

Minutes

Meeting: Local Pension Board for the Dorset County Pension Fund

Time: **2.00 pm**

Date: **Wednesday 7 December 2022**

Venue: Microsoft Teams

Present:

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|---------------------|---|
| Adam Richens | Vice Chairman – Employer Representative |
| James Stevens | Member Representative |
| Julie Strange | Employer Representative |
| Jon Bird | Member Representative |
| Mary O’Sullivan | Employer Representative |
| Cllr David Shortell | Employer Representative |

Officer Attendance:

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|-------------------|--|
| David Wilkes | Service Manager for Treasury and Investments |
| Vince Elliott | Employer Relationship & Communications Manager |
| Stephanie Clifton | Employer Relationship & Communications Manager |

Managers, Advisors and Others Attendance:

None

1. Apologies for Absence and Introductions

1.1. Advance apologies received from:

- John Jones Member Representative
- Karen Gibson Service Manager for Pensions
- Jim McManus Corporate Director Finance & Commercial
- Andy Caning Chair of the Pension Fund Committee

2. Declarations of interest

2.1. None

3. Minutes and matters arising from previous meeting

The minutes from the June 2022 meeting were read and agreed.

4. LGPS Administration report

In the absence of the Service Manager for Pensions, Stephanie Clifton, Employer Relationship & Communications Manager (ER & Comms Manager) gave an update on the [Pensions Administration Report](#) provided to the Pension Fund Committee on 29 November 2022.

4.1. Key Performance Indicators (KPIs)

- 4.1.1. The KPI report for the period can be viewed here: [KPI report](#).
- 4.1.2. Staff shortages have affected the KPI results, however recruitment is currently taking place with a higher number of applications received than previously. The Chair asked whether this was due to a different approach. The ER & Comms Manager said the role had been through an evaluation process, resulting in a higher level of pay which reflected the complex work involved. It is expected that KPI results will improve once the new staff are in place and have been trained to the required standard.
- 4.1.3. An Employer Representative noted that results for retirements and quotes were low. It was explained that these delays are sometimes due to the work having to be checked before sending out and also in complex areas such as AVC retirements. Although these do not generally miss the stated target by a large amount.
- 4.1.4. A Member Representative asked whether employer work was included in the KPIs. The ER & Comms Manager said that work such as retirements, leavers and starters are all included in the KPIs, but general queries from employers aren't. They are very varied and are generally answered by the employer team within a day.
- 4.1.5. An Employer Representative noted that the % of cases completed is shown but was unclear as to what the actual targets meant. The ER & Comms Manager said that the 'KPI (days)' column indicates the number of days in which a task has to be completed from receipt of all information. This varies according to the task. The % score relates to the total number of cases completed in the period against the number of cases completed within the performance target. Both totals are shown on the KPI table.

4.2. Annual Benefit Illustrations

- 4.2.1. 22,677 Annual Benefit Illustrations (ABIs) were issued to active members on 15 August 2022, ahead of the statutory deadline of 31 August 2022. A newsletter containing useful information for members was also included with the illustration.
- 4.2.2. 20,677 ABIs were issued to deferred members on 20 June 2022 along with 28 ABIs issued to deferred councillor members.
- 4.2.3. This was the first time ABIs had been sent out using the new pensions administration system. There was a minor issue caused by the system change that affected a small number of deferred member statements, but this has been resolved.
- 4.2.4. Paper ABIs cannot be issued to members where a current address is not held on file, but all active and deferred members have the ABI data uploaded to the on-line Member Portal.

4.3. Pensions Dashboard Programme

- 4.3.1. The Pensions Schemes Act 2021 introduced new regulations announcing a Pensions Dashboard that would be available in 2023, enabling individuals to access their pension information online, securely and in one place.

- 4.3.2. On 17 October 2022 DWP laid a draft of [The Pensions Dashboard Regulations 2022](#) before each House of Parliament. DWP also published a [summary of the key policies](#) and these reflect their response to an earlier consultation.
- 4.3.3. The DWP confirmed that frozen refunds will be out of scope for initial dashboards. These are where a person contributed into the scheme for a short time then left and the fund lost contact with them. This is a disappointment as the funds have to spend money and time attempting to trace these members for what is usually a very small refund.

4.4. McCloud Update

- 4.4.1. It had been anticipated that DLUCH would publish the Government's response to their 2020 consultation this autumn, but this has now been delayed until spring 2023. It is anticipated that the regulations will be finalised and come into force in October 2023.
- 4.4.2. Most of Dorset County Pension Fund member data relating to the McCloud remedy has been received. The employer team will chase up those employers who have not yet provided these details.
- 4.4.3. An Employer Representative asked about the issue where Teachers' Pension Scheme (TPS) members will need to have any additional part time employments retrospectively transferred from the TPS to the LGPS. The ER & Comms Manager said this is likely to relate to additional jobs carried out by teachers (such as lunchtime cover) that may have been paid under the TPS but should have been LGPS. Although full details on this will work have not yet been provided.

4.5. Data Quality Report 2022

- 4.5.1. Each year, the quality of our data is reviewed and measured in accordance with guidance set out by the Pensions Regulator. This serves two main purposes. Firstly, it feeds into the future year's Data Improvement Plan, and secondly it provides the Data Quality scores for the Dorset County Pension Fund which must be reported to The Pensions Regulator each year and recorded in the Fund's Annual Report.
- 4.5.2. Despite the change to a new administration system in the last year, the results for 2022 are excellent.
- 4.5.3. The overall score of tests passed for common data - items applicable to all pension schemes - was 99.07%, which is slightly lower than the 2021 score of 99.40%.
- 4.5.4. The scheme specific data, (also known as 'conditional' data) is the data specific to the LGPS. The overall score was 94.38%, which is a minor reduction from 98.90% in 2021. The reduction in the score is a result of issues, which have been raised, with the report itself as provided by Civica.

4.6. Valuation 2022 Update

- 4.6.1. The whole fund valuation has now been completed and employers have been provided with their results including their provisional contribution rates.
- 4.6.2. Prior to submission of the data to the actuary, 18,900 errors had to be resolved. A large number of errors were due to mismatch of data between the

pensions system and the separately held payroll data. This additional complexity for the valuation should be addressed moving forward as the payroll system for pensioners becomes integrated with our administration system.

4.6.3. For this valuation the actuary had to take into account some additional considerations:

- **McCloud.**
- **Climate risk** - This is a requirement by GAD under the recommendations of their latest Section 13 review
- **Longevity** - Overall, the outcome is that life expectancies are lower than they were at the 2019 valuation, and it is estimated that this has improved the funding position and reduce the primary rates.

4.6.4. An Employer Representative noted that although life expectancies are lower, primary rates have still risen, at least for the two biggest employers in the fund. The Service Manager for Treasury and Investments said that according to the actuary's presentation at the employer meeting, if we hadn't seen lower life expectancies, there would have been bigger increases due to other factors such as the estimated investment returns in the future, inflation, etc.

4.6.5. It was also asked whether future valuations would be taking place on a 2-year basis. The Service Manager for Treasury and Investments said that for some while there has also been talk of going to four-yearly valuations, but nothing concrete either way had been decided. The actuary would be better placed to give a more informed update on this, but in his view, two years would be too short, and four years feels too long.

4.6.6. The actuary's presentation from the Annual Employers Meeting can be found here: [Presentation \(dcpfemployers.org\)](https://www.dcpfemployers.org)

4.7. Overseas Existence Checks

4.7.1. A project is underway to complete existence checks on all overseas pensioners. The Fund receives monthly reports of UK deaths to check against our pensioner database, guarding against fraud and overpayments. However, there is no equivalent check on possible deaths for our pensioners living overseas, for whom there is a higher risk of fraud.

4.7.2. The process, carried out with Western Union, involves a process of Life Certification, where pensioners are required to have their identity checked, in person, at a nearby Western Union Office. Alternative arrangements will be in place to assist members who cannot, for health or location reasons, attend a Western Union Office in person.

4.7.3. Pensioners who do not complete the Life Certification process by the completion date will be contacted again, and if necessary, their pension payments will cease until a satisfactory identity check has been completed. It is expected that this project should be completed by March 2023.

4.7.4. An Employer Representative asked whether we are still discovering fraud. The ER & Comms Manager said that this process has already identified one case where a pensioner had died in April, but his wife hadn't informed us. This may not have been intentional fraud, but we have stopped the payments and will be reclaiming the payments.

4.8. Employer Update

- 4.8.1. Since the last meeting, six new employers had been admitted to the scheme. Two had ceased participation in the scheme as their last members had left employment. In both cases the exit liabilities had been picked up by the transferring authorities.
- 4.8.2. Another employer had ceased participation in the scheme earlier in the year with a plan to enter into a deferred debt arrangement. However, the employer went into administration before this could be set up. As a result, the fund has registered a claim with the administrators in respect of the cessation debt. It is likely that this will take a long time to be resolved.
- 4.8.3. A Member Representative asked what happens to 50/50 section members at an employer's auto-enrolment date. The ER & Comms Manager said that the employer would re-enrol them into the main section, but the member could immediately choose to re-enter the 50/50 section. This would be the similar for staff that had opted out. It is important that employers inform staff of this in advance of the auto enrolment date. It was asked if the fund had an obligation to monitor opt outs, but this would not be possible as many opt out from the start of employment so do not appear on our system.

4.9. 2016 Cost Cap Valuation Report for the LGPS

- 4.9.1. The initial results of the Cost Cap Valuation published in 2018 suggested a negative breach and proposals were set out to adjust member benefits accordingly. This was before the McCloud judgement
- 4.9.2. On 29 June 2022 GAD published the 2016 [cost cap updated valuation report](#) for the LGPS which take into account McCloud costs. These results show no breach of the cost cap floor or ceiling. Therefore, there will be no changes to member benefits or contribution rates as a result of the 2016 cost cap mechanism.
- 4.9.3. However, this is still subject to an ongoing legal challenge by the Fire Brigades Union and the British Medical Association which questions the validity of pausing the process initially, and questions the way in which the McCloud costs have been accounted for within the process.

4.10. SAB Annual report 2021

- 4.10.1. On 13 June 2022 the Scheme Advisory Board (SAB) published the [LGPS's scheme annual report for 2021](#). This provides a single source of information about the LGPS taking into account the 86 administering authorities as of 31 March 2021.
- 4.10.2. Highlights from the report include:
 - Total membership grew by 1.08% to 6.225 million
 - Total assets increased to £342 billion, an increase of 23.4%
 - Local Authority net return on investment over the year was 20.56%
 - A positive cash-flow was maintained overall
 - Over 1.8 million pensioners were paid
 - COVID-19 significantly affected life expectancy, with a drop of 0.9 years and 0.5 years for males and females respectively

- Total management charges increased by 12.9% to £196 million, while administration, oversight and governance costs remained broadly the same

4.11. **September 2022 CPI rate announced**

- 4.11.1. On 19 October 2022, the Office for National Statistics announced the Consumer Prices Index (CPI) rate of inflation for September 2022 as 10.1%.
- 4.11.2. Government Policy in recent years has been to base increases and the revaluation of pension accounts on the rate of CPI in September of the previous year.
- 4.11.3. We await confirmation from Government that the revaluation and pensions increase that will apply to LGPS active pension accounts, deferred pensions and pensions in payment in April 2023 will be 10.1%.

5. **Papers from the Pension Fund Committee**

Items on the agenda of the Pension Fund Committee meeting held on 29 November 2022 were reviewed: [Pension Fund Committee Meeting 29 November 2022](#)

It was noted that the Pension Fund Committee meetings can now be viewed live, or a recording watched later, on [YouTube](#).

5.1. **External Audit Update**

The Committee received a verbal update from the pension fund's external auditor on the progress of the external audits of the pension fund accounts and annual reports.

- 5.1.1. The audit for 2020/21 was substantially complete with no reason not to expect an unqualified opinion. There is one stale price adjustment that they have identified as not material. This is basically because the audit has taken so long, some of the information used to produce the accounts has been supplemented by more up-to-date valuations of some of our private equity valuations.
- 5.1.2. The unfortunate thing for the pension fund accounts is that they are an appendix to the main Dorset Council accounts and the auditor gives an opinion on the whole set of accounts and one thing that is holding up the Dorset Council audit, and many other audits across the country for local authorities, is an issue regarding the valuation of infrastructure. A Statutory Instrument on this matter was expected to be brought before Parliament before Christmas which would clarify this issue and allow the audit to be completed in early 2023.
- 5.1.3. An Employer Representative said that although the adjustment is not deemed material for Dorset Council or the fund, it may be for other employers, and they need to get those adjustments assessed to work out whether they are material or not. There are clear ramifications in that while the accounts are unresolved, the financial credibility of the employers starts to be questioned. The Service Manager for Treasury and Investments said that they sympathise with the employers that are having these challenges and share the frustration that this is taking so long.

5.1.4. Work on the audit of the 2021/22 accounts was underway with no matters of concern identified to date.

5.1.5. Deloitte are temporarily withdrawing from local government audit work which means Dorset Council would be appointing a new auditor for 2023/24. An Employer Representative said that delays in completing the audit of the pension fund accounts had caused a material impact on the work of auditors for other scheme employers and they would like to express their disappointment with Deloitte's performance.

5.2. Brunel Pension Partnership Quarterly Report

The quarterly performance report of Brunel Pension Partnership, the pension fund's Local Government Pension Scheme (LGPS) investment pooling manager.

5.2.1. This has been a challenging period for investors as we see inflation taking hold following the Russian invasion of Ukraine.

5.2.2. Many of Brunel's portfolios had underperformed over the quarter and 12 months to date but Brunel believed the fundamentals of businesses owned, such as earnings and the ability to generate cash, remained sound. Brunel did not believe that there was a long-term trade-off between their responsible investment approach and performance returns. The independent investment adviser felt that the responsible investment approach needed to be smarter to avoid overpaying for assets.

5.2.3. Concerns were raised about whether the pension fund and Brunel's moves towards a more responsible investment approach had affected the relative performance in the year. As oil and gas prices soared, investors like ourselves, who are who are moving away from those sectors, saw a negative impact on their performance. The big question really is whether this is temporary or if there's something more long-term at stake. The Service Manager for Treasury and Investments said it is difficult to know the answer to this, it may take 5 to 10 years to know.

6. Board Chair Vacancy

6.1. The position of Board Chair has now been advertised. There was a delay in this as permission was sought to advertise this as a paid position. A few applications have been received and interviews will be carried out at the start of the new year

6.2. The change to a paid chair has meant that a few changes had to be made to the Terms of Reference for the Local Pension Board. Ahead of the meeting, the board were provided with a draft version of the new Terms of Reference. Comments have been received and will be incorporated into the final document.

6.3. On a similar note, for a while there has been a vacancy for a Membership Representative on the board. It has been proving difficult to recruit a new member, so Unison have been approached to see if they are willing to nominate a representative. Should that not be possible, the position will also be re-advertised.

7. Risk Register

The Dorset County Pension Fund Risk Register was reviewed. Board members were provided with a copy ahead of the meeting.

- 7.1. Since the last board meeting, the risks on the register had been reviewed by the Team Managers in the pensions area and by the Fund Accountant. This resulted in levels of some risks being changed. These are noted in the status column of the risk register, with further details in the Management Update column.
- 7.2. The risk 'Secure management and handling of confidential and/or personal information' had reduced to 'low' as the new system now means that office is paperless so 'hard-copy' files are no longer required to be taken out of the office for home working.
- 7.3. The risk relating to 'Staff unable to get to work e.g. widespread flu pandemic or building off limits' had reduced as it has been proven that staff can now work from home.
- 7.4. Four risks had moved from 'low' to 'medium'. These all related to staffing issues and the risk levels are expected to reduce once new staff members have been recruited and trained to the required level.

8. Any other Business

- 8.1. None

9. Meeting closed at 15:30

10. Date of next meeting – 22 March 2023

Details of the Local Pension Board and past meetings can be found [here](#).