

Minutes

Meeting: Local Pension Board for the Dorset County Pension Fund

Time: **10.30 am**

Date: **Thursday 29 November 2018**

Venue: Committee Room 3, County Hall, Dorchester DT1 1XJ

Present:

Cllr Andrew Cattaway	Chairman - Employer Representative
Paul Kent	Vice Chairman – Member Representative
Adam Richens	Employer Representative
Jason Vaughan	Employer Representative
Jeff Morley	Union Nominated Member Representative
Luke White	Member Representative
James Stevens	Member Representative

Officer Attendance:

Richard Bates	Chief Financial Officer/ Fund Administrator
Karen Gibson	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 John Jones – Employer Representative
- 1.2. The Chairman welcomed Luke White, who was attending his first meeting, having recently joined the Board as a Member Representative.

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. Papers from the Pension Fund Committee

The agenda and minutes of the Pension Fund Committee meetings that were held on 21 June 2018, 17 September 2018 and 22 November 2018 were reviewed.

- 4.1. The value of the Fund's assets at 30 September 2018 was £3,021m. Due to volatility in markets, this has since dipped to just below £3,000m.

- 4.2. The Fund returned 6.2% over the financial year to 30 September 2018, which is in line with its strategic benchmark.
- 4.3. In addition to the full triennial assessment, Barnett Waddingham, the Fund Actuary, have been asked to carry out indicative updates on the funding position on a quarterly basis. This aims to provide a better indication of the Fund's position between triennial valuations.
- 4.4. The current projection of the funding level as at 30 September 2018 is 92.9% (90.1% at 30 June 2018) and the average required employer contribution would be 20.2% of payroll (22.2% at 30 June 2018).
- 4.5. Contribution rates for 2020-21 onwards will be set at the next valuation (2019). However, the period between valuations may be changing from every three to every four years to bring it in line with other public sector schemes.

An Employer Representative asked whether this change meant that the 2019 valuation would be for one year. The Pensions Manager said that it is her understanding that the change would happen but it has been suggested that as a funded scheme, the LGPS will need a regulatory change to allow an interim contribution review for some or all employers, where deemed necessary. The Fund Administrator added that it can't be confirmed at present, but a meeting is scheduled with the Actuary.

- 4.6. The Brunel Pension Partnership (BPP) went live in April 2018. The Fund's UK passive equities portfolio and global smart beta equities transitioned to Brunel's management in July 2018. UK active equities would transition by 30 November 2018. In total £900m of investment assets would have moved across by end November 2018.
- 4.7. There had been a detailed review of the original Brunel business case. The original business case assumed that all the new Brunel portfolios would be ready for investment within two years. It has been agreed to extend this transition plan to three years. There has also been an agreement to increase Brunel's budget for 2019-20, with Dorset's annual contribution going up from £800k to £1m.
- 4.8. The Vice Chairman asked if we are confident that savings would be delivered. The Finance Manager said that the simple answer is yes. Savings from three transitions to date would be approximately £1.3m in a full year (not including transition costs).
- 4.9. The Chairman asked if the Board thought it would be worth Matthew Trebilcock (Client Relationship Director, BPP) coming back to give a presentation. It was agreed that this would be useful.

Action: Matthew Trebilcock to be invited to February meeting.

5. Pensions Administration Reports

The LGPS Administration reports provided to the Pension Fund Committee at the meetings held on 21 June 2018, 17 September 2018 and 22 November 2018 were reviewed.

- 5.1. Pensions Administration report 22 November 2018.
 - 5.1.a. Survivor Benefits. Following a successful legal challenge, the Government has decided that all public service pension schemes should provide survivors of registered civil partners or same-sex marriage with benefits that

replicate those to which a widow of a male member would be due. These changes will be implemented in the LGPS as though they had applied from the date of the civil partnership or same-sex marriage.

Current LGPS regulations provide equal benefits for surviving partners in a civil partnership or same sex marriage of either sex, to those awarded to widowers. However, earlier regulations provided benefits based only on membership back to 1988. This will mean that LGPS administering authorities will need to revisit all awards previously made and pay any additional sums that may be due.

Interestingly there does remain differential treatment between widows and widowers in terms of benefits and this has been held as lawful by the Supreme Court in a long line of cases.

- 5.1.b. Data Quality and Data Improvement Plan. Following the second year in which Dorset County Pension Fund (DCPF) have commissioned Data Quality Reports, a Data Improvement Plan has been formalised. Copies of the Data Improvement Plan and the 'Common' and 'Scheme Specific' data reports were provided to the Board.

The overall score of tests passed for Common Data held was 99.2%, an improvement over the 2017 rate of 98.8%. The overall score for the Scheme Specific Data was 97.7%, an improvement over the 2017 rate of 92.7%.

The Board confirmed they were all happy with the Data Improvement Plan and the Vice Chairman congratulated the team on the results.

5.2. Pensions Administration report 17 September 2018.

- 5.2.a. Exit Credits. New LGPS Amendment Regulations now require Funds to pay an 'exit credit' to employers if a surplus is identified in a cessation valuation. Previously, any surplus remained with the Fund. There is the potential for these regulations to impact the Fund if large surpluses exist, and these employers cease participating in the Scheme. DCPF asked the Fund Actuary to identify employers with surpluses. Currently there are 11 employers in credit and the amounts of the surplus vary considerably. Further analysis will be done and any concerns or risks addressed.
- 5.2.b. Annual Benefit Illustrations (ABIs) 2018. Although DCPF met all deadlines, issues with the standard of data provided by one large employer resulted in their ABIs not being issued by the statutory deadline. DCPF are working with this employer, offering support and assistance. There will be a charge issued to the employer to cover the additional work required.
- 5.2.c. Member Self-Serve (MSS) Facility. Activation keys, which enable members to log onto the new on-line service, have now been issued to 22,702 active scheme members, and 18,577 deferred members. Currently approximately 24% of the membership have successfully registered. 'Going live' initially caused a lot of work for the team, with members having problems logging on, etc., but this has now reduced and the service is generally being well received by members.

5.3. Pensions Administration report 21 June 2018.

5.3.a. General Data Protection Regulations (GDPR). As of 25 May 2018 the GDPR came into effect. The new regulations include some significant changes to the previous data protection laws. The Pensions Manager confirmed the Fund met its obligations within the required timescales and is fully compliant with the new regulations.

5.3.b. Overseas Existence Checks. The project is now complete and only 1 pension has been suspended.

5.3.c. LGPS (Amendment) Regulations 2018. These regulations came into force on 14 May 2018. This mostly involved tidying up of existing regulations. One area of note is the intention that all deferred members will now be able to access their pension from age 55 (with a reduction). However, there are still a few issues that need to be resolved where deferred members have protections.

6. Governance Compliance Update, October 2018

The report provided by Allenbridge was reviewed.

6.1. Having reviewed the business and minutes of Committee and Board meetings, Allenbridge were satisfied that governance standards are being maintained and improved. The Fund Administrator added that governance is taken seriously at Committee and Board meetings.

6.2. The report stated that the Pension Board has been operating effectively and in line with its responsibilities, but has suffered problems with meeting dates even on the basis of two meetings per year. Conversely there is pressure from the Pensions Regulator for more frequent meetings.

The Pensions Manager suggested that the number of Board meetings should be increased, suggesting that one should primarily focus on Board training. The Chairman supported this and asked if Board Members could meet four times a year. All were in support in principle.

Action: Four Board meetings to be booked in 2019.

6.3. The issue was raised regarding the move to two Unitaries and possible changes to Board membership. Membership will be reviewed and discussed at the February Board meeting when more details are known.

6.4. A question was raised regarding the possibility of substitutes attending Board meetings. The Terms of Reference do not allow this. As it had been a few years since issued, it was suggested that the Terms of Reference should be reviewed.

Action: Terms of Reference to be added to agenda for next meeting.,

6.5. In respect of Board training, sessions delivered by Investment Managers or the Pensions Regulator (TPR) could prove useful. TPR will be at the Annual Employers Meeting in January. Board members are welcome to attend.

Action: Date of Employers Meeting to be circulated

7. GMP & Contracted Out Reconciliation Update

- 7.1. There is good news in that all queries have been raised where reconciliation is applicable and we await final responses from HMRC. These should be received by April 2019 and are being worked on as they are returned.
- 7.2. As from April 2019 a second project will commence to identify any pensions in payment that may need to be revised. This is quite a sizeable task and could result in pensions in payment being reduced. The South West Pension Officers Group have written to the Scheme Advisory Board (SAB) to question stance on recovering amounts and for guidance on ways to deal with this.
- 7.3. Final amounts on over and under payments are not yet available, but will be brought to a future meeting.

8. The Dorset County Pension Fund Administration and Governance Risk Register

The Board reviewed the Risk Register.

- 8.1. The Pensions Manager explained that the subject of accommodation is to be added to the register. Currently the Pensions office is not secure and can be accessed by all DCC staff, particularly those using the meeting room within the office. Confidential and sensitive information relating to matters such as Local Government Reorganisation and redundancies are being worked on by Pensions staff, and could possibly be viewed by other staff passing through the office.

The Pensions Manager is currently liaising with DCC to make the meeting room in Pensions private and to look at the matter of restricting staff access to the office.

- 8.2. An Employee Representative suggested some additions to risk CO2 (Secure management and handling of confidential and /or personal information). These included reviews to access control of physical and digital data and regular data audits (i.e. where is it held, and in what format?). It was agreed that further details would be provided to the Pensions Manager following the meeting.

9. Employer Contributions Update

The Finance Manager gave an update on late contribution payments by employers,

- 9.1. The Finance Manager explained that he had not given the Board figures in advance as these may change on a day-to-day basis. The Board agreed that they were happy with receiving the data on the day.
- 9.2. Currently only one employer has outstanding contributions. This is a known issue and the Fund is in discussion with the employer regarding measures to recover the amount.

The Pensions Manager is currently looking at whether this needs to be reported to TPR. More background is needed to decide if the breach is of material significance to the regulator. A meeting is scheduled with the employer, and if required, it will be reported before the end of December.

- 9.3. Three employers were a few days late in paying. The Finance Manager will look at the pattern of payment for these employers to see if this is a regular occurrence.

9.4. An Employer Representative asked what % the late payments equate to in respect to the Fund employers as a whole. The Finance Manager said he would add this to the next update.

Action: Late payments as a % of Fund employers to be added to next update.

9.5. One employer has recently gone into administration owing contributions. An exit valuation is taking place (there was a deficit of £16,000 at the last valuation) and we are looking at any debt and the likelihood of recovery. The employer has a financial guarantor so the Fund should suffer no loss.

Bonds or guarantees put in place with the admission agreement may offer some protection in such circumstances, but older admission agreements may not have included the requirement of a Bond. The Pensions team are reviewing employer bonds at present.

9.6. A question was asked as to how often the Fund has had employers go into administration. It was stated that it was quite rare and this was only the second one in the last five years, but this is always a risk. It was agreed that this matter should be added to the Risk Register.

Action: Employers entering administration to be added to Risk Register.

10. Pensions Tax

The Pensions Manager gave a presentation on Pensions Tax and High Earners. This covered matters such as Annual Allowance, Lifetime Allowance and the responsibilities of both the Pension Fund and LGPS members. Slides were made available to the Board Members.

11. Programme of Business for future meetings

11.1. It was agreed that the following items be included in future meetings

- TPR Code of Practice 14 (Governance and administration of public service pension schemes)
- Risk Register
- Brunel Feedback

12. Any other Business

12.1. None

13. Meeting closed at 12:50

14. Date of next meeting – 27 February 2019