

Minutes

Meeting: Local Pension Board for the Dorset County Pension Fund

Time: **14.00 pm**

Date: **Tuesday 24 September 2019**

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

Present:

Paul Kent	Interim Chairman - Member Representative
Cllr David Shortell	Employer Representative
Mary O'Sullivan	Employer Representative
Jeff Morley	Union Nominated Member Representative
Luke White	Member Representative

Officer Attendance:

Karen Gibson	Pensions Manager
David Wilkes	Service Manager for Treasury and Investments
Vince Elliott	Employer Relationship Manager (DCPF)
Aidan Dunn	Pension Fund Administrator / S151
Jim McManus	Corporate Director for Finance & Commercial

Managers, Advisors and Others Attendance:

Cllr Andy Canning	Chairman of Pension Fund Committee
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1. Apologies for Absence and Introductions

- 1.1. Advance apologies for absence were received from:
John Jones - Employer Representative
Adam Richens – Employer Representative
James Stevens – Member Representative
- 1.2. The Chairman welcomed Mary O'Sullivan who has joined the Board as an Employer Representative on behalf of the Arts University Bournemouth.
- 1.3. **Update:** Since the last meeting, John Jones has left employment with Dorset Police, so can no longer serve as an Employer Representative on the board. This means there is a vacancy for an Employer Representative.

2. Declarations of interest

- 2.1. None

3. Minutes from previous meeting

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

4. Papers from the Pension Fund Committee

The agenda of the Pension Fund Committee meeting that was held on 12 September 2019 was reviewed.

4.1. Election of Chairman. Cllr Andy Canning was elected as Chairman of the Pension Fund Committee. Peter Wharf Cllr John Beesley will continue as Dorset's representative on the Brunel Oversight Board.

4.2. The Committee had been addressed by Dr Ruth Arnold and Dr Rebecca Smith on behalf of Medact (Dorset Group), a representative body of doctors, nurses and other members of the healthcare community in Dorset. As Dorset Council and BCP Council had both declared a climate emergency, they asked the Committee to commit to divestment from those investments.

A discussion took place on fossil fuel investment, but the Committee could not agree to the request at that meeting. The investment advisor to the committee felt a blanket disinvestment from the whole sector would not distinguish between those companies who were engaging on this issue and looking to make changes, and those who were not. It was noted that the pension fund had investments in renewable sources of energy, such as wind and solar power, and that the Brunel Pension Partnership were also developing a sustainable active equities portfolio.

The Pension Fund's Investment Strategy Statement would be reviewed shortly and how best to address the concerns raised about fossil fuel investment would form part of that review.

4.3. An employer Representative asked if the Pension Fund had disinvested in any fossil fuel companies. The Service Manager for Treasury and Investments said they had not, as the priority is to generate returns on investments to ensure there is enough money to pay benefits. The Chairman added that it is also difficult to disinvest from specific companies or sectors, in practical terms, as investments are often made in pooled funds. However, he added that the Pension Fund does make positive investments in green energy.

4.4. 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. The Fund's actuary is working on a full assessment of the funding position for the triennial valuation as at 31 March 2019 with initial whole fund results expected before the end of September 2019, and individual employer results by 31 October 2019.

The value of the Fund's assets at 30 June 2019 was £3,085m, compared with £3.023m 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.

The return on investments for the last 12 months was 5.7%, which was above the discount rate of 5.4% used by the actuary in the last valuation, but below the combined benchmark return of 6.3%.

- 4.5. Investment pooling progress: As at 30 June 2019, investments valued at approximately £840m had transferred to portfolios under Brunel's management. This represented nearly 30% of the pension fund's total assets valued at £3.0bn. Further transitions expected in 2019 were Emerging Markets Equities and Global High Alpha Equities which would take assets under Brunel's management to over £1.0bn.
- 4.6. Brunel Pension Partnership's Brunel's Chief Executive Officer (CEO), Dawn Turner had resigned and would be leaving the company at the end of September 2019. Laura Chappell, Brunel's Chief Compliance and Risk Officer, would be Acting CEO until a new CEO was appointed.

The Chairman asked if the reason was known. The Service Manager for Treasury and Investments said that Dawn Turner felt her skill set was in getting a project up and running rather than the on-going running of a company and is now moving to a portfolio career. He added that a pool such as Brunel, with a number of experienced staff, is less exposed to the risk of an individual leaving than an individual fund with less staff.

5. Employer Contributions Update

- 5.1. The Service Manager for Treasury and Investments stated that all employers had paid their contributions within expected timescales.

6. Pensions Administration Report

- 6.1. Data Quality Annual Report - Each year, the quality of the Pension Fund's data is reviewed and measured. 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 Pension Fund which must be reported to The Pensions Regulator and recorded in the Fund's Annual Report. The 2019 results for both common data (items applicable to all pension schemes) and scheme specific data, (data specific to the LGPS) improved on the 2018 scores.

The overall score of tests passed for common data held was 99.3%, an improvement over the 2018 rate of 99.2%

The overall score for scheme specific data (also known as conditional data) was 98.1%, an improvement over the 2018 score of 97.7%.

This illustrates the continued work of the Fund to have a continued process of data cleansing and checking, and the close working relationship with employers to support them in providing accurate data in such a complex pension scheme. These results give confidence that the right benefits are being paid and that the 2019 Valuation results will be as accurate as possible

- 6.2. 2019 End of Year Processes - This has been the Fund's most successful year to date in terms of both data collection and quality. The team worked exceptionally hard through May and June and the processes were complete earlier than ever before.

Most employers provided good data, but 19 provided data that was below the required level. These employers will shortly receive letters outlining the

requirements of the Fund, the importance of good data, and issuing financial penalties based on key missing data items and/or late submission. These employers will be given the option to start monthly returns instead of paying the penalty

The one exception to this is an employer who continues to provide exceptionally poor data year on year. This employer has been reported to The Pensions Regulator and has received financial penalties before. They have received a lot of support from the Fund and have previously agreed to submit monthly returns, although this has proved difficult for them. This employer will receive a further financial penalty and the Fund will be meeting with them to discuss the issues further

- 6.3. Annual Benefit Illustrations (ABIs)- As a result of the early completion of the end of year process, the ABIs were issued to active members early this year on 7 August. The good quality data has resulted in the lowest ever number of ABI queries raised by members.
- 6.4. The annual newsletter went out with the ABI. This included items on the on-line member self-service website (MSS), pension scammers and how members can increase their pension.

The chairman asked about the current level of take up of MSS. The Pensions Manager said that it has stalled at around 25% of membership, but small numbers of members are joining on a daily basis.

An Employer Representative asked whether as a result of pension freedom, there is a danger that members will transfer out of the LGPS. The Pensions Manager said that not many active members transfer – they would have to opt out of the scheme to do so – it is more likely to be deferred members. To avoid members falling victims to scams we provide information on the issue to members requesting a transfer. Staff will also highlight the value of the LGPS pension and talk to people if we are worried that they are transferring out for the wrong reason. If a transfer value is greater than £30k, the member needs to confirm that they have sought financial advice.

- 6.5. Valuation 2019 - The early completion of the end of year processes, and the very high quality of scheme data, has meant that the valuation data was provided to our actuaries, Barnett Waddingham, at the earliest point ever. The Actuary has also confirmed that the data is of a very high standard.

The current uncertainty about future LGPS benefits, mainly because the McCloud judgement and Cost Management processes, which will potentially have a significant impact to the scheme, has left LGPS actuaries in a difficult position this year, unable to forecast accurately the benefits due to members.

The Pensions Manager explained that the Cost Management process would have brought improved benefits for members, but this is on hold as the cost of addressing any remedy as a result of the McCloud judgement is not yet known. If it results in increased benefits to members, it will have an impact on future scheme costs possibly resulting in increased contributions to employers. It remains possible that the scheme changes proposed by the Scheme Advisory Board (SAB) as a result of the Cost Management process will come into effect in the future and could possibly be backdated to 1 April 2019.

SAB issued guidance to actuaries which suggested the approach to be one based on the current scheme provisions, but with an element of prudence to accommodate future uncertainties

- 6.6. Key Performance Indicators (KPI). The KPI for the period 1 May 2019 to 31 July 2019 shows some areas falling below previous completion rates. However, this is in areas where the work is not as urgent, i.e. it has far less impact on members. This has been necessary to accommodate an increased workload due to the end of year processes and internal changes to processes for refunds and deferred benefits.

7. Terms of Reference

- 7.1. The updated Terms of Reference for the Local Pension Board was reviewed by the Board.
- 7.2. **Resolved:** The updated Terms of Reference for the Local Pension Board was approved by the Board.

8. Local Pension Board Conflicts of Interest Policy

- 8.1. To comply with the Pensions Regulator's Code of Practice 14 recommendations, a Conflicts of Interest Policy has been produced. This Policy sets out the procedures in place to ensure that interests are declared, potential conflicts are identified, and how any such conflicts or potential conflicts are to be managed.
- 8.2. It was asked whether examples of conflicts of interest were available. These have been included as an appendix to the policy.
- 8.3. Each Board member will be required to complete a Declaration of Interest form. These will be compiled to form a Register of Interests for the Board.
- 8.4. **Resolved:** The Conflicts of Interest Policy was reviewed and approved by the Board.
- 8.5. **Action:** The Employer Relationship Manager will provide Board members with a copy of the Declaration of Interest form. This is to be completed by Board members and returned prior to the next Board meeting.

9. Pension Board Liability Insurance

- 9.1. The Pensions Manager explained that when the Local Pension Board was set up, it was thought that the Council's Public Liability Insurance applied to members of the Board, as it does the Pension Fund Committee. However, it now seems the general opinion is that it does not.
- 9.2. Advice has been sought from a Governance Advisor, whose conclusions were that the Council should formally agree to indemnify members of the Board in the same terms as for elected members and officers.

The question is how to provide that cover - for example, whether it is possible to extend cover with the existing insurer specifically for this purpose, or to take out specific indemnity insurance for Local Pension Board members. Should any expenditure arise, it would be seen as a 'proper' charge to the fund.

The Pensions Manager is currently waiting for a response from Dorset Council.

- 9.3. An Employer Representative asked whether Board members would need to take out individual insurance themselves. The Pensions Manager confirmed that this would not be required.

10. Board Training Policy & Training Plan

- 10.1. Board members are required to have sufficient knowledge and understanding for them to be able to carry out their role properly. To help with this, the Pension Fund is putting in place a Local Pension Board Training Policy and arrangements for acquiring and retaining knowledge and understanding.

The Board were provided with a draft copy of the Policy for review, along with a draft of the training plan for 2019/20.

The Policy sets out what is required from board members, the methods of delivery of training and the methods used to monitor and record training. The Fund will also produce a training plan which outlines the training available to board members throughout the year.

- 10.2. It is important that Board members commit to participating in appropriate training events and, in addition to the Training Plan, they will be notified of any relevant training events as and when they become available.
- 10.3. **Action:** Board members to review the Local Pension Board Training Policy and provide any feedback ahead of the December meeting.
- 10.4. Training Logs: In order to identify whether the objectives of the Policy are being met, Board members will maintain a training log to record training attended. This information must be shared with the Pension Fund who will store it in a central location and compile a record of all training undertaken by the Board members.

Board members were provided with examples of the individual and Pension Board training logs.

- 10.5. **Action:** The Employer Relations manager will send out an e-mail to Board members containing the training logs, the training plan for 2019/20 and links to training resources such as the Public Service Toolkit.

11. Programme of Business for future meetings

- 11.1. It was agreed that the following items be included in future meetings
- Risk Register
 - Training Log

11.2. 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 includes documents such as the Terms of Reference, Administration Strategy, Risk Register, etc.

11.3. **Action:** A copy of the schedule will be sent with the minutes.

11.4. 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.

12. Any other Business

12.1. none.

13. Meeting closed at 15:45

14. Date of next meeting – 3 December 2019