018. This showed that £100k (1.1% of all contributions due) was received after the deadline, of which £40k (0.44% of all contributions due) was still outstanding at the date of the meeting. It was expected that all outstanding payments would be received and there were no contributions outstanding from prior periods. The Chairman commented that this was far better than when the Board first met in 2015.

An Employer Representative asked if there was any penalty action for late payment. The Pensions Manager said that the Administration Strategy gives provision for issuing fines. However, there has been no need to issue any so far. The Fund Accountant monitors payments and contacts employers when late.

- 4.2. Board training arrangements. It was noted that the presentation that took place at the first Local Pension Board meeting was very informative, and may be useful to repeat this at a future session, particularly as the Board membership has changed. This was agreed.

Action: Finance Manager to contact Investec to deliver a Local Pension Board training presentation in a future meeting.

Update: Steve Lee from Investec has confirmed he can provide training to the Board members on 26 September.

- 4.3. Exit payments. It was asked whether there had been any progress in respect of the £95K cap on exit payments. The Pension Manager explained that there had been no further developments. The resource demands of Brexit have meant that there is no time to fully consider the proposals and have them passed through Parliament. The LGA has intimated that if this has not gone through the necessary parliamentary process by the end of March, then proposals will be put to one side, possibly for a year.

5. Papers from the Pension Fund Committee

The agenda and minutes of the Pension Fund Committee meetings that were held on 23 November 2017 and 28 February 2018 were reviewed. The Chairman suggested these were reviewed with the most recent first. This was agreed.

- 5.1. The agenda and papers from the Pension Fund Committee held on 28 February 2018 were reviewed. These included:

- 5.1.a. Fund Administrator's Report. The value of the Fund's assets at the end of the quarter was £2,926.5M compared to £2,737M at the start of the financial year. The Fund returned 6.0% over the financial year to 31 December 2017, underperforming its benchmark which returned 6.6%.

An Employer Representative asked whether the Committee had any concerns regarding the underperformance of investments against benchmark in the financial year to date. The Finance Manager replied that the Committee were not unduly concerned as the Fund is a long-term investor. The short-term underperformance against the benchmark was relatively small, largely driven by currency movements.

An Employer Representative asked whether overperformance of investments could reduce employers' contribution rate. This led to a brief discussion on the methods of valuation used by the Actuary. It was agreed that it would be useful to invite the Actuary to attend a future Board meeting.

Action: Invite Barnett Waddingham (Actuary) to give a presentation at the September Board meeting.

- 5.1.b. Investment Strategy Statement (ISS). Because of the changes to the Fund's asset allocation agreed by the Committee it has been necessary to amend the ISS and to publish the revised version.
- 5.1.c. Brunel Pension Partnership. Update on progress in implementing the Full Business Case approved by the Committee in January 2017.

Following the Committee meeting the Pension Board members attended a presentation on the Brunel Pension Partnership. The Board found it helpful to hear the updates and to find out the structure of the Partnership. They felt it appears to be very well set up although there were some concerns for local investment control further down the line.

- 5.1.d. Treasury Management Strategy (TMS) 2018-19. The TMS provides the framework within officers must manage the Fund's cashflows and cash investments (i.e. where cash is put, how long for and how much) and is agreed annually in advance of the forthcoming financial year.

5.2. The papers from the Pension Fund Committee held on 23 November 2017 were reviewed. These included:

- 5.2.a. Diversified Growth Fund. Report by Barings, the Fund's Diversified Growth Fund manager
- 5.2.b. Property Portfolio. Report by CBRE, the Fund's property portfolio manager
- 5.2.c. Independent Adviser's Report on the investment outlook.
- 5.2.d. Fund Administrator's report.

6. Pensions Administration Reports

The LGPS Administration reports provided to the Pension Fund Committee at the meetings held on 23 November 2017 and 28 February 2018 were reviewed.

- 6.1. Pensions Administration report 28 February 2018.
- 6.1.a. Abatement Policy Review. Abatement reduces a member's pension where a pensioner has re-entered employment which is subject to the LGPS and whose total pension and new salary together exceed the salary at retirement.
- It is proposed that abatement will cease in every case except where enhanced benefits have been paid to the member due to the award of ill health retirement. This will include both the award of additional pension/service, and/or the benefit gained from unreduced benefits.
- 6.1.b. Update on Overseas Existence Checks. DCPF have been running checks on our overseas pensioners. Of the 450 pensioners, all but 19 have been verified. If we cannot verify these by 14 March 2018, their pensions will be suspended. This amounts to pensions of £73,000 pa. Overseas pensions Total £2.2M.
- 6.1.c. Whole Fund Tracing. The Fund is looking to employ the services of an external provider to check that addresses for all scheme members are current and accurate. They will also attempt to trace members with deferred benefits for whom no current address is held. This includes mortality checks for deferred members.
- 6.1.d. The administration team has encountered difficulties with Academies and their responsibilities regarding the LGPS. For this reason, they will be holding employer training sessions in June aimed specifically at academies and schools.
- 6.1.e. Local Government Reorganisation (LGR). As part of the LGR, approximately 17,000 members will transfer to new employers under TUPE arrangements. Both employers and the pensions administration section must consider the pension implications.
- 6.1.f. Key Performance Indicators (KPIs). The board were presented with the KPIs for the period November 2017 to January 2018 (Appendix 3). These reflect the very positive achievements of the section.
- 6.1.g. Aggregation backlog. A new approach and dedicated resource has been diverted to this area which has approximately 3000 cases needing attention.
- 6.2. Pensions Administration report 23 November 2017.
- 6.2.a. Data Quality Report. In June 2010 the Pension Regulator (TPR) issued guidance on the approach that they consider to be good practice for measuring member data. Aquilla Heywood's Data Quality service has been commissioned to assist with this task, which has helped DCPF to set up a data improvement plan. The first reports show the general quality of data held at DCPF is of a good standard.
- 6.2.b. GMP & Contracted Out Reconciliation. HM Treasury requires all Contracted Out pension schemes across the country to reconcile both the Contracted-Out membership dates and amounts of

Guaranteed Minimum Pension (GMP). The Pensions Manager gave an update on the project set up to deal with this. It is on track to complete by the 31 December 2018 deadline.

- 6.2.c. Annual Allowance Checks. These were completed by the deadline of 5 October 2017. There was an increase in the number of members that incurred a charge this year. 5 in 2015/16 to 12 in 2016/17. All members who had exceeded, or were close to exceeding, had been written to. The checks are time consuming and requires DCPF to check the member's financial data with employers. Certain employers have caused problems by providing inaccurate financial data on their End of Year Returns.

It was asked if the employers could be named, and whether employers HR, or Unions, could do more to highlight the Annual Allowance issues to employees. The Pensions Manager explained that employers/HR have been informed of the issues and that they need to be proactive in this area.

7. Guaranteed Minimum Pension (GMP) and Contracted out Reconciliation

The Pensions Manager delivered a presentation on the GMP and Contracted Out reconciliation process. This included an update on the status of the reconciliation project.

- 7.1. Although DCPF had commissioned the London Pension Partnership to do some initial analysis, the vast majority of the work has been done by an in-house project team. This has resulted in significant savings.
- 7.2. Members who had been underpaid will be due back payments. No overpayments will be recovered, but pensions will be corrected going forward.
- 7.3. Changes to indexation of GMPs will leave a potential funding gap. LGA is talking with Treasury, asking for funds as compensation. It was asked whether the Board composes a letter to Treasury to request an update on progress to date.

Action: Board will reconsider at next meeting.

Action: Pensions Manager to discuss with the Actuary their view on potential future funding gaps as a result of the change in government policy.

8. Board Training

The board were shown examples of training logs that will be used to record training activities undertaken by the board members.

- 8.1. Board members will be provided with copies of a log they can use to record their individual training. These should be completed by the board members, so they can retain a record for their own purposes.

8.2. Communications team will also maintain a log that records training undertaken by all Board Members. Board members will need to keep DCPF updated with any training they receive.

8.3. Communications Team will notify Board Members of training activities and opportunities as and when they occur.

Action: Communications Team to send out training logs and links to useful training tools and opportunities.

9. Programme of Business for future meetings

9.1. The following items are to be added to the agenda for future meetings.

- Risk Register
- Brunel Pensions Partnership

10. Any other Business

10.1. None

11. Meeting closed at 16:10

12. Date of next meeting – 26 September 2018