

# Minutes

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Meeting: Local Pension Board for the Dorset County Pension Fund

Time: **2.00pm**

Date: **Wednesday 13 September 2017**

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

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**Present:**

Paul Kent	Member Representative (Vice-Chairman)
Jeff Morley	Union Nominated Member Representative
James Stevens	Member Representative
John Jones	Employer Representative

**Officer Attendance:**

Karen Gibson	Interim Pensions Benefit Manager
Richard Bates	Chief Financial Officer / Fund Administrator
Andy Smith	Group Finance Manager
David Wilkes	Finance Manager (Treasury and Investments)
Vince Elliott	Employer Relationship and Communications (DCPF)

**Managers, Advisors and Others Attendance:**

Peter Scales	Independent Governance Adviser
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**1. Apologies for Absence**

- 1.1. Apologies for absence were received from Cllr Andrew Cattaway (Chairman - Employer Representative), Adam Richens (Employer Representative) and Jason Vaughan (Employer 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 2017 and 13 September were reviewed. The Vice-Chairman suggested these were reviewed with the most recent first. This was agreed.

- 4.1. The papers from the Pension Fund Committee held on 13 September 2017 were reviewed.

- 4.1.a. Brunel Pensions Partnership Update. On 18 July 2017 the Brunel Pension Partnership formally incorporated its operating company – the Brunel Pension Partnership Limited and key leadership appointments have been made.

Progress is well ahead of most pools and Brunel Pensions Partnership are confident of making the April 2018 deadline to begin transitioning assets from the participating funds. The first drawdown of capital has been made (£300k by each fund) with a second contribution of approximately £500k to be requested in December 2017. Notice of appointment to be issued to selected Administrator and Custodian.

An Employer Representative asked how employers would see savings from the partnership. The Vice-chairman said that savings would be received through fee reductions in the future.

- 4.1.b. Fund Administrator's Report. Following the introduction of the Markets in Financial Instrument Directive 2014/65 ("MiFID II") the Pension Fund will be seeking to opt up with each of their investment managers from 'retail client' to 'elective professional client' status. If this is not in place it would restrict their ability to invest in certain areas.
- 4.1.c. The final report on the Pension Fund accounts from KPMG, the administering authority's external auditor was very positive. An employer asked whether, as a requirement, we would be changing auditors in a year's time. The Fund Administrator confirmed that this will be happening.
- 4.1.d. Other Manager Reports - Property investments. The Vice-Chairman asked whether there were any loan arrangements on the Park Plaza investment. It was confirmed that there wasn't.

- 4.2. The papers from the Pension Fund Committee held on 21 June 2017 were reviewed.

- 4.2.a. The Brunel Pensions Partnership. There will be an ongoing service charge of £1.6m of which approximately 10% will be paid by each fund in the partnership. A Member Representative asked where would any liability for fines, etc. sit. The Finance Manager said that it would ultimately sit between the 10 funds involved, as they were the shareholders.

It was also confirmed that the Local Pension Board would still be required once the Partnership is up and running.

- 4.2.b. Fund Administrators Report. This highlighted the very strong performance of the Fund's assets for the year up to 31 March 2017. The Fund was 83% funded as at March 2016, the date of the last triennial valuation by the actuary.

## 5. LGPS Administration

The Interim Pensions Benefit Manager reported on the main challenges and hot topics within LGPS administration.

- 5.1. Staff changes. Following the recent departure of the Pensions Benefit Manager, a small scale restructure, limited to the managers within the section, is being considered. The proposed new structure was shown to the Board (Appendix 1).
- 5.2. Altair Member Self-Serve. The Pensions department is planning to launch an internet and intranet based application which enables active scheme members, deferred beneficiaries, pensioners and dependants access to their own information online. A brief overview of the facility was shown to the Board (Appendix 2).
- 5.3. Overseas Existence Checks. As a fraud prevention measure, the Pension Fund is planning to commence a mortality screening process on overseas based pensioners. This will utilise a complete service offered by Western Union at a cost of £35.00 per member. A brief overview of the service was provided (Appendix 3).

The Vice-Chairman asked how much pension is paid out to overseas pensioners. The Interim Pensions Benefit Manager did not have the figure, but could find this out, look at the costs and weigh this up for the future.

- 5.4. Workflow and Key Performance Indicators. The Board were provided with the top ten KPIs for the period February to July 2017 (Appendix 4).

Overall performance was recorded as 95.76% of tasks being completed within expected timescales.

- 5.5. Backlog. The backlog of aggregation cases, which is being managed as a separate project within the section, has reduced by 438 cases in the period April to August 2017. A total of 797 cases remain.

The Interim Pensions Benefit Manager is pleased with the progress made and reassured that we are in a good position compared to most other authorities in regard to this area of work. The software providers are making improvements that should lead to a reduction in the time required to complete cases.

- 5.6. The Interim Pensions Benefit Manager gave a presentation on the key areas of challenge for LGPS administration and how the Pension section addresses them. The challenges include:

- 5.6.a. Scheme complexity - Layer upon layer of regulations, where nothing changes retrospectively so previous benefits remain relevant. Can result in some members having benefits calculated in 3 LGPS schemes.

Member Engagement is often difficult. It is hoped that the Member Self-Service portal may help improve this.

- 5.6.b. Software – Limited choice of pension software providers, in effect only really one good provider. Software is expensive and changing regulations provide a challenge for the software provider.
- 5.6.c. Aggregation (combining of ceased employment records) – A backlog built up as 2014 Scheme regulations were unworkable and there was a wait of nearly a year for guidance.
- 5.6.d. Tax Legislation – Increasingly complex legislation regarding Annual and Lifetime Allowances. It was noted that the Pension Fund need to provide this information. This is a challenge and a risk that the Scheme Advisory Board needs to look at.
- 5.6.e. Data Quality – The Vice-Chairman commented that data quality had been an issue with the recent valuation. The Interim Pensions Benefit Manager explained that the number of employers has increased over the years. The quality of this data provided by some employers and payroll providers can be an issue. As a result, the Employer Relationship team engages the employers as much as possible through employer meetings, visits, training sessions, advice etc.

An employer representative asked whether there were financial measures that could be used as an incentive to ensure good data is received. It was confirmed that the Fund can issue fines for late or poor quality data. These are outlined in the Pensions Administration Strategy.

Pension data can also be required many years after the event. This can be an issue with Data Protection. The Pension Fund works with the Data Protection Officer and software providers on this.

GMP (Guaranteed Minimum Pension) - The abolition of contracting out for defined benefit schemes in April 2016 requires schemes to reconcile their GMP liabilities. Outside companies can provide this service, but it is very expensive. An in-house team has been set up to deal with this and is on track for the December 2018 deadline.

An employer representative said that they would like to know more about how GMP affected a member's pension.

**Action:** It was requested that a report on late payment of contributions is prepared for the next meeting.

**Action:** It was agreed that Administration Report are to be added as regular items on the agenda for future meetings.

- 5.6.f. The Pensions Regulator (TPR) Code of Conduct 14 – This sets out standards expected from those responsible for the governance and administration of public sector pension schemes. Much of this forms the basis of the TPR Toolkit on-line training modules, which Board members have completed. However, it was agreed that the Board would like further information on this subject.

- 5.7. Regulatory Reform Update. The general election and Brexit has caused a delay in progress.

There will be further reform on exit payments and a new consultation is due to take place in the Autumn.

- 5.8. 50/50 option. Take up of the 50/50 option has been much lower than expected. A survey has been launched by the LGPC to find out why. Dorset's take up was around 0.5%, rather than the expected 10%.

It has also become clear that the 50/50 option is being used by high earners to reduce pension accrual and subsequent tax charges. Consideration is being given to whether this should be prevented as it was not an intended benefit of the option.

The Vice-Chairman commented that the DCPF newsletter is quite good at publicising the 50/50 option. A Member Representative said that the Unions could help publicise the benefits of the 50/50 option to those not in the scheme. He will speak to the Interim Pensions Benefit Manager after the meeting.

- 5.9. Annual Benefit Illustrations 2017. These went out on time.

## **6. Review of Board Effectiveness**

A report has been prepared by JLT based on the results of a questionnaire completed by Board members. The Board reviewed the results.

- 6.1. One recommendation was to build a training programme for the coming year to address knowledge gaps. Training courses take place at various times during the year. The Pensions Communications team will inform Board members when such opportunities arise. It was also noted that CIPFA have a template that is very useful in respect of training needs.

The Interim Pensions Benefit Manager asked whether a training log would be of use. It was agreed that this would be set up.

**Action:** Training log to be created for recording Board training activities. Board members to be notified of training activities as and when they occur.

- 6.2. A further recommendation was that an employer forum should be set up. This is already in place in the form of the PLOG (Pension Liaison Officers Group) which meets 3 times a year.

## **7. Current regulatory and guidance issues**

A report by the Independent Governance Adviser outlining a number of matters relating to statutory regulations and guidance was reviewed.

- 7.1. Annual Report and Accounts. The annual report for 2016-17 is due to be considered by the Committee at its meeting on 13 September. The annual report contains policy documents members should be aware of.

- 7.2. Website information. It was noted that Local Pension Board information on the DCPF website was out of date. This has now been updated. It is

recommended that the Board members should review the website as if they were a scheme member.

- 7.3. Implementation of new pooling arrangements. Key appointments within the Brunel Pensions Partnership have taken place recently. The Board will need to review and understand the governance report once available.
- 7.4. Revised investment guidelines. Regulations required a new Investment Strategy Statement (ISS) to be published by 1 April 2017. The Committee approved its ISS at the meeting on 1st March 2017 and it is published on the website. The Board should seek to ensure that they understand the new regulations and guidance.
- 7.5. Scheme Returns. Barnet Council has recently been fined by the Pensions Regulator for failing to submit a 2016 scheme return. The Interim Pensions Benefit Manager confirmed that DCPF had made all returns on time.

**Action:** The Vice Chairman asked if the Board could see a list of all returns that DCPF has to provide to the Pensions Regulator.

## **8. Board training arrangements**

- 8.1. 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:** A training presentation to be set up for a future Board meeting later in 2018

- 8.2. The Pensions Regulator's Toolkit is currently being revised. It is recommended that all Board members complete this on-line course. The link will be circulated to members.
- 8.3. Various training opportunities are available to Board members during the year. A Member Representative has attended a number of these and found them very useful. The Pensions Communications team will make members aware of these as they occur.
- 8.4. Suggestions for future training subjects included Data Protection, GDPR and GMP.

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

- 9.1. The following items are to be added to the agenda for future meetings.
  - Late payment of contributions report
  - Risk Register
  - Pooling and governance arrangements review
  - Brunel Pensions Partnership

## **10. Any other Business**

- 10.1. A Member Representative asked whether we can ask Asset Managers to sign up to the code of transparency. It was explained that signing up is voluntary, but the Scheme Advisory Board is monitoring this.
- 10.2. A Member Representative asked whether the Pension Board is covered by liability insurance. It is believed so, but the Group Finance Manager will check and confirm.

## **11. Meeting closed at 16:15**

## **12. Date of next meeting – 28 February 2018**