

# Minutes

Meeting: Local Pension Board for the Dorset County Pension Fund

Time: **14.00 pm**

Date: **Tuesday 25 June 2019**

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

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**Present:**

Paul Kent	Interim Chairman - Member Representative
John Jones	Employer Representative
Cllr David Shortell	Employer Representative
Jeff Morley	Union Nominated Member Representative
James Stevens	Member Representative

**Officer Attendance:**

Karen Gibson	Pensions Manager
David Wilkes	Finance Manager (Treasury and Investments)
Vince Elliott	Employer Relationship Manager (DCPF)
Aidan Dunn	Pension Fund Administrator / S151

**Managers, Advisors and Others Attendance:**

None

**1. Apologies for Absence and Introductions**

- 1.1. Advance apologies for absence were received from Luke White - Member Representative and Adam Richens – Employer Representative.
- 1.2. The Chairman welcomed Cllr David Shortell who has joined the Board as an Employer Representative on behalf of Dorset Council.
- 1.3. It was also noted that Jason Vaughan, who was previously the Employer Representative for the Dorset Councils Partnership, will no longer attend Local Pension Board meetings as he has left employment with the Council.

**2. Declarations of interest**

- 2.1. None

**3. Minutes from previous meeting**

- 3.1. The minutes from the February 2019 meeting were read and agreed.

#### 4. Terms of Reference and Board Membership

As a result of the Dorset local government reorganisation, certain sections of the Board's Terms of Reference need to be amended. It was also felt it was a good time to review the whole document.

- 5.1. Membership of the Local Pension Board. Section 3.1 will be changed to reflect that the Board is now made up of 8 members (4 employer representatives and 4 member representatives).
- 5.2. Sections 3.3 & 3.6 made references to selecting employer representatives from Dorset County Council, Bournemouth Borough Council and Borough of Poole Council as the 3 largest employers in the fund. As of 1 April 2019, only two bodies exist, Dorset Council and BCP Council, so the Terms of Reference will be amended to reflect this.

This opens up a vacancy for an employer representative. DCPF Communications team will advertise the vacancy on the DCPF website and also circulate the details to scheme employers.

- 5.3. It was also felt that the term of appointments should be changed from 3 years to 5 years (section 3.9)

**Action:** Updated version of Terms of Reference document to be distributed ahead of next meeting (VE)

- 5.4. Conflict of Interest (section 5). The Pensions Manager suggested that a separate Conflict of Interest policy be created as this would also meet requirements of the TPR Code of Practice.

**Action:** Draft Conflict of Interest policy to be drawn up and distributed for review at the next meeting (VE).

- 5.5. An Employer Rep noted that section 7.3 stated that the Board will submit an annual report of its activities to the Pension Fund Committee. It was agreed that this would be done at the end of the year.

- 5.6. The Board will require a new chairman to be in place for the December 2019 meeting. A discussion took place as to whether this should be elected from within the Board members, or an independent chair should be recruited (although it is unlikely that this would not be a paid position).

**Action:** Further consideration to be given to this ahead of the next Board meeting.

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

The agenda of the Pension Fund Committee meeting that was held on 20 June 2019 was reviewed.

- 5.1. This was a new Pension Fund Committee following the changes to local government in Dorset. The Committee is made up of 5 Dorset Council members, 3 from BCP Council and 1 Union Scheme Representative.
- 5.2. The Committee had received a presentation from Matthew Trebilcock of the Brunel Pension Partnership which updated members on progress with the investment pooling project.

The Local Pension Board Chairman asked if Brunel were achieving savings as expected. The Finance Manager confirmed that they were and added that nearly 30% of the Fund's total assets had transferred to portfolios under Brunel's management. South West Audit Partnership had been asked to independently review the project and concluded that it was on track to deliver the planned benefits.

- 5.3. Fund Administrator's Report: The estimated funding level has improved from 83.2% at the last triennial valuation, as at 31 March 2016, to approximately 91% as at 31 December 2018. This improvement is largely the result of the substantial appreciation in the value of the Fund's assets in 2016-17. This is only an indicative draft position. The Fund's actuary was working on a full assessment of liabilities and expected future returns on assets, with initial results expected in September 2019.
- 5.4. The value of the Fund's assets at 31 March 2019 was £3,023m, compared with £2.854m at the start of the financial year. The quarter saw large rises in all listed equities' markets, which drove a rise in the value of the Fund's assets of 6.3% from 31 December 2018. This rise erased the falls of the previous quarter.
- 5.5. The return on investments for the year was 6%, which was below the combined benchmark return of 7.4%, but above the discount rate of 5.4% used by the actuary in the last valuation.

## **6. Employer Contributions Update**

- 6.1. The Finance Manager stated that all employers have paid their contributions within expected timescales.
- 6.2. The Pensions Manager said that The Pensions Regulator will be taking no further action in respect of the employer who had been reported to them over outstanding contributions, and that they were satisfied by DCPF's actions.

## **7. TPR Code of Practice 14 (Governance and administration of public service pension schemes) Update**

The Code of Practice sets out key processes, tools and actions expected in a well-run scheme. A self-assessment tool helps identify issues and actions to take. The Board reviewed the results of the self-assessment tool. The results are set out in 3 sections: 'Governing Your Scheme', 'Managing Risks and Issues' and 'Administration'. Answers were graded red, amber and green.

- 7.1. 'Governing Your Scheme'. Under this section 1 answer was highlighted red. This related to a register of interests. This will be resolved when DCPF introduce the Conflicts of Interests Policy.

The amber answers both related to training. One related to a training policy, and another to a training plan for Board members. DCPF doesn't have defined policies or plans but does highlight recommended training courses and tools to the Board members. A record is also kept of Board member's training.

7.2. 'Managing Risks and Issues'. Under this section, 2 answers were highlighted amber. These related to reporting breaches of the law and service level agreements. In both instances DCPF have processes in place, but they are not formalised into a policy.

7.3. 'Administration'. Only 1 answer was highlighted as amber. This related to monitoring of scheme contributions. As DCPF have now produced a 'Payment of Employee and Employer Pension Contributions Policy' all answers are now highlighted green.

## **8. Pensions Administration Reports / Policy Consultations**

The Board reviewed the administration report provided by the Pensions Manager to the Pension Fund Committee at the meeting held on 20 June 2019. As the report included details relating to the Policy Consultations (Item 9 on the Board agenda) it was decided to discuss items 8 and 9 as one.

8.1. Consultation on Public Sector Exit Cap. HM Treasury (HMT) had launched a consultation on the implementation of a cap of £95,000 on exit payments to public sector employees. The cap would cover all costs of exit, including redundancy payments and pension strain costs. The proposals would be cost neutral to the Fund.

It is noted that the cap was not indexed and had not changed since first proposed in 2015. Also, a salary 'floor' included in previous iterations of the proposals was not included in the consultation. The Pensions Manager said that during the 2018/19 scheme year there had been 148 retirements with strain costs. In one instance an employee with a salary of £27k had resulted in a strain cost of £91k. This amount does not include any redundancy payment. This shows that lower paid employees with long service would be likely to exceed the cap. A Member Rep commented that it seems to have moved from targeting high earners to capturing all employees.

It is also not clear how members' benefits would be adjusted where the cap had been exceeded.

8.2. The Board had been given copies of the Pension Manager's proposed response to the consultation and are in agreement with its content. The Board agreed that there should be a push for salary floor and that the £95k should be index linked. They also felt there needs to be clarity over what should happen if the £95k is exceeded.

The Chairman highlighted that the consultation is open for anybody to respond.

The consultation ends on 3 July 2019

8.3. The Ministry of Housing, Communities and Local Government (MHCLG) Policy consultation on LGPS: Changes to the Local Valuation Cycle and the Management of Employer Risk. This consultation proposes the following changes.

- Move the valuation from a 3 to a 4 year cycle
- Provide options for the transitional period from 2019 to 2024 with a preferred option for a valuation in 2022. The 2019 valuation would therefore set contributions for April 2020 to March 2023, and the 2022 valuation would set contributions for the 2 years to March 2025.

- Give funds the power to take interim valuations, in full or in part.
- Provide flexibility to alter employer contribution rates mid valuation.
- Add more flexibility with exit payments, such as deferred employer status where employers defer exit payments and provide an ongoing commitment to meet their existing liabilities, in agreement with the fund.
- Restrict exit credits where risk sharing has been in place.
- Allow Further Education Corporations, Sixth Form College Corporations in England to decide whether to admit employees into the scheme in future.

8.4. The Chairman asked if there were any issues for a 4 year valuation. The Pension Manager said that 4 years is a long time, particularly if an employer's employee profile changes (resulting in a rate change), but interim valuations may help.

There was also some concern over allowing further education bodies and colleges the option to not offer the LGPS to support staff. The Pensions Manager had concerns that this could mean fewer members contributing to the scheme, and also deprive a substantial future workforce of the opportunity to be a member of a good quality pension scheme. It is understood that this stems from these educational establishments wanting to save money.

The consultation closes on 31 July 2019.

8.5. LGPS Fair Deal – Strengthening pension protection consultation. DCPF submitted a response on 4 April 2019. Board members were provided with a copy of the response.

The new regulations aim to strengthen the pensions protections for members following an outsourcing or re-tender and introduces a provision for a 'deemed employer' as an alternative to the admitted body status, meaning that the outsourcing employer remains the employer for pension purposes. An additional element to the proposed new regulations concerns amalgamated bodies. Exit debts, triggered by Regulation 64, will automatically transfer to the successor body unless there is a specific reason not to do so.

The Pensions Manager said that the intention of the proposals is in part to simplify participation of the LGPS and to help facilitate risk sharing. However, she has doubts whether this will be achieved. It remains the case that, despite concerted efforts to engage and educate employers regarding outsourcing, a lack of understanding, and an inadequate level of engagement with pension issues, continues.

8.6. McCloud judgement – new Scheme Advisory Board (SAB) advice. On 14 May the SAB published an advice note which covered the implications of the McCloud case and the Cost Cap process in regard to the 2019 fund valuations.

The McCloud judgement ruled that the transitional protections for older members built into the judges' and firefighters pension schemes breached age and sex discrimination rules. The Government is planning an appeal. As a result, the improved scheme benefits proposed by the cost management of the LGPS have been put on hold. The improved benefits will have an impact on future scheme costs and have to proceed with the 2019 fund valuation without knowing the result, so advice was sought from SAB.

This advice sets out the proposed approach to the 2019 valuation and confirms that if there is no outcome by 31 August that the scheme benefit design to be used

should be as it is currently set out. But in setting the employer contribution rates the Administering Authority should, with their Actuary, consider the additional allowance to be made.

**Update:** The Government has been refused permission to appeal the ruling in the McCloud case. The matter will now be referred back to the Employment Tribunal for a remedy hearing. This could take 12 months or longer to reach a finding. It is expected that the cost cap process will be re-run taking into account the remedy and any scheme amendments.

- 8.7. Good Governance Project. Hymans Robertson have been commissioned to undertake a project for the SAB aimed at identifying issues concerning delivery of LGPS administration and governance within local authority structures. The project is intended to help and assist with the successful management of potential conflicts of interest arising between a pension fund and its parent local authority.

Hymans Robertson will provide a summary of the results at the SAB meeting in July.

## **9. Policy Consultations**

See item 8 above.

## **10. Payment of Employee and Employer Pension Contributions Policy**

- 10.1. The Payment of Employee and Employer Pension Contributions Policy was reviewed and approved.

## **11. Board Training**

The Employer Relationship Manager gave an update on training opportunities and tools available to the Board members.

- 11.1. Training Courses. Board members will be notified of any relevant training events as and when they become available. Currently the following events are available to book.

- LGPS Fundamentals Training 2019  
(3 separate days: October to December 2019 – London / Cardiff / Leeds)
- Annual LGPS Governance Conference  
(23 and 24 January 2020 – York).

Board members will be provided with full details of these courses via e-mail following the meeting. Please respond to the e-mail if you wish to be booked onto a course. If a Board member has attended the LGPS Fundamentals Training in the last couple of years, then there is no requirement for them to attend this year.

As with all training, DCPF will pay the course and travel expenses.

- 11.2. The Training Tools and Resources. Board members were provided with a copy of a Public Service self-assessment form. This is a useful way of identifying what public service pension learning a member needs, along with links to relevant information. It also includes sections where they can record and reflect on the

learning. Even if members have already completed the Public Service Toolkit, it is useful to review skills periodically and this document can help with this.

An electronic version of the form will be e-mailed to Board members following the meeting, along with links to the Public Service Toolkit On-line Learning website.

11.3. Training Logs. Board members were reminded to keep a record of any Board or pension related training they take part in, and to let Vince Elliott know. He will then update the training records DCPF keep.

## **12. Programme of Business for future meetings**

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

- Government responses to consultations
- Risk Register
- Training plan
- Accuracy of data
- Opt-out rates and why people opt out

12.2. As DCPF have a number of policy documents and reports that will need reviewing periodically, a schedule has been set up to review these at specific Board meetings during the year. This include documents such as the Terms of Reference, Administration Strategy, Risk Register, etc. A copy of this schedule will be sent with the minutes.

12.3. Subjects for future training sessions will identified by the Pensions Manager and the Employer Relationship Manager. However, if Board Members identify a particular training need, please let the team know.

## **13. Any other Business**

13.1. none.

## **14. Meeting closed at 16:10**

## **15. Date of next meeting – 24 September 2019**