



**Dorset County  
Pension Fund**

administered by Dorset Council



# Annual Report 2021-2022

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### **Front Cover Photos**

*Main image Salterns Marina, Poole*

*Bottom, left, Portland Bill*

*Bottom, right, Maiden Newton*

# Introduction and Overview

## Chairman's Statement



This is the annual report for the year ending 31 March 2022 for the Dorset County Pension Fund ("the Fund"), a Local Government Pension Scheme (LGPS) fund administered by Dorset Council ("the Council").

This was another turbulent and uncertain year for economies and financial markets, and therefore for the Fund's investments. The first half of the year saw a strong recovery in markets following the falls in 2020-21 but the final quarter saw markets hit by growing inflationary pressures exacerbated by Russia's invasion of Ukraine and China's tough responses to new waves of Covid infections, and a growing fear of recession.

### **Asset Valuation and Investment Performance**

The value of the Fund's assets increased from £3.3bn at the end of March 2021 to £3.7bn by the end of March 2022, and the return on investments for the year was 10.1% compared to the combined benchmark return of 11.3%. Over the three years to 31 March 2022, the annualised

return on investments was 7.2% compared to the combined benchmark return of 7.3%, and over

five years the annualised return was 6.1% compared to the benchmark return of 6.6%.

### **Investment Pooling**

In response to the government's requirement for Local Government Pension Scheme (LGPS) funds to pool investments to improve efficiency and to reduce costs, Dorset is one of ten LGPS funds which formed the Brunel Pension Partnership ("Brunel"), one of eight such pools across England and Wales. As at 31 March 2022 nearly two thirds of the Fund's assets by value had transitioned to Brunel's management.

### **Decarbonisation**

In September 2020, the Committee agreed to reduce investments in high carbon emitting companies based on evidence that such an approach would deliver significantly greater reductions in the 'carbon footprint' of the Fund's investments than blanket divestment from the

fossil fuel sector, without negatively impacting investment returns.

Since this approach was agreed, significant decarbonisation has been achieved through the transition of assets to the management of Brunel. Approximately 10% of the Fund's assets are now invested in Brunel's global sustainable equities fund and all other actively managed Brunel funds are committed to a target of a 7% year on year reduction in their carbon footprint, but without detriment to long term investment returns.

### **Actuarial Valuation**

It is a statutory requirement for a valuation of all LGPS funds to be carried out every three years. The Fund's actuary, Barnett Waddingham, is set to complete the latest such triennial valuation, based on assets and liabilities as at 31 March 2022, by autumn this year.

The assets and liabilities for the pension fund as a whole and for each individual employer will be valued and then employer contribution rates set for the next three years. The aim is to set contribution rates which will result in each employer's liabilities becoming as close to fully funded as possible over the deficit recovery period.

### **Pension Fund Committee and Local Pension Board Changes**

There were no changes to the membership of the Committee during 2021-22 but in December 2021, Alan Saunders retired as Independent Investment Adviser to the Fund, replaced by Steve Tyson of

MJ Hudson. I would like to thank Alan for all his hard work, expertise and advice over many years and to welcome Steve to this key role.

Paul Kent, the chairman of the Local Pension Board, stepped down from this role in March 2022. Paul's experience and knowledge had been a great benefit to the governance of the Fund not only in this role but also in his former role as Chief Financial Officer for Dorset County Council (the administering authority for the Fund before local government reorganisation in 2019).

### **Thank you**

The success of the Fund depends upon the combined efforts of all those involved in its administration, and I would like to finish by thanking the Vice-Chairman, Councillor Peter Wharf, my fellow Committee members, Local Pension Board members and our external advisers. My thanks extend also to all the staff who support the Fund for their hard work and dedication through what has been another challenging year.

Yours sincerely,



Cllr Andy Canning  
Chairman  
Pension Fund Committee, Dorset Council

# Introduction

The Dorset County Pension Fund is part of the Local Government Pension Scheme (LGPS) (the Scheme) and is administered by Dorset Council. The Ministry of Housing, Communities and Local Government (MHCLG) sets out the framework for the Scheme in regulations that apply in England and Wales.

## The Scheme

The LGPS is one of the largest public sector pension schemes in the UK. It is a nationwide pension scheme for people working in local government or working for other types of employers participating in the scheme. The LGPS in England and Wales is administered locally through 90 local pension funds.

It is a contributory defined benefit pension scheme established under statute, which provides for the payment of benefits to employees of Dorset Council and former employees of Dorset County Council and the admitted and scheduled bodies in the Fund. The 'defined benefit' Scheme means that each year 1/49th of a members' pensionable pay (or 1/98th if a member elects to pay into the 50/50 section of the Scheme) is put into their pension account (and adjusted for cost of living at the end of the year). Separate arrangements are made for teachers, fire-fighters, and police officers.

The LGPS is funded, which means that contributions are received from both the member and employer and are then invested by the Fund. The regulations also specify the member contribution rates as a percentage of pensionable pay, with employer contribution rates being set every three years by the Fund's Actuary, Barnett Waddingham LLP. These contributions are supplemented by earnings on the Fund's investments to pay retirement benefits. However, pension benefits are set in statute and are not dependent on the returns achieved by the Fund on its investments.

A pension is usually payable from a member's normal pension age which is linked to their State Pension age (with a minimum of 65). A member could choose to retire early and take a reduced pension (between age 55 and 75) or - if a member is made redundant or retired in the interests of business efficiency (after age 55) - they could receive immediate payment of their benefits, with adjustments provided the member has met the two years vesting period.

The Scheme includes a number of options for members including the ability to pay half normal contributions in return for half the normal pension amount (the 50/50 section), boosting a pension by paying more into the Fund and exchanging some pension for tax-free cash on retirement.

The rate of contributions a member will pay is set nationally and range from 5.5% to 12.5%, dependent on a members' pay, the average contribution from employees is 6.5% nationally).

The employer contribution rates range from 10.0% to 30.1% of pensionable pay for the financial year ending 31 March 2022.

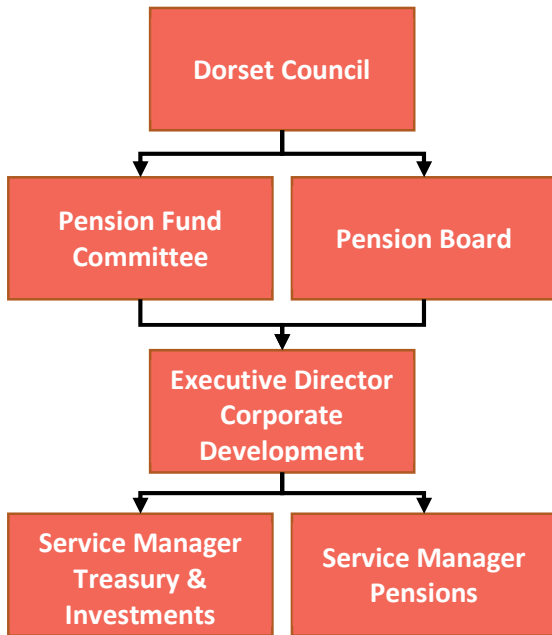
## Who runs the Dorset County Pension Fund?

### *The Administering Authority*

Dorset Council (DC, the Council) is the statutory administering authority for the Dorset County Pension Fund (DCPF, the Fund), which is responsible for the administration of the LGPS within the geographical area of Dorset and is part of the Local Government Pension Scheme (LGPS).

### *Council Structures*

Dorset Council has delegated its decision making of the pension fund to the Pension Fund Committee. The diagram below sets out the governance structure in place for the Fund.



#### *Pension Fund Committee*

In this capacity, the Council delegates the management of the Fund to the Pension Fund Committee. The Committee are responsible for making investment policy, overseeing how the scheme is run and monitoring performance.

#### *Local Pension Board*

The Local Pension Board oversees the management of the Fund. The Board helps ensure that the Fund is managed and administered effectively and efficiently and complies with guidance issued by government, the Pensions Regulator and the LGPS Advisory Board.

#### *The Fund Administrator*

The day to day running of the Fund is delegated to the Fund Administrator who is the Executive Director (Corporate Development S151) of the Council and is responsible for implementing the decisions made by the Committee.

Supporting him are the Service Manager for Pensions, whose team administers all aspects of member records, pension benefits, employer liaison, member communications, etc. and the Service Manager for Treasury and Investments, whose team looks after the accounting and management information requirements of the Fund. All aspects of the day-to-day management

of investment funds are undertaken by external fund managers.

#### **Governance**

The Committee and Board meets quarterly and has seventeen members, made up of eight Councillors, five scheme member representatives and four employer representatives. These membership arrangements have been designed to allow all key stakeholders to have the opportunity to be represented on the Committee and Board. The Committee and Board's task is to provide an efficient and effective pension scheme for all the employees and pensioners of all eligible employers in Dorset, in accordance with the requirements of the legislation for the Local Government Pension Scheme (LGPS).

#### **Pooling**

Brunel Pension Partnership is one of eight UK Local Government Pension Scheme Pools, having originally brought together more than £35 billion of investments of ten likeminded funds. Dorset County Pension Fund is a founding member of the Brunel Pension Partnership (BPP) along with nine other Pension Funds namely: -

- Avon Pension Fund
- Buckinghamshire Pension Fund
- Cornwall Pension Fund
- Devon Pension Fund
- Gloucestershire Pension Fund
- Oxfordshire Pension Fund
- Somerset Pension Fund
- The Environment Agency
- Wiltshire Pension Fund

Brunel is authorised and regulated by the Financial Conduct authority as a full-service MiFID firm.

Brunel's priority is to manage their fiduciary duties to its clients. The partnership has also made major commitments on Climate Change and Responsible Investment in line with our shared values. In this way, the aim is to help clients provide not only for their members' retirement, but for the world they retire into.

## Coronavirus Pandemic

The business continuity plans of the Dorset Pension teams were put into action in March 2020 and all aspects of managing the Fund continued to be fulfilled. The Treasury and Investment team

have continued working from home whilst the Pension Administration teams are working on a hybrid office policy.

# The Pension Fund Annual Report

Publication of this report gives the Council the opportunity to demonstrate the high standard of governance and financial management applied to the Fund. It brings together a number of separate reporting strands into one comprehensive document that enables both the public and employees to see how the Fund is managed and how well it is performing.

It is in the interest of both employees and the public that the Fund is well managed and continues to provide high returns and excellent value for money.

The Local Government Pension Scheme Regulations 2013 require administering authorities to prepare a document known as “The Pension Fund Annual Report”. The authority must publish the Pension Fund Annual Report on or before 1st December following the year end.

In 2019 CIPFA created a “Guidance for Local Government Pension Scheme Funds” creating a checklist for preparing the annual report showing disclosures that must, should and may be included in the annual report, which have been included under the following headings below. Dorset County Pension Fund has disclosed all information that must be provided, and the majority of information that should or may be disclosed.

- *Overall Fund Management* – The report must list the names and, where appropriate, contact details for the Fund Management.

- *Financial Performance* – The report must provide an overview of the fund’s financial performance, focused primarily on income, expenditure and cash flows.
- *Investment Policy and Performance* – This should demonstrate how the investment strategy statement has been put into practice during the year and how this links to the Funding Strategy Statement.
- *Scheme Administration* – A report of the arrangements made during the year for the administration of the fund.
- *Actuarial Report* – Disclosure of the current level of funding as reported by the actuary at the last triennial revaluation.
- *Governance* – Regulation 55 of the LGPS Regulations 2013 prescribes the content of the Governance Compliance Statement.
- *Fund Account, Net Assets Statements and Notes* – The report must include a fund account and a net assets statement with supporting notes and disclosures in accordance with proper accounting practices.
- *Asset Pools* – How asset pooling arrangements are progressing.
- *Pensions Administration Strategy report.*
- *Funding Strategy Statement.*
- *Investment Strategy Statement*
- *Communications Policy Statement.*
- *External Audit Opinion*
- *Other Material* - any other material which the authority considers appropriate.

## Responsible Investing

The Council has a paramount fiduciary duty to obtain the best possible financial return on Fund

investments without exposing assets to unnecessary risk. The Council believes that



following good practice in terms of social, environmental, and ethical issues is generally likely to have a favourable effect on the long-term financial performance of a company and will improve investment returns to its shareholders. The Fund investment managers, acting in the best financial interests of the Fund, are expected to

consider, amongst other factors, the effects of social, environmental and ethical issues on the performance of a company when undertaking the acquisition, retention or realisation of investments for the Fund.

## Key Information

- The value of the pension fund's assets at 31 March 2022 was £3.7 billion which rose £353.9 million (9.6%) over the year, compared to the previous year of £3.3 billion. This has been driven by rises across all listed markets after the falls in March 2020 in reaction to the impact of COVID 19. Over the last five years the value of the fund has increased by £837.3 million (22.7%).
- As at 31 March 2022, approximately 61% of the pension fund's assets were under the management of Brunel Pension Partnership.
- The Fund achieved a return on investments for the 2021-22 financial year of 10.1%, 1.2% below the benchmark return of 11.3%.
- The Fund underperformed its benchmarks over three years with a performance of 7.2% against its benchmark of 7.3%. Over five years the performance was 6.1% against a benchmark of 6.6%.
- A proportion of the pension fund's assets are held in an inflation hedging strategy, managed by Insight Investment. These assets are not held to add growth, but to match the movements in the pension fund's liabilities. As at 31 March 2022, approximately 29% of the pension fund's liabilities were hedged against inflation sensitivity through the Liability Driven Investment (LDI) mandate.
- The LGPS requires that the Fund has an actuarial valuation. The next valuation which will set updated employer rates that will commence in 2023-24 is currently being worked on. The work will be carried out collaboratively between the Fund actuary and the Fund Administrator's officers.
- The pension fund's estimated funding position at 31 December 2021 is approximately 89% - that is, assets were estimated to be 89% of the value needed pay for the expected benefits accrued to that date. This compares to 92% calculated by the pension fund's actuary following their full assessment as at 31 March 2019 for the most recent triennial valuation.
- The number of active contributors in the Fund rose from an adjusted 23,600 in 2020-21 to 27,650 in 2021-22, an increase of 17.1%, and the number of pensioners rose during 2021-22 by 0.8% to 25,302 (25,108 in 2020-21).
- Income from contributions has been gradually increasing over the past five years from £119.5M as at 31 March 2018 to £139.8M as at 31 March 2022, a rise of 17.0%. The pension benefit payments have been steadily rising over the same period from £113.2M as at 31 March 2018 to £133.7M as at 31 March 2022, a rise of 18.1%.

# Developments in the Fund in 2021-22

- £104.0M was invested in the Multi Asset Credit Brunel Neuberger Berman Investment Mutual Fund in June 2022.
- £65.0M was invested in the Brunel Diversified Returns Fund (£30m in April 2021 and £35M in July 2022).
- £34.1M was invested in the Brunel Multi Asset Credit Oaktree (Lux) III SA SICAV Mutual Fund in June 2021.
- £34.0M was invested in the Brunel CQS Global Funds Mutual Fund in June 2021.
- £18.7M was invested in the Brunel M&G Secured Income Property Mutual Fund throughout 2021-22.
- £17.0M was invested in Private Equity throughout 2021-22 through Capital Calls, whilst proceeds of £18.5M were received through Returns of Capital.
- The investment in CQS Global Funds Mutual Fund was sold off for proceeds of £155.0M in June 2021.
- Three properties were sold in 2021-22. These were as follows.
  - Tesco Superstore in Sheffield with proceeds of £11.0M in June 2021.
  - Milton Street in Glasgow with proceeds of £7.8M in July 2021; and
  - ACL House Clarendon Road in Watford with proceeds of £13.4M in March 2022.
- Federated Hermes Infrastructure received two Return of Capital in 2021-22. HIF I received sale proceeds on 4 April 2021 of £2.3M relating to Anglian Water and the sale of a 20% stake in Viridor Energy Limited of £2.0M.

# Overall Fund Management

## Administering Authority

Dorset Council, County Hall  
Dorchester, Dorset DT1 1XJ

## The Fund's Managers

The Fund is invested in Equities (UK, Overseas and Global), Corporate Bonds, Private Equity, Property and Property Funds, Diversified Growth Funds,

Multi Asset Credit, Infrastructure, Liability Driven Investments, Diversified Return Funds and Cash and Cash Equivalents. The Fund does not currently manage any fund's internally but used eight external fund managers in 2021-22 and has portfolios currently managed by the Brunel Pension Partnership of which the details are provided below.

Fund Managers	Asset Class	Address
Schroders	UK Equities	1 London Wall Place, London EC2Y 5AU
Royal London Asset Management	Bonds	55 Gracechurch Street, London EC3V 0RL
HarbourVest Partners, LLC	Private Equity	One Financial Center Boston, MA 02111
Aberdeen Standard Investments	Private Equity	6 St Andrew Square, Edinburgh EH2 2BD
CBRE Global Investors	Property	Third Floor, One New Change, London EC4M 9AF
Hermes Investment Management	Infrastructure	150 Cheapside, London EC2V 6ET
IFM Investors	Infrastructure	3rd Floor, 60 Gresham Street, London EC2V 7BB
Insight Investment Management Limited	LDI	160 Queen Victoria Street, London EC4V 4LA

Brunel Pension Partnership Portfolios	Asset Class
Passive UK Equities UK Active Equity	UK Equities
Passive Smart Beta & Hedged High Alpha Equity Emerging Market Equity	Overseas Equities
Passive Developed Equities & Hedged Global Sustainable Equities Smaller Companies Equities	Global Equities
Diversifying Returns Fund	Diversified Return Funds
CQS Global Funds Mutual Fund Oaktree (LUX) III SA SICAV Mutual Fund Neuberger Berman Investment Mutual Fund	Multi Asset Credit
M & G Secured Property Fund Aberdeen Standard Long Lease Property Fund Greencoat Renewable Income LP	Property Funds
NB PE Impact Fund NB SCIOP IV	Private Equity Co-Investment Funds
Ardian LBO Fund 07 A Vespa Capital 03 Summit Europe Growth 03	Private Equity Primary Fund

Brunel Pension Partnership Portfolios	Asset Class
Capital Dynamics Global Secondary V Feeder Alpinvest Secondaries 07	Private Equity Secondaries Fund

### Other Organisations/Individuals

Service	Name	Address
Actuary	Barnett Waddingham LLP	163 W George Street, Glasgow G2 2JJ
Auditors	Deloitte LLP	5 Callaghan Square, Cardiff CF10 5BT
AVC Providers	Prudential Plc	PO Box 2711, Reading RG1 3UL
Bankers	NatWest - Main Bankers State Street - Banker	49 South Street, Dorchester, Dorset DT1 1DW 20 Churchill Place, Canary Wharf, London E14 5HJ
Custodian	State Street Global Services	Quartermile 3, 10 Nightingale Way, Edinburgh EH3 9EG
Fund Legal Advisers	Osborne Clarke	2 Temple Back East, Temple Quay Bristol BS1 6EG
Governance Adviser	Mr Peter Scales MJ Hudson Allenbridge	8 Old Jewry, London EC2R 8DN
Independent Adviser	Mr Alan Saunders (to 11/21) Mr Steve Tyson (from 11/21)	8 Old Jewry, London EC2R 8DN
Local Government Pension Fund Pool	Brunel Pension Partnership Limited	101 Victoria Street, Bristol BS1 6PU

#### The Fund Actuary

Employee contributions are fixed by Central Government. However, the Actuary is required to set employer contribution rates to ensure benefits under the Scheme are properly funded. Although the Actuary is required to carry out a full valuation every three years, they are also required to calculate contributions rates for new employers, if membership figures change and if an employer leaves the Scheme. The Council appointed Fund Actuary is Barnett Waddingham.

#### Independent Adviser

An Independent Adviser (Alan Saunders to November 2021 and Steve Tyson from November 2021) has been appointed to support the Pension Fund Committee through reviewing investment activity, giving advice on general investment matters, assisting in the selection of new managers and carrying out independent assessments of compliance against other benchmarks that the Fund's performance is measured against, and offer a practical approach to address and control risk.

#### External Auditor

Deloitte have been appointed as external auditors for Dorset Council and the Dorset County Pension Fund with effect from 1 April 2019.

#### Custodian Services

The Fund employs State Street Bank & Trust as its global custodian, independent to the investment managers, to be responsible for the safekeeping of the Fund's assets. State Street Bank & Trust provides a wide variety of services that underpin the work of the officers of the Pension Fund and its investment managers in managing the Pension Fund's assets. The performance of the global custodian is reported to the Committee and Board on an annual basis.

The custody services provided by State Street Bank & Trust to the Fund include:

- safekeeping of the Pension Fund's assets in the various different investment managers;
- collection of income from dividends and interest;
- tax reclamation services;
- corporate action processing and proxy voting based on the instructions received by the Pension Fund's investment managers;
- filing of US-based class action lawsuits;

- foreign exchange settlement to enable the Pension Fund to buy and sell assets in foreign currencies;
- stock lending;
- reporting on the value of pension Fund's assets and the investment performance of the Fund's investment managers.

**Internally Managed Cash**

The Pension Fund also holds cash internally as working balances and operates its own treasury management policy, which is implemented by the




County's Treasury Management Team. Working balances comprise funds required to pay pensions, to fund private equity, property investments and other managers and to pay day-to-day expenses. Surplus balances will be invested in accordance with the Treasury Management Strategy.

**Legal Adviser**

The Pension Fund uses Osborne Clarke for advice covering conveyancing, investment, and employer issues

# Contact and Further Information

For more information about the Dorset County Pension Fund, please contact our Pensions helpline on:

 (01305) 224845  
 pensionshelpline@dorsetcouncil.gov.uk  
 Dorset County Pension Fund  
County Hall  
Dorchester, Dorset  
DT1 1XJ

The helpline is manned by dedicated staff trained to assist in answering member queries, either by providing a direct and immediate response, or by setting up workflow for further investigation.

Our website contains further information relating to the LGPS. The address is as follows:  
[www.yourpension.org.uk](http://www.yourpension.org.uk)

**Alternatively, you can contact a member of the team as follows:**

Queries regarding Fund Investments and Accounts

**Mr Aidan Dunn**  
Executive Director of Corporate Development  
Aidan.dunn@dorsetcouncil.gov.uk

**Mr David Wilkes**  
Service Manager for Treasury and Investments  
Telephone Number: (01305) 224119  
Email: david.wilkes@dorsetcouncil.gov.uk

Queries regarding Benefits

**Mrs Karen Gibson**  
Pension Benefits Manager  
Telephone Number: (01305) 228524  
Email: karen.gibson@dorsetcouncil.gov.uk

# Financial Performance

## Late Contributions

In 2021-22 there were no employers who regularly paid their contributions late.

£17,609.73 of this had been recovered and £80,303.78 remained outstanding.

No amounts had been written off during the year.

## Analysis of Pension Overpayments

There was a total of £97,913.51 pension overpayments in 2021-22. As at 31 March 2022,

## Key Financial Variables

The table below outlines the Fund's performance for key financial variables for the past five years.

		2017-18	2018-19	2019-20	2020-21	2021-22
		£'M	£'M	£'M	£'M	£'M
Contributions and Benefits	Contributions & Transfers In	128.1	128.1	147.6	143.1	162.3
	Contributions Receivable	119.5	122.2	136.8	134.5	139.8
	Individual Transfers	8.6	5.9	10.8	8.6	22.5
	Benefits paid and Transfers out	-119.9	-125.8	-163.1	-139.1	-139.3
	Benefits payable	-113.2	-120.1	-127.9	-131.4	-133.7
	Payment To and On Account of Leavers	-6.7	-5.7	-35.2	-7.7	-5.6
	Management Expenses	-13.6	-14.3	-14.0	-13.0	-15.5
	<b>Total Contributions and Benefits</b>	<b>-6.2</b>	<b>-12.0</b>	<b>-29.5</b>	<b>-9.0</b>	<b>7.5</b>
Return on Investments	Return on Investments	137.6	173.7	-286.7	646.5	345.4
	Investment income	48.9	30.5	24.6	17.4	16.2
	Change in Market Value of Investments	88.7	143.2	-311.3	629.1	329.2
	<b>Total Return on Investments</b>	<b>137.6</b>	<b>173.7</b>	<b>-286.7</b>	<b>646.5</b>	<b>345.4</b>
<b>Net Increase in the Fund During the Year</b>		<b>132.2</b>	<b>161.7</b>	<b>-316.3</b>	<b>637.3</b>	<b>352.8</b>

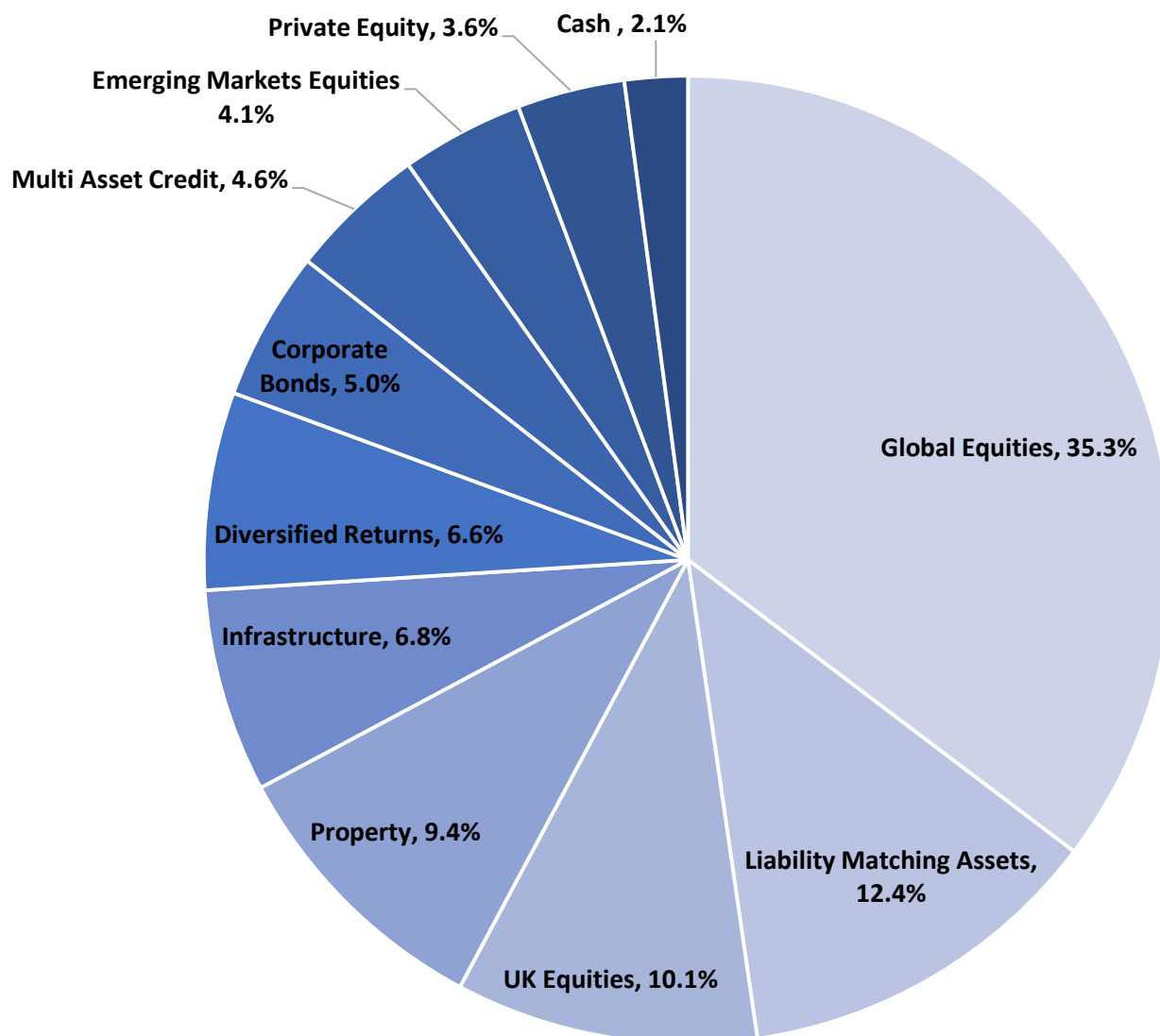
# Investment Performance

## This year's Fund information

<b>£353.9m</b> Fund Value increase	<b>£3.7bn</b> Total Fund Value	<b>9.6%</b> Fund Value Increase	<b>-1.1%</b> Underperformed Benchmark
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## Total asset distribution as at 31 March 2022

The total asset distribution of the Dorset County Pension Fund as at 31 March 2022 is shown in the chart below. These allocations are within the agreed ranges.

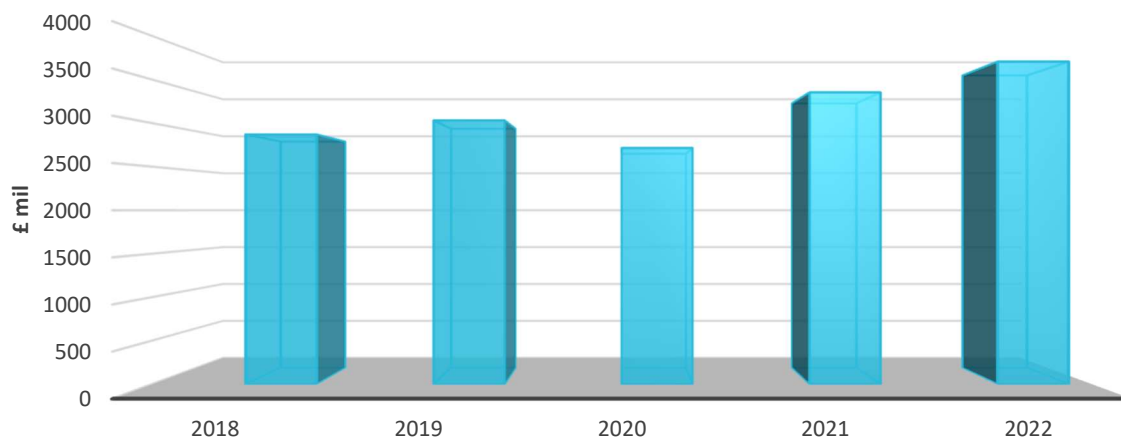




### Fund valuation (year ended 31 March 2022)

The diagram below shows the change in value of the Fund over the last five years as at 31 March.

## Valuation Over Last 5 Years (year ended 31 March)



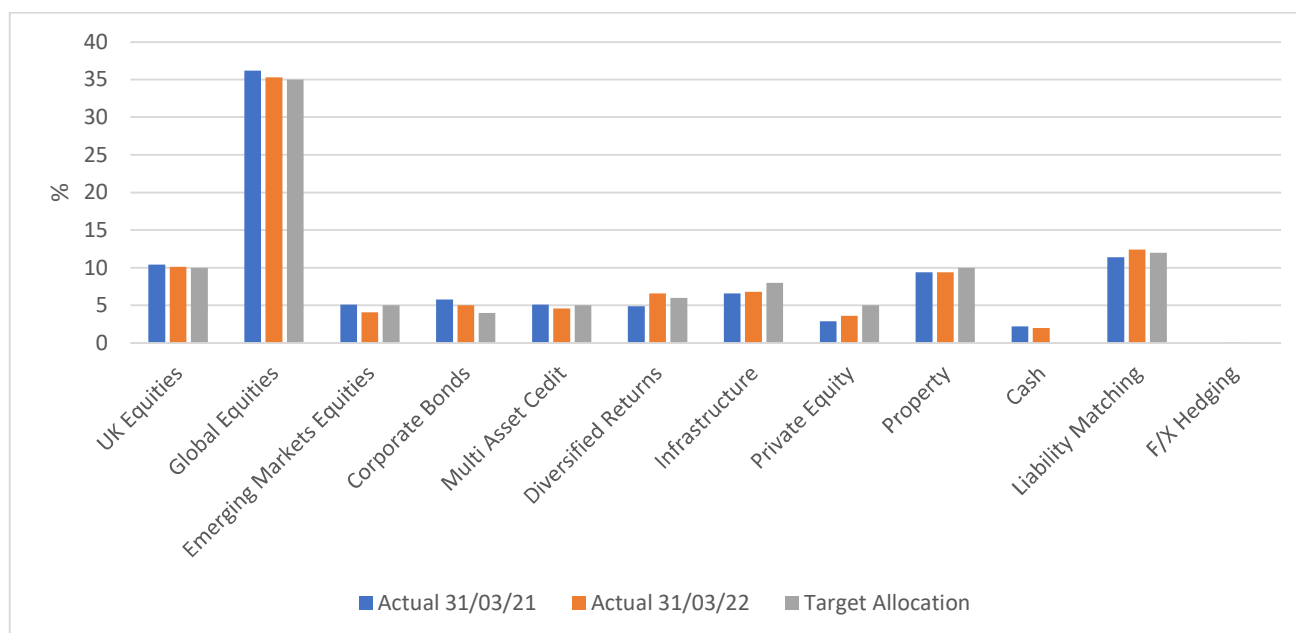
### Asset allocation

The Dorset County Pension Fund Committee is responsible for deciding the asset allocation of the fund. The table below summarises the Fund's Asset Allocation.

The main requirement in managing the Fund is to ensure adequate diversification of its assets over different asset classes. The correct balance must be struck between the desire for enhanced returns and potential 'risk' of volatility in those returns i.e. the investment policy of the Fund is aimed at maximising returns within the acceptable limits of risk. The portfolio balance needs to be regularly monitored and adjusted in line with the economic, financial and market indicators.

Asset Class	31-Mar-21		31-Mar-22		Target Allocation	
	£M	%	£M	%	£M	%
UK Equities	348.6	10.4	373.5	10.1	369.4	10.0
Global Equities	1,210.2	36.2	1,305.2	35.3	1292.8	35.0
Emerging Markets Equities	169.3	5.1	150.0	4.1	184.7	5.0
<b>Total Listed Equities</b>	<b>1,728.1</b>	<b>51.7</b>	<b>1,828.7</b>	<b>49.5</b>	<b>1846.9</b>	<b>50.0</b>
Corporate Bonds	192.3	5.8	186.0	5.0	147.7	4.0
Multi Asset Credit	170.4	5.1	169.3	4.6	184.7	5.0
Diversified Returns	164.2	4.9	243.4	6.6	221.6	6.0
Infrastructure	220.0	6.6	252.1	6.8	295.5	8.0
Private Equity	96.1	2.9	132.2	3.6	184.7	5.0
Property	313.2	9.4	345.8	9.4	369.4	10.0
Cash	74.1	2.2	74.0	2.0	0.0	0.0
F/X Hedging	0.7	0.0	3.1	0.1	0.0	0.0
<b>Total Return Seeking Assets</b>	<b>2,959.1</b>	<b>88.6</b>	<b>3,234.6</b>	<b>87.6</b>	<b>3,250.5</b>	<b>88.0</b>
Liability Matching Assets	381.3	11.4	459.0	12.4	443.2	12.0
<b>Total Asset Valuation</b>	<b>3,340.4</b>	<b>100.0</b>	<b>3,693.6</b>	<b>100.0</b>	<b>3,693.7</b>	<b>100.0</b>

The asset mix of the portfolio is shown in the diagram below



There was no target allocation for Cash as at 31 March 2022.

F/X Hedging was 0.1% on 31/03/2022 (0% on 31/03/2021). There was no target allocation for F/X Hedging as at 31 March 2022

### Investment Managers

The investment managers and their appointed portfolios are shown below, with the figures showing the percentage of the Fund's assets that each manager is responsible for based on market values as at 31 March 2022.

Manager	Asset Class	£M	%
Brunel	Overseas Equities	727.9	19.7
Brunel	Global Equities	727.4	19.7
Insight	Liability Driven Investment	459.0	12.4
Brunel	UK Equities	302.1	8.2
CBRE Global Investors	Property/Property Funds	297.1	8.0
Brunel	Diversifying Returns Fund	243.4	6.6
Royal London	Bonds	186.0	5.0
Brunel	Multi Asset Credit	169.3	4.6
IFM	Infrastructure	132.3	3.6
Hermes	Infrastructure	102.1	2.8
HarbourVest	Private Equity	76.9	2.1
Cash & Cash Equivalents	Cash & Cash Equivalents/Interest Receivables	72.6	2.0
Schroders	UK Equities	71.2	1.9
Brunel	Property Funds	48.7	1.3
Brunel	Private Equity	33.3	0.9
Aberdeen Standard	Private Equity	22.0	0.6
Brunel	Infrastructure	17.7	0.5
Derivatives	Derivatives	3.1	0.1
Investec	Overseas/UK Equities	0.6	0.0
Wellington	Overseas/UK Equities	0.5	0.0
Allianz	Overseas/UK Equities	0.4	0.0
<b>Total Assets</b>		<b>3,693.6</b>	<b>100.0</b>

### Fund Returns Achieved Over One, Three and Five Years by Asset Class

The overall performance of the pension fund's investments to 31 March 2022 is summarised below (returns for three and five years are annualised figures).

The table below sets out a more detailed analysis of the Fund's investment returns for one, three and five years, broken down by asset class and enables comparison against their specific benchmarks.

	Dorset Benchmark		Dorset Benchmark		Dorset Benchmark	
	1 year		3 years		5 years	
	%	%	%	%	%	%
<b>UK Equities</b>						
Brunel UK Active Equity	8.5	13.8	3.5	4.8	N/A	N/A
Passive UK Equities	13.2	13.0	5.4	5.3	N/A	N/A
Schroders	-4.7	5.5	11.0	11.3	8.5	6.4
<b>Overseas Equities</b>						
Brunel Emerging Market Equity	-11.5	-6.8	N/A	N/A	N/A	N/A
Brunel Global High Alpha Equity	8.8	15.9	N/A	N/A	N/A	N/A
Passive Smart Beta	14.4	14.2	11.3	11.4	N/A	N/A
Passive Smart Beta Hedged	10.5	10.4	11.0	11.0	N/A	N/A
<b>Global Equities</b>						
Brunel Global Sustainable Equities	8.2	12.9	N/A	N/A	N/A	N/A
Brunel Smaller Companies Equities	2.2	4.0	N/A	N/A	N/A	N/A
Passive Developed Equities	14.8	14.8	N/A	N/A	N/A	N/A
Passive Developed Equities Hedged	11.1	11.1	N/A	N/A	N/A	N/A
<b>Bonds</b>						
Royal London Asset Management	-3.3	-6.6	3.0	1.0	3.5	1.8
<b>Multi Asset Credit</b>						
Brunel Multi Asset Credit	-2.7	1.1	N/A	N/A	N/A	N/A
<b>Private Equity</b>						
Aberdeen Standard	31.4	13.0	13.7	5.3	12.0	4.7
Brunel Private Equity - Cycle 1	50.5	12.9	23.6	13.9	N/A	N/A
HarbourVest	79.0	13.0	34.9	5.3	25.5	4.7
<b>Property</b>						
CBRE Global Investors	19.9	16.3	6.9	4.9	7.4	6.1
<b>Property Funds</b>						
Brunel Secured Income - Cycle 1	12.8	7.0	6.3	3.1	N/A	N/A
<b>Inflation Hedging Bonds</b>						
Insight	20.4	21.2	4.6	4.8	3.7	3.7
<b>Infrastructure</b>						
Hermes Fund	10.0	10.0	6.5	10.0	6.1	10.0
IFM Fund	23.2	10.0	11.0	10.0	12.0	10.0
<b>Diversified Returns Fund</b>						
Diversifying Returns Fund	7.4	3.1	N/A	N/A	N/A	N/A
<b>Overall Fund Return</b>	<b>10.1</b>	<b>11.3</b>	<b>7.2</b>	<b>7.3</b>	<b>6.1</b>	<b>6.6</b>

### Rates of Return One Year Summary

During the year, the Fund underperformed its bespoke benchmark with a return of 10.1% compared to a benchmark of 11.3%. Positives to performance have been attributable to the three Private Equity Funds (HarbourVest, Brunel Private Equity and Aberdeen Standard) which outperformed their benchmarks by 66.0%, 37.6% and 18.4% respectively. The Infrastructure manager IFM performed well outperforming its benchmark by 13.2%

The main detractors to performance were the UK Equity manager Schroders who performed -4.7% against its benchmark of 5.5%. The Brunel Global High Alpha Equity underperformed by 7.1% and the Brunel UK Active Equity underperformed by 5.3%.

### Rates of Return Three Year Summary

Over the three-year period, the Fund returned 7.2% against its bespoke benchmark of 7.3%. Positives to performance have been attributable to the three Private Equity Funds (HarbourVest, Brunel Private Equity and Aberdeen Standard) which outperformed their benchmarks by 29.6%, 9.7% and 8.4% respectively.

### Total annual returns

The diagram below shows the total return of the Fund compared with its benchmark for each of the last ten years as at 31 March.

The main detractor to performance was the Infrastructure manager Hermes who underperformed their index by 3.5% and the Brunel UK Active Equity which underperformed by 1.3%.

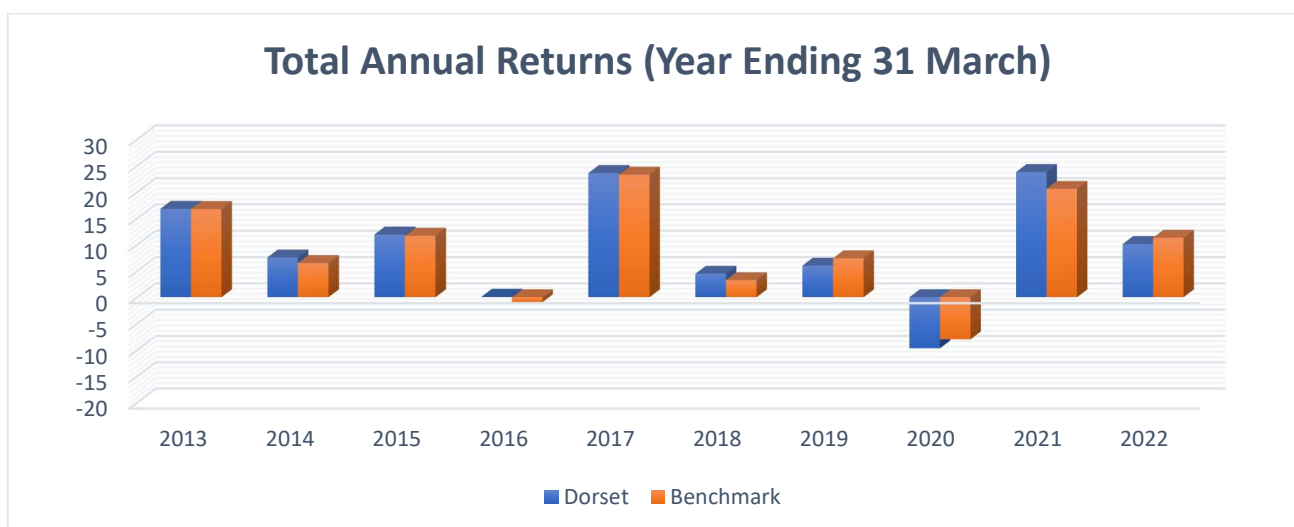
### Rates of Return-Five Year Summary

Over the five-year period, the Fund underperformed its benchmark with a return of 6.1% compared to a benchmark of 6.6%. Positives to performance were Private Equity managers HarbourVest and Aberdeen Standard who outperformed their benchmarks by 20.8% and 7.3% respectively.

Infrastructure Manager Hermes underperformed their benchmark by 3.9% over the five-year period.

### Performance Monitoring

Investment manager performance is reviewed quarterly by the Pension Fund Committee. The Committee review a comprehensive quarterly and longer period reports that includes the performance of each manager measured against their benchmark and target. Information on returns is currently provided by State Street.



## Fund Benchmarks

The Fund utilises external investment managers to undertake the day to day management of the Fund's assets. Each manager has a specific benchmark and performance target against which their performance is regularly monitored.

The table below shows the Managers of the Fund and their respective benchmarks.

Manager	Description	Benchmark Indices	Date of Appointment
Aberdeen Standard	Private Equity	FTSE All Share	2006
Brunel	Diversifying Returns Fund	SONIA Benchmark	2020
Brunel	Emerging Markets Equity	MSCI EM TR Gross	2019
Brunel	Global Equity High Alpha	MSCI World TR Gross	2019
Brunel	Global Sustainable Equities	MSCI AC World GBP Index	2020
Brunel	Multi Asset Credit	Sonia + 4%	2021
Brunel	Passive Developed Equities	FTSE World Developed	2020
Brunel	Passive Developed Equities (Hedged)	FTSE World Developed (Hedged)	2020
Brunel	Passive Smart Beta	Sci Beta Multifactor Composite	2018
Brunel	Passive Smart Beta (Hedged)	Sci Beta Multifactor Composite	2018
Brunel	Passive UK Equities	FTSE All Share	2018
Brunel	PM Private Equity - Cycle 1	MSCI AC World Index	2019
Brunel	PM Secured Income - Cycle 1	Consumer Price Index	2019
Brunel	Smaller Companies Equities	MSCI World Small Cap	2021
Brunel	UK Active Equity	FTSE All Share ex Investment Trusts	2018
CBRE	Property	MSCI Quarterly Universe	2000
HarbourVest	Private Equity	FTSE All Share	2006
Hermes	Infrastructure	10% Absolute Return	2014
IFM	Infrastructure	10% Absolute Return	2016
Insight	Liability Driven Investment	Sourced from Insight	2012
Royal London Asset Management	Corporate Bonds	iBoxx Sterling Non-Gilt over 5 Years	2007
Schroders	UK Equities	FTSE Small Cap ex Investment Trusts	2006

# Scheme Administration

## The Local Government Pension Scheme

The Local Government Pension Scheme (LGPS) has been in existence since 1922 and has developed into a comprehensive scheme providing pensions for all members and their spouses, civil partners or eligible cohabitating partners and eligible children.

The Local Government Pension Scheme is a defined benefit scheme. This means that benefits are determined by the regulations and are not affected by investment performance or market conditions.

Employees of all Local Authorities, higher and further education establishments, schools and other public bodies and service providers can join the LGPS.

The Scheme is governed by the Public Services Pension Act 2013. The fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

### How the Scheme Currently Works

The LGPS is required to be funded. Scheme funds, currently surplus to immediate pension benefit requirements, are invested in approved securities. The Fund must be sufficient to sustain future pension entitlements of past and present members. The Fund is financed by members and employers' contributions and earnings from investments.

Until 31 March 2014 the LGPS was classified as a final salary scheme whereby the annual pension and any retirement grant were paid based on the period of membership and (usually) the final twelve months pay. Benefits built up in the LGPS up to and including 31 March 2014 will continue to be calculated on a final salary basis.

With effect from 1 April 2014 the LGPS changed from a final salary scheme to a career average scheme. All benefits built up in the LGPS after 31 March 2014 will be calculated under the rules of the new career average scheme.

Our vision is to administer the DCPF successfully, in a cost-effective way, whilst meeting member expectations, and ensuring our statutory duties are met.

## The Dorset Pension Fund Local Government Pension Scheme

The LGPS in Dorset is administered by Dorset Council, and prior to 1 April 2019 by Dorset County Council. The Dorset County Pension Fund (DCPF) administration service covers over 160

active employers, and over 77,000 members. A breakdown of the scheme membership can be found on page 25.

Standard contributions for members vary from 5.5% to 12.50% depending on the members' level of pensionable pay. Employers meet the balance of the cost of the LGPS through variable employer contributions which are set by the DCPF's actuary every three years following a valuation. Employer contribution rates are shown on page 28.

Our employers are all required to use our employer portal, which enables notifications and data to be exchanged securely. This system links directly into our work flow system.

Benefits accrued up to 31 March 2014 are calculated on a final salary basis. Benefits accrued

after this date, are based on a career average basis. The main section of this scheme accrues a pension build up each year of 1/49th of pensionable pay received, with additional pension being added for each subsequent year and an adjustment to the pension build up each year in line with CPI. Alternatively, members can opt for the 50/50 section of the scheme, where they can pay 50% of the normal contribution and accrue 50% of the standard pension but still benefit from full ill health and death benefits.

The Pensions Administration Strategy is included in Appendix 2.

## Scheme Employers

Scheme employers are supported by a dedicated team, who are available to assist and support employers. In addition to the information, forms and fact sheets available on our website, regular training is provided to assist employers in understanding their role and responsibilities, and in completing the data returns required. A new employer specific website went live in September 2019 to provide better support to employers <https://dcpfemployers.org>

Employer meetings, (Pension Liaison Officers Group – PLOG), meet three times a year, and all employers are invited to attend.

Specific support is provided to employers outsourcing and new employers including a dedicated section on our website.

Full support and regular training is provided to assist employers in completing and maintaining their LGPS discretions policy, including a section on the fund website containing a full list of discretions, policy guidance and a template document

## Value for Money

The Dorset County Pension Fund (DCPF) is committed to ensuring that the administration functions represent value for money and ensuring the continued improvement of cost efficiency

where possible. Our vision is to administer the DCPF successfully, in a cost effective way, whilst meeting member expectations, and ensuring our statutory duties are met.

## Data Quality

Retaining good quality data within the Fund is paramount to ensuring effective governance and administration of members' pension records.

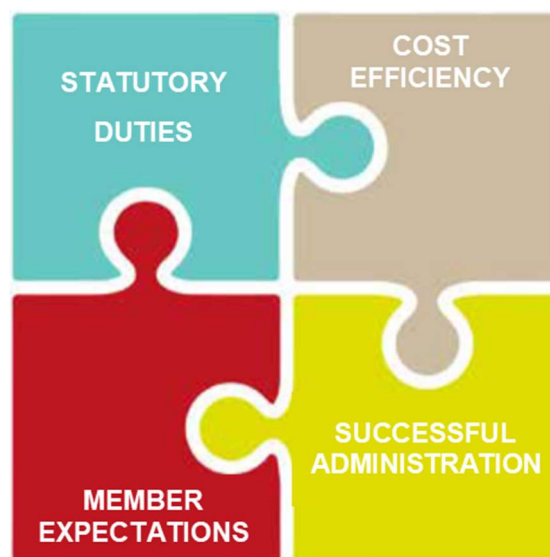
Whilst the Fund has a high level of scheme member data which is considered to be present

and accurate, it continually strives to improve its data quality.

Since 2018, the DCPF has developed a Data Improvement Plan following annual reports commissioned to examine the quality of the data held. The annual report, and subsequent improvement plans, have led to the continued improvement of our data, and currently all scheme data is in excellent condition. This comes as a continued and joint effort of both the administration team and the DCPF employers who have committed to providing accurate and timely data. Where employers have not been able to meet these requirements, financial penalties as set out in the Pensions Administration Strategy have been imposed, together with an enhanced programme of training and support.

The Pensions Regulator requires all pension schemes to report to them via the annual Scheme

Return, the data quality scores, for both common and scheme specific data.



## Performance Information

The table below shows a summary of the main task areas, our local target for completion, (Fund KPIs), the legal timescales, the number of tasks completed in each work area, plus the % completed within our target time.

This represents a section of our work only; it does not cover all work areas.

This year saw the administration team implement a completely new system. This has adversely affected our KPIs for this period, as well as adding additional challenges to the provision of consistent reports for this period. The picture below reflects this.

Process	Fund KPIs	Legal Requirement	Number of cases completed in year	% completed within Benchmark
Deaths - Calculate and notify amount of dependent's benefit	15 days	2 months	495	75.76
Estimates - Letter notifying estimate of retirement benefits	15 days	2 months	1,149	88.86
Retirements - Process and pay lump sum retirement grant (including all retirement types)	5 Days	2 months	1,685	82.67
Deferment - Calculate and notify deferred benefits	40 Days	2 months	923	73.78



Process	Fund KPIs	Legal Requirement	Number of cases completed in year	% completed within Benchmark
Transfers in - Letter detailing transfer in quote	15 Days	2 months	618	86.41
Transfers out - Letter detailing transfer out quote	10 Days	2 months	578	57.44
Refund - Process and pay a refund	15 Days	2 months	1,316	87.77
Joiners - Send notification of joining the LGPS to scheme member	30 Days	2 months	4,346	99.77
Divorce - estimates for divorce purposes processed	30 Days or 21 Days for Court Ordered Requests	3 months	162	77.16
General Correspondence	30 Days		3,439	98.95

## Communications and Member Engagement

In 2018, the DCPF launched a Member Self-Serve (MSS) facility, which enables active, deferred and pensioner members the option to change basic details, such as address, run through benefit calculations and also receive communications.

In August 2021, the member portal changed due to the change in pensions administrative software. This change has also increased the ability for users to contact the Fund, with the ability to upload documents and certificates.

The Dorset County Pension Fund has a member website, which can be found at <https://www.dorsetpensionfund.org/> . The site

contains information for members, forms, and fact sheets, as well as details covering investments and governance.

Annual Benefit Illustrations are issued each year to active and deferred members together with an annual newsletter detailing regulatory changes and key messages for members. Annual newsletters are also sent to pensioner members each year. These communications are very well received by members.

The Communication Policy Statement for the DCPF is attached at Appendix 4.

## Governance

The Local Pension Board (LPB) meets four times a year and is made up of four Employer and four Member representatives. The LPB's function is to assist the Scheme Manager, ensure compliance with the LGPS regulations and all associated legislation and to secure the effective and efficient governance and administration of the LGPS for the DCPF.

Details of the board members, Terms of reference and minutes of previous meetings can be found on our member website; -

<https://www.dorsetpensionfund.org/dorset-pension-fund/about-us/local-pension-board/>

## In-House AVC Provider

The In-House AVC provider is the Prudential. This facility allows members the option to top up their

LGPS pension provision by paying additional contributions.

## Risk Register

A Risk Register is compiled and reviewed annually in regard to the scheme administration and governance. Key risks identified and actions taken to mitigate those risks are;

- Data Protection & Cyber Security (Administration staff and systems) - Compulsory annual training, the department is covered by the policies in place to cover this by Dorset Council.
- Data Quality (administration) - Data Quality and Improvement plan in place.
- Local Pension Board - Knowledge and skills - training log and programme.
- Administration staff - knowledge and skills - training programme and qualifications.

# The LGPS 2008/2014 Schemes

The Local Government Pension Scheme had some significant changes in 2014. The table below compares the LGPS 2008 and the LGPS 2014 schemes.

Provision	LGPS 2008	LGPS 2014
Basis of the Pension	Final Salary	A Career Average Revalue Earnings scheme. Prior to 31st March 2014, the scheme was a final salary scheme).
Accrual rate	The accrual rate was 1/60th	The accrual rate is 1/49 <sup>th</sup> .
Revaluation rate (the rate of increase for accumulated pension)	Based on Final Salary	Consumer Price Index.
Normal Pension Age	65	There is no normal scheme pension age, instead each member's Normal Pension Age (NPA) will be their State Pension Age.
Employee Contribution Rates	Between 5.5% and 7.5%	Between 5.5% and 12.5%.
Opting Out	No	Members who have already or are considering opting out of the scheme can instead elect to pay half the contributions for half the pension, while still retaining the full value of other benefits. This is known as the 50/50 option.
Lump Sum Trade Off	Trade £1 of pension for £12 lump sum.	
Death in Service Lump Sum	3 x Pensionable Pay.	
Death in Service Survivor Benefits	1/160th accrual based on Tier 1 ill health pension enhancement.	
Ill Health provision	Tier 1 - Immediate payment with service enhanced to Normal Pension Age (65). Tier 2 - Immediate payment with 25% service enhancement to Normal Pension Age (65). Tier 3 - Temporary payment of pension for up to 3 years.	
Indexation of pension in Payment	CPI (RPI for pre-2011 increases)	CPI
Vesting Period	3 Months	2 Years

# Scheme Membership

Entry to the LGPS is automatic for all employees under the age of 75 and with a contract of employment for more than three months. Any employees with a contract for less than three months are able to elect to join the scheme. Employees who do not wish to remain in the scheme can opt out; if this is done within two years of joining they can claim a refund of the contributions they have paid. Fire fighters and teachers, who have their own pension schemes, are not entitled to be members of the LGPS.

Members who leave the scheme may transfer their accrued benefits to other approved schemes. Members who leave with less than two years membership can choose to receive a refund of their contributions (less income tax) provided they have no other LGPS benefits and, in most circumstances, have not transferred other pension benefits. New members may transfer benefits accrued with other schemes into the Fund (usually within a deadline of twelve months).

Standard contributions for members vary from 5.5% to 12.5%, depending on the members' level of pensionable pay. Employers meet the balance of the cost of the LGPS through variable employer contributions which are set by the DCPF's actuary every three years following a valuation. A valuation was undertaken as at 31 March 2019 that sets out the employers' contribution rate for the three-year period commencing 1 April 2020. Employer contribution rates are shown on page 28.

## Employees Contributions Table 2021-22

The 2021-2022 employee contribution bandings within the main and 50/50 sections of the LGPS have been confirmed and are detailed below.

There are nine salary bands with a different contribution percentage for each band. The contribution percentage a member pays is based on their actual annual pensionable salary from 1 April to 31 March each year.

Contribution Table 2021-22			
Band	Pay Bands: Actual Pensionable Pay	Contribution Rate Main Scheme %	Contribution rate 50/50 Scheme %
1	Up to £14,600	5.50	2.75
2	£14,601 to £22,900	5.80	2.90
3	£22,901 to £37,200	6.50	3.25
4	£37,201 to £47,100	6.80	3.40
5	£47,101 to £65,900	8.50	4.25
6	£65,901 to £93,400	9.90	4.95
7	£93,401 to £110,000	10.50	5.25
8	£110,001 to £165,000	11.40	5.70
9	£165,001 or more	12.50	6.25

# Scheme Benefits

Benefits built up before April 2014 also retain their protected Normal Pension Age, which for most members is 65, although certain members have a retirement age of 60 for all or part of their membership. There is an additional protection for members who were active on 31 March 2012 and were within ten years of their protected Normal Pension Age on 1 April 2012. These members will get a pension at least equal to the pension they would have received in the LGPS had it not changed on 1 April 2014, subject to meeting certain criteria.

The main section of this scheme accrues a pension build up each year of 1/49th of pensionable pay received, with additional pension being added for each subsequent year and an adjustment to the pension build up each year in line with CPI. Alternatively, members can opt for the 50/50 section of the scheme, where they can pay 50% of the normal contribution and accrue 50% of the standard pension but still benefit from full ill health and death benefits.

Pension is determined at a rate of 1/60th of final pay for each year of membership between 1 April 2008 and 31 March 2014 and 1/80th of final pay for each year of membership before 1 April 2008.

Retirement grants are based on 3/80th of final pay for each year of membership before 1 April 2008. Although an automatic lump sum is not a feature of the retirement benefits after that date, retirees have the option to take a lump sum from the scheme up to certain limits, getting £12 of tax-free lump sum for every £1 of annual (taxable) pension given up.

Where a member dies in service, a lump sum in the form of a death grant would be paid. This death grant is equal to three years' pay. Survivor's pensions are payable on the death of a scheme member to the scheme member's husband, wife, civil partner or eligible co-habiting partner at an accrual rate of 1/160th. The survivor pension for an eligible co-habiting partner only takes account

of the member's pensionable service after 5 April 1988. Children's pensions are also payable to eligible children of deceased scheme members.

In the main, benefits can be paid upon leaving to a member with at least 2 years qualifying membership in the following circumstances:

- on reaching State Pension Age, without any early retirement reductions applied;
- between the age of 55 and State Pension Age, however early retirement reductions will normally apply where someone draws their pension benefits before State Pension Age. The amount of reduction that applies depends on the individual's age, sex, length of pensionable service and the date they joined the scheme;
- at any age, if the member retires on the grounds of permanent ill-health. Three different levels of ill-health benefit are payable, depending on how soon it is judged that an individual will be able to obtain gainful employment again in future. In the case of death in service, dependants' benefits are paid even if the membership is less than 3 months.
- at the age of 55 and, if the member retires by reason of redundancy or business efficiency.

If a member leaves with at least two years membership and is not entitled to immediate payment of benefits and does not choose to transfer out their accrued benefits, deferred benefits are awarded. Deferred benefits are those which remain in the Fund and are paid when the member reaches retirement age. Such benefits are subject to inflationary increases between the date of leaving and the date of payment.

## **Pension Increase**

Deferred benefits and pensions in payment are increased each year determined by the increase in the Consumer price Index (CPI). The pension increase is effective in the first full week of each financial year and is determined by the CPI in the twelve months to the previous September. The increases are payable by the Fund and future increases are estimated at each triennial

valuation. This rate is formally announced in October each year and the CPI increase which will come into force next April has been announced as 3.1%.

Pensioners must be over the age of fifty-five or have retired on ill-health grounds to receive the increase. Those in receipt of a widow's, widower's or dependant's benefit receive the increase regardless of age.

The table opposite shows the rate of increases that have applied for the last ten years.

Year Beginning April	Rate of Increase %	Index
2022	3.1	CPI
2021	0.7	CPI
2020	1.7	CPI
2019	2.4	CPI
2018	3.0	CPI
2017	1.0	CPI
2016	0.0	CPI
2015	1.2	CPI
2014	2.7	CPI
2013	2.2	CPI

## Triennial Valuation

Every three years the Fund commissions a formal valuation from the Fund's actuary which produces two key outputs.

Firstly, it quantifies the funding level, i.e. the level to which the Fund's pension liabilities for the accrued benefits of current employees, deferred pensioners and pensions in payment are matched by the market value of the Fund's assets. A funding level of less than 100% implies that there is a deficit between the Fund's assets and liabilities at that date.

Secondly, it also sets the rate at which employers should contribute to the Fund for the following three years along with any deficit recovery payments.

## Participating Employers of the Fund

At 31 March 2022 there were 327 employers in the Pension Fund. Participating employers can be scheduled bodies or admitted bodies, as defined below:

- **Scheduled Bodies.** Employers such as the unitary council (including maintained schools) and Academies, whose employees are automatically entitled to be members of the Fund.
- **Admitted Bodies.** These are voluntary, charitable and, in certain circumstances, private sector organisations carrying out scheduled bodies' contracts, where staff can

become members of the Scheme by virtue of an Admission Agreement between the Pension Fund and the relevant body. At 31 March 2022 there were 33 admitted bodies participating in the Pension Fund.

The membership of the Scheme is analysed below over the three main categories of Active Members, Deferred Members and Pensioners.

- **Active Members:** Those in employment with the Council or one of the scheme employers making contributions to the Pension Fund.

- **Deferred Members:** Those who have left the Council or one of the Scheme employers but have not yet become entitled to receive their pension from the Scheme.
- **Pensioners:** Those who receive a pension from the Scheme (including spouses' and dependants' pension).

Scheme employers are supported by a dedicated team, who are available to assist and support employers. In addition to the information, forms and fact sheets available on our website, regular training is provided to assist employers in understanding their role and responsibilities, and in completing the data returns required.

Our employers are all required to use our employer portal, which enables notifications and data to be exchanged securely. This system links directly to the pension administration system.

Employer meetings (Pension Liaison Officers Group – PLOG), meet three times a year, and all employers are invited to attend.

Specific support is provided to employers outsourcing and new employers including a dedicated section on our website.

Full support and regular training are provided to assist employers in completing and maintaining their LGPS discretions policy, including a section on the fund website containing a full list of discretions, policy guidance and a template document at [www.yourpension.org.uk/Dorset/Employers](http://www.yourpension.org.uk/Dorset/Employers)

### Employer Contribution Rates – Year Ended 31 March 2022

The tables below show the Scheduled Bodies and Admitted Bodies Information.

The following are the employers participating in the Dorset County Pension Fund as at 31 March 2022. The contribution rates shown are the percentage of its employees' pensionable pay that each employer paid into the fund during 2021-22. The contribution rates are set at a level so as to bring the fund to 100% funding over a period of twenty-two years. The contributions received from both employers and employees during the year are also shown.

Scheduled Bodies	Number of Active Members	Number of Pensioners	Employer Contribution Rate Paid %	Employer Contributions £	Employee Contribution Rate Paid %	Employee Contributions £
<b>Principal Councils</b>						
BCP Council	5,262	7,110	16.8	27,415,656.13	6.6	8,674,571.93
Dorset Council	7,133	11,251	17.9	31,496,255.15	6.4	7,812,434.09

Scheduled Bodies	Number of Active Members	Number of Pensioners	Employer Contribution Rate Paid %	Employer Contributions £	Employee Contribution Rate Paid %	Employee Contributions £
<b>Parish and Town Councils</b>						
Aldersholt Parish Council	2	1	22.0	8,962.93	6.2	2,510.67
Arne Parish Council	1	0	22.0	994.64	5.5	248.64
Bere Regis Parish Council	1	0	22.0	2,428.80	5.5	607.20
Blandford Town Council	15	13	22.0	70,859.03	6.1	19,546.43
Bothenhampston And Walditch Parish Council	1	0	22.0	2,508.23	5.5	627.07
Bridport Town Council	22	9	22.0	103,964.33	6.3	29,948.52
Chickerell Town Council	2	0	22.0	10,429.21	6.2	2,932.00

Scheduled Bodies	Number of Active Members	Number of Pensioners	Employer Contribution Rate Paid %	Employer Contributions £	Employee Contribution Rate Paid %	Employee Contributions £
Christchurch Town Council	1	0	22.0	8,206.65	6.1	2,283.14
Colehill Parish Council	1	2	22.0	7,016.94	6.6	2,073.17
Corfe Mullen Parish Council	8	5	22.0	40,822.43	6.5	11,441.70
Crossways Parish Council	1	0	22.0	3,849.84	6.2	1,014.96
Dorchester Town Council	28	26	22.0	122,186.22	6.3	35,041.09
East Stoke Parish Council	1	0	22.0	632.04	5.5	158.40
Ferndown Town Council	3	8	22.0	19,259.66	6.5	5,688.07
Frome Valley Parish Council	1	0	22.0	353.40	5.5	88.35
Gillingham Town Council	15	9	22.0	73,705.59	6.3	20,950.76
Knightsford Parish Council	1	0	22.0	1,980.24	5.5	495.00
Lower Winterbourne Parish Council	1	0	22.0	1,212.64	5.5	303.22
Lyme Regis Town Council	20	14	22.0	98,626.06	6.1	27,223.39
Lytchett Matravers Parish Council	1	0	22.0	3,640.68	5.8	959.88
Lytchett Minster & Upton Town Council	6	2	22.0	29,281.05	6.3	8,323.98
Milborne St Andrew Parish Council	0	1	N/A	0.00	N/A	0.00
Portland Town Council	10	3	22.0	35,537.11	5.9	8,663.86
Puddletown Parish Council	1	1	22.0	1,175.87	5.5	293.94
Shaftesbury Town Council	7	6	22.0	42,901.22	6.0	11,883.60
Sherborne Town Council	19	21	22.0	87,512.31	6.3	25,148.46
St Leonards & St Ives Parish Council	2	0	22.0	7,202.76	5.9	1,928.71
Stalbridge Town Council	1	0	22.0	4,302.30	5.8	1,134.26
Sturminster Marshall Parish Council	1	0	22.0	3,020.16	5.5	755.04
Sturminster Newton Parish Council	0	2	N/A	0.00	N/A	0.00
Swanage Town Council	29	71	22.0	139,519.17	5.7	36,327.00
Toller Porcorum Parish Council	1	0	22.0	370.90	5.5	92.70
Verwood Town Council	5	1	22.0	21,656.79	6.3	6,159.01



Scheduled Bodies	Number of Active Members	Number of Pensioners	Employer Contribution Rate Paid %	Employer Contributions £	Employee Contribution Rate Paid %	Employee Contributions £
Wareham St Martin Parish Council	0	1	N/A	0.00	N/A	0.00
Wareham Town Council	8	10	22.0	48,792.42	6.9	15,199.23
West Moors Parish Council	2	1	22.0	10,446.97	6.3	2,977.63
West Parley Parish Council	1	1	22.0	4,078.36	5.8	1,075.08
Weymouth Town Council	51	4	22.0	299,911.07	6.5	89,226.84
Wimborne Minster Town Council	9	2	22.0	44,673.64	6.1	12,363.23
Wool Parish Council	2	2	22.0	3,622.30	5.8	955.02

Scheduled Bodies	Number of Active Members	Number of Pensioners	Employer Contribution Rate Paid %	Employer Contributions £	Employee Contribution Rate Paid %	Employee Contributions £
<b>Further and Higher Education Establishments</b>						
Arts Institute At Bournemouth	303	88	14.1	1,123,296.24	6.4	494,204.05
Bournemouth and Poole College	414	460	18.0	1,528,053.00	6.3	397,202.21
Bournemouth University	1,595	613	16.6	5,004,825.96	6.9	2,100,880.43
Kingston Maurward College	216	126	16.1	379,021.11	6.0	136,210.42
Westfield Arts College	137	54	21.0	387,365.57	5.9	99,090.92
Weymouth College	259	244	18.0	724,850.94	6.1	215,659.97

Scheduled Bodies	Number of Active Members	Number of Pensioners	Employer Contribution Rate Paid %	Employer Contributions £	Employee Contribution Rate Paid %	Employee Contributions £
<b>Academies and Schools</b>						
Acorn Multi Academy Trust	36	8	21.0	40,026.69	5.5	10,457.92
Ambitions Academies Trust	727	136	21.0	1,822,818.53	6.0	519,728.66
Atlantic Academy (Aspirations)	52	48	21.0	172,427.09	6.4	52,272.12
Avonbourne Academy	153	84	21.0	351,011.61	6.0	101,299.29
Bishop Of Winchester Academy	62	14	21.0	191,104.98	5.7	51,682.87
Bourne Academy	65	11	21.0	222,202.57	6.3	67,333.05
Bournemouth School Academy	46	29	21.0	152,335.56	6.3	45,414.27

Scheduled Bodies	Number of Active Members	Number of Pensioners	Employer Contribution Rate Paid %	Employer Contributions £	Employee Contribution Rate Paid %	Employee Contributions £
Bournemouth School For Girls Academy	72	36	21.0	186,944.66	6.4	56,538.56
Bovington Academy	46	1	21.0	65,723.08	5.7	17,661.58
Budmouth Academy	92	81	21.0	247,694.59	6.1	75,960.73
Burton C of E Primary School	32	2	21.0	67,802.50	5.6	16,026.24
Castleman Academy Trust	222	8	21.0	472,919.38	5.7	128,050.66
Chickerell Primary Academy	54	11	21.0	90,546.61	5.6	24,160.55
Christchurch Infant School	53	3	21.0	93,566.14	5.5	22,372.85
Coastal Learning Partnership	788	76	21.0	1,380,699.82	5.6	365,820.98
Corfe Hills School	70	79	21.0	159,725.46	6.1	45,881.92
Delta Education Trust	116	4	21.0	252,313.05	6.3	75,400.01
Diocese Salisbury Academy Trust	431	62	21.0	631,796.17	5.6	167,186.96
Dorset Studio School	29	1	21.0	66,507.15	6.2	19,806.69
Epiphany Academy	52	15	21.0	91,337.90	5.8	25,082.15
Glenmoor Academy	9	6	21.0	30,399.69	6.1	8,810.38
Greenwood Tree Academy Trust	166	21	21.0	254,029.42	5.7	69,016.26
Hamwic Education Trust	692	47	21.0	1,065,984.61	5.7	291,389.20
Heath Academy Trust	138	16	21.0	233,820.37	5.6	62,588.70
Highcliffe Academy	78	44	21.0	253,753.58	6.1	73,791.10
Highcliffe St Marks Primary School	104	18	21.0	156,849.62	5.4	36,126.00
Hill View Primary Academy (Reach)	54	11	21.0	97,451.99	5.6	26,093.26
Jewell Academy	43	0	21.0	85,832.95	5.7	22,933.91
Kingsleigh Primary School	92	9	21.0	235,402.34	5.9	65,764.37
Livingstone Academy	7	0	21.0	16,469.44	5.6	4,363.29
Lytchett Minster School	115	27	21.0	319,343.86	5.9	82,685.92
Magna Academy	55	13	21.0	143,071.84	6.2	42,105.72
Malmesbury Park Primary School (Reach)	73	15	21.0	140,818.03	5.7	38,253.77
Montacute School	98	41	21.0	216,736.60	5.6	58,784.77
Moordown St Johns Primary School	66	12	21.0	90,391.76	5.6	24,174.33
Mudford Infants School	38	3	21.0	52,295.11	5.6	12,300.83
Mudford Junior School	26	3	21.0	55,631.83	5.6	13,126.18

Scheduled Bodies	Number of Active Members	Number of Pensioners	Employer Contribution Rate Paid %	Employer Contributions £	Employee Contribution Rate Paid %	Employee Contributions £
Muscliff Primary School	89	12	21.0	159,535.51	5.8	43,836.47
Ocean Academy Poole	30	2	21.0	65,007.82	5.7	17,779.83
Parkfield School (Reach)	30	1	21.0	66,835.39	5.8	18,445.14
Parkstone Grammar School	81	36	21.0	193,768.99	6.2	56,568.98
Plymouth Cast - Bournemouth	2	8	21.0	145,288.39	5.7	38,632.05
Plymouth Cast - Dorset	331	40	21.0	217,181.65	5.6	57,622.90
Plymouth Cast - Poole	2	11	21.0	146,829.65	5.6	39,302.84
Pokesdown Academy	93	13	21.0	119,808.79	5.7	30,780.87
Poole Grammar Academy	72	50	21.0	216,565.31	6.0	62,214.03
Poole High School	126	47	21.0	394,835.11	6.0	99,576.94
Sherborne Area School's Trust	546	119	21.0	1,115,196.98	5.8	313,151.55
Somerford Primary School	40	5	21.0	83,558.08	5.8	20,688.12
St James' Academy	57	7	21.0	104,546.44	6.0	29,668.21
St Joseph's Primary School	42	0	21.0	56,265.67	5.5	13,199.26
St Mark's C of E Primary School (Septenary)	68	13	21.0	106,090.66	5.6	28,405.56
St Michael's C Of E Primary (Septenary)	69	7	21.0	162,374.03	5.5	43,513.50
St Peter RC School	162	73	21.0	397,062.13	5.8	110,367.64
Stanley Green Academy	33	2	21.0	53,171.54	5.8	14,652.41
Teach Trust	186	33	21.0	351,185.82	5.8	96,782.53
The Cornerstone Academy	70	12	21.0	141,900.20	6.1	41,090.86
The Minerva Learning Trust	204	22	21.0	304,612.01	5.8	83,962.98
The Priory C of E Primary School	25	3	21.0	51,736.96	5.6	12,355.11
The Swanage School	44	0	21.0	88,715.15	6.0	25,315.87
Twynham Academy	390	66	21.0	757,284.21	5.9	220,817.76
Wessex Multi Academy Trust	380	74	21.0	839,166.39	6.0	240,145.79
Wimborne Academy Trust	516	111	21.0	997,131.08	5.8	276,849.07
Winton Academy	79	10	21.0	218,021.53	6.1	63,455.81
Winton Primary School	2	4	21.0	108,093.79	5.7	29,432.68
Woodroffe School	53	53	21.0	197,150.97	6.1	51,054.06
Wyvern Academy	116	18	21.0	290,409.92	5.7	78,644.28

Scheduled Bodies	Number of Active Members	Number of Pensioners	Contribution Rate Paid %	Employer Contributions £	Employee Contribution Rate Paid %	Employee Contributions £
<b>Other</b>						
Bournemouth and Poole Adult Learning	118	39	21.3	304,030.22	6.0	60,538.89
Bournemouth Health	0	1	N/A	0.00	N/A	0.00
Bournemouth Hurn Airport	0	36	N/A	0.00	N/A	0.00
Bournemouth Transport (note 1)	0	192	25.0	152,337.45	6.5	607.74
Caterlink Ltd Wimborne	4	0	19.4	5,394.24	5.6	1,556.44
Caterlink Southern	4	0	18.1	6,699.83	5.7	1,988.07
Christchurch Learning Centre	4	0	23.6	17,633.53	5.8	4,337.49
Churchill (Ambitions)	10	0	20.4	9,495.98	5.5	2,560.21
Churchill (Harbourside)	4	0	14.6	2,379.63	5.5	896.46
Churchill Bourne Academy	3	0	23.6	6,754.94	5.5	1,574.25
Compass Contact Services Ltd	4	2	22.5	8,184.43	5.2	1,904.11
Dorchester Joint Burial Committee	0	1	N/A	0.00	N/A	0.00
Dorset CC Health	0	1	N/A	0.00	N/A	0.00
Dorset Council Partnership	0	1	N/A	0.00	N/A	0.00
Dorset Magistrates' Court	0	94	N/A	0.00	N/A	0.00
Energy Kidz Limited	2	0	17.7	218.75	5.5	67.96
Harrison Catering	2	0	23.8	6,004.21	5.5	1,387.53
Millbrook Healthcare Ltd (DC & W&PBC)	5	4	22.1	32,138.19	6.4	10,410.95
Police & Crime Commissioner	1544	693	17.7	7,034,541.81	6.6	2,651,602.61
Police & Crime Commissioner for Dorset	20	173	17.7	106,185.35	7.9	46,359.37
Poole Housing Partnership	106	75	16.0	512,070.64	7.5	229,935.00
Rapid Cleaning	5	0	22.6	6,990.03	5.5	1,701.21
Stour Valley Poole Partnership	104	40	17.9	516,046.95	6.5	170,365.65
The Colliton Club	1	1	25.4	2,999.22	5.5	649.45
Two Counties St Michael's	0	0	10.0	5,501.75	5.5	275.94
Wareham Joint Burial Committee	0	2	N/A	0.00	N/A	0.00

Scheduled Bodies	Number of Active Members	Number of Pensioners	Contribution Rate Paid %	Employer Contributions £	Employee Contribution Rate Paid %	Employee Contributions £
Wessex Education Shared Services	3	9	21.6	73,631.29	6.6	22,893.18
Wimborne Cemetery JMC	0	1	N/A	0.00	N/A	0.00

<b>Total Scheduled Bodies</b>	<b>26,533</b>	<b>23,374</b>		<b>96,591,323</b>		<b>28,607,275</b>
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Admitted Bodies	Number of Active Members	Number of Pensioners	Contribution Rate Paid %	Employer Contributions £	Employee Contribution Rate Paid %	Employee Contributions £
1610 Ltd	1	5	14.2	2,778.95	5.8	1,126.61
A Q S Homecare	0	12	N/A	0.00	N/A	0.00
Action for Children (note 2)	0	0	N/A	22,000.00	N/A	0.00
Addaction Ltd	0	1	N/A	0.00	N/A	0.00
Age Concern Bournemouth	1	5	24.0	1,728.92	5.5	396.24
Anglo-European College	26	35	22.0	492,885.89	6.6	40,272.01
Ansbury (note 3)	0	95	16.0	4,085,614.57	6.4	13,675.41
AP Chant Plumbing & Heating	0	2	N/A	0.00	N/A	0.00
Barnardo's	0	1	N/A	0.00	N/A	0.00
BH Live	75	74	17.5	257,745.25	6.5	89,900.62
Bournemouth Citizens Advice Bureau	0	7	N/A	0.00	N/A	0.00
Bridport Museum Trust	0	1	N/A	0.00	N/A	0.00
Care South	0	380	N/A	0.00	N/A	0.00
Care UK (note 4)	0	0	N/A	-398,000.00	N/A	0.00
Churchill Cleaning	0	2	N/A	0.00	N/A	0.00
Churchill Contract Services	0	9	N/A	0.00	N/A	0.00
Churchill Contract Services	0	1	N/A	0.00	N/A	0.00
Churchills (Poole)	0	1	N/A	0.00	N/A	0.00
Churchills Bearwood	0	2	N/A	0.00	N/A	0.00
Convex Leisure Ltd	0	2	N/A	0.00	N/A	0.00
CSCI	0	17	N/A	0.00	N/A	0.00
Cucina Restaurants Limited	14	0	29.7	51,899.01	5.7	9,925.98
DC Leisure Management Ltd	0	1	N/A	0.00	N/A	0.00
Dorset Association of Parish & Town Councils	3	6	25.0	17,230.15	6.1	4,189.60

Admitted Bodies	Number of Active Members	Number of Pensioners	Contribution Rate Paid %	Employer Contributions £	Employee Contribution Rate Paid %	Employee Contributions £
Dorset Community Action	1	32	25.0	8,660.40	6.5	2,251.68
Dorset County Museum	5	17	25.0	23,114.52	6.7	6,182.87
Dorset Lighting	0	1	N/A	0.00	N/A	0.00
East Boro Housing Trust (note 5)	1	9	N/A	0.00	N/A	0.00
East Dorset Housing Association	0	45	N/A	0.00	N/A	0.00
Expedite Complete Business Solutions Ltd	5	0	23.2	4,792.10	5.5	1,136.30
Family Action	3	0	17.9	2,920.22	6.3	744.28
Healthy Living Wessex	0	1	N/A	0.00	N/A	0.00
Horizon Homecare	4	47	27.2	12,173.79	4.5	2,010.90
HPS Services FM Ltd (Atlantic & Budmouth)	30	0	29.2	49,123.45	5.5	9,252.70
Jurassic Coast Trust	2	0	17.9	7,816.29	6.6	2,889.13
Links4Learning	0	1	N/A	0.00	N/A	0.00
Lyme Arts Community Trust	0	1	N/A	0.00	N/A	0.00
Mack Trading	0	4	N/A	0.00	N/A	0.00
Magna Housing Association Ltd	53	252	21.8	524,836.26	6.8	110,454.14
Magna Housing Group	7	35	21.2	125,188.22	6.9	15,946.14
Mouchel	0	72	N/A	0.00	N/A	0.00
Places For People	8	2	19.0	20,978.81	6.3	6,644.46
Poole Harbour Commissioners	0	6	N/A	0.00	N/A	0.00
Purbeck Housing Trust	0	15	N/A	0.00	N/A	0.00
Restorative Solutions	1	0	29.2	4,954.76	5.6	954.72
Sansum Solutions Group Limited (note 6)	1	0	N/A	0.00	N/A	0.00
Sequal Solutions Ltd	0	2	N/A	0.00	N/A	0.00
Signpost Housing Ass Ltd	0	47	N/A	0.00	N/A	0.00
Signpost Services Ltd	0	2	N/A	0.00	N/A	0.00
SLM (Weymouth) Charitable Trust	6	3	15.0	17,572.94	6.1	7,105.16
SLM Community & Leisure Blandford	12	4	14.0	21,621.20	7.2	11,114.68
SLM Community Leisure Charitable Trust	23	6	19.0	75,115.39	6.8	19,942.33
SLM Food and Beverage Ltd	0	1	N/A	0.00	N/A	0.00

Admitted Bodies	Number of Active Members	Number of Pensioners	Contribution Rate Paid %	Employer Contributions £	Employee Contribution Rate Paid %	Employee Contributions £
South Dorset Community Sports Trust	1	1	29.0	2,852.60	6.5	639.43
Sovereign Housing Association	3	51	18.1	228,531.59	11.3	30,241.35
Spectrum Housing Group	12	23	18.4	345,703.00	6.6	33,886.21
Stonewater Ltd	2	32	15.3	135,629.04	9.7	16,192.70
Synergy Housing Group	35	42	25.5	4,301,531.49	6.8	80,609.94
The Arts Development Company	3	3	22.9	14,031.27	6.0	3,348.81
Tricuro	735	434	20.8	2,668,346.75	5.9	768,396.72
Tricuro Supported Living	39	3	22.0	117,742.81	5.7	30,551.26
Wessex Water Authority	0	6	N/A	0.00	N/A	0.00
Weyco Services Ltd	5	1	18.0	25,698.18	5.7	6,759.22
Weymouth And Portland Housing Association	0	54	N/A	0.00	N/A	0.00
Weymouth Port Health	0	14	N/A	0.00	N/A	0.00

<b>Total Admitted Bodies</b>	<b>1,117</b>	<b>1,928</b>		<b>13,272,818</b>		<b>1,326,742</b>
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<b>Overall Total</b>	<b>27,650</b>	<b>25,302</b>		<b>109,864,141</b>		<b>29,934,017</b>
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## Notes

*Note 1 Bournemouth Transport went into Administration on 29 July 2022.*

*Note 2 Action for Children - Exit Credit of £22,000 on 31 March 2022.*

*Note 3 Ansbury - Includes an amount of £3,659,000 for Cessation deficit.*

*Note 4 Care UK – Includes Cessation Valuation/exit credit.*

*Note 5 East Boro Housing Trust – Outstanding deferment process for the active member at the year end and once checked/authorised the member will become deferred.*

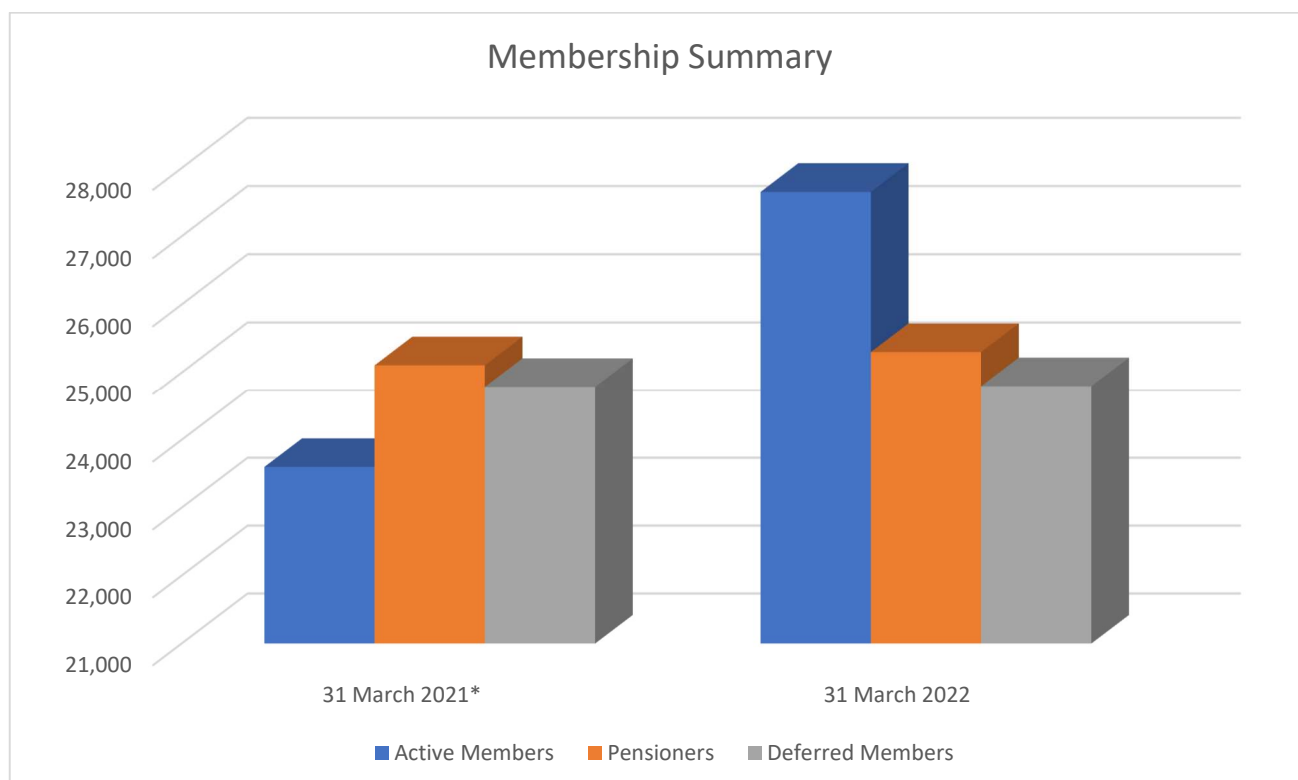
*Note 6 Sansum Solutions Group Limited – They were admitted into the scheme on 1 January 2022, the Fund is therefore expecting the employer to pay backdated contributions for the period January to March 2022 during 2022-23.*

# Other Scheme Administration Information

## Scheme Membership

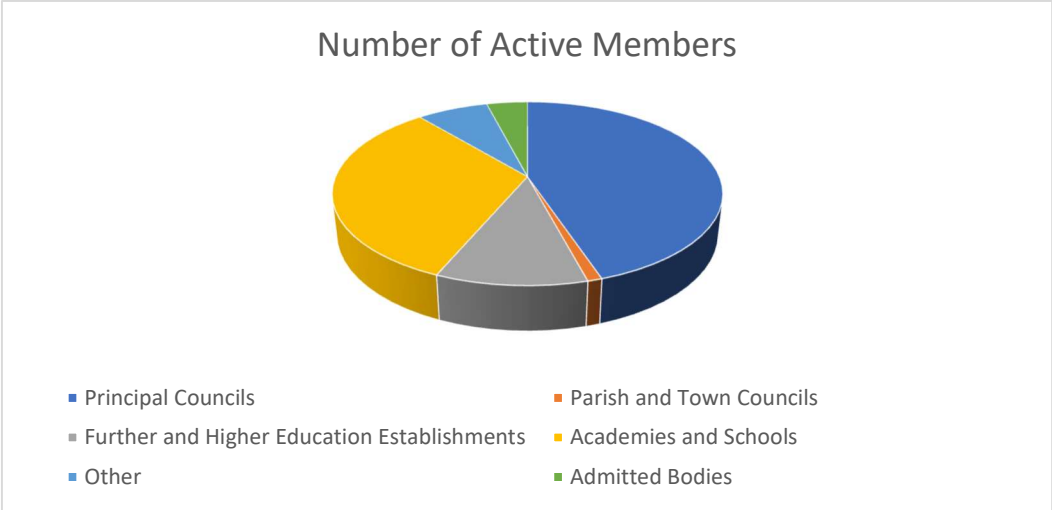
The tables and charts below show the Membership in the Fund over the last two financial years.

Membership Summary	31 March 2021*	31 March 2022	Change	Change %
Active Members	23,600	27,650	4,050	17.2
Pensioners	25,108	25,302	194	0.8
Deferred Members	24,790	24,800	10	0.0
<b>Total</b>	<b>73,498</b>	<b>77,752</b>	<b>4,254</b>	*Adjusted figures



Active Members 31 March 2022	Number of Active Members	%
Principal Councils	12,395	44.9
Parish and Town Councils	281	1.0
Further and Higher Education Establishments	2,924	10.6
Academies and Schools	8,990	32.5
Other	1,943	7.0
Admitted Bodies	1,117	4.0
<b>Total</b>	<b>27,650</b>	<b>100.0</b>



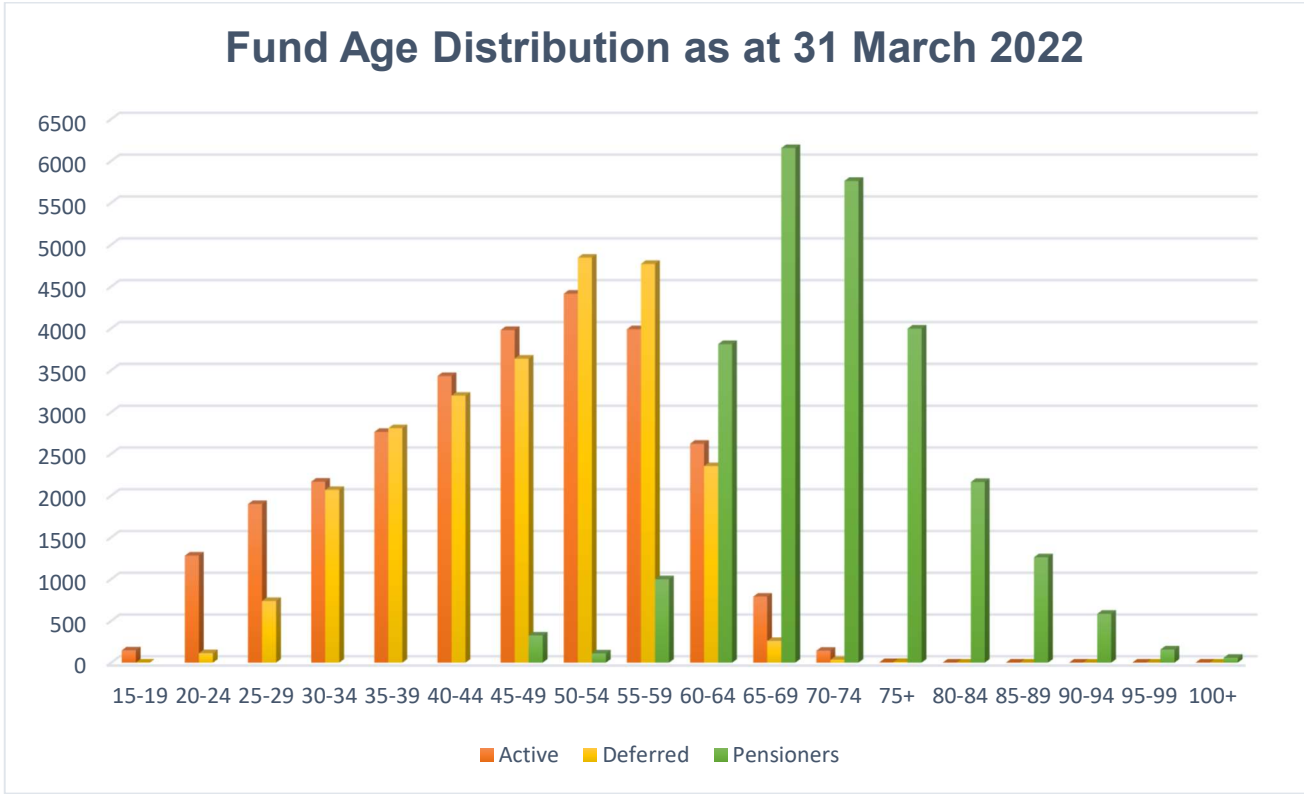


**Age Profile of Membership as at 31 March 2022**

As at 31 March 2022 the Fund had a total membership of 77,752 split into 27,650 active members, 24,800 deferred members and 25,302 pensioners. There are fifty-eight

pensioners / dependents over 100 years old (34 females and 24 males), the oldest being 109 years old as at 31 March 2022.

The chart below shows the Fund Age profile as at 31 March 2022.



### Starters and Leavers During 2021-22

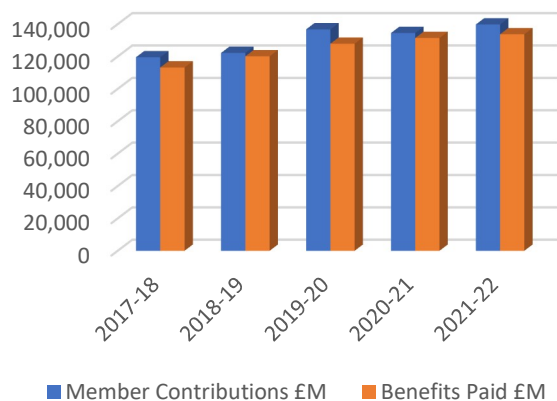
During 2021-22 there were 4,190 new starters in the Pension Fund and 5,581 that have left the scheme.

### Contributions and Benefits

The table below shows the history of contributions received and benefits paid over the last five financial years.

Year	Member Contributions £M	Benefits Paid £M
2017-18	119,537	113,223
2018-19	122,212	120,112
2019-20	136,769	127,919
2020-21	134,548	131,431
2021-22	139,798	133,759

Contributions Received and Benefits Paid  
2017-18 to 2021-22



### New Pensioners Details

The table below shows the details of new pensioners split between various categories.

New Pensioners	
Type of Retirement	Total Members
Early Retirement	521
Ill-health Retirement	46
Late Retirement	381
Normal Retirement	300
Redundancy/Efficiency	76
<b>Total</b>	<b>1,324</b>

### Scheme Administration

Dorset Council is the administering authority for the Dorset County Pension Fund and the scheme administration is the responsibility of the Fund Administrator. The costs of administering the scheme are charged to the Pension Fund.

Financial Services staff assist the Fund Administrator in his statutory duty to ensure that the Pension Scheme remains solvent and is administered effectively, adhering to the Local Government Pension Scheme Regulations in order to meet any current and future liabilities.

### Staffing

There are four teams within the Pensions and the Treasury and Investments Team; three teams which administer the Local Government Pension Scheme - the Technical Administration Teams, the Employer Relationship and Communication Team and the Systems Team. The remaining team is the Treasury and Investments Team.

The Pensions Administration team is accountable to the Pension Fund Committee, the Local Pensions Board, participating Employers and Scheme members. The team is fully committed to providing a quality service to meet the needs of the Fund's various stakeholders and to deliver excellent customer care.

The Pensions Administration Team comprises 28 full time equivalent staff who provide a wide range of services including:

- administration of the affairs of Dorset County Pension Fund;
- administration of new starters in the Scheme;
- calculation of pensions and lump sums for retiring members of the LGPS and provision of early retirement estimates;
- calculation of service credit calculations, outgoing transfer value calculations and divorce estimates for the Local Government;
- calculation of deferred pensions and refunds for early leavers;

- calculation of widows and dependants benefits for retired and active members;
- dealing with the administration of in-house AVCs and APCs;
- maintenance of the database of pension scheme members and provision of annual benefit statements and deferred benefit statements;
- undertaking the annual pension increase exercise;
- key Performance Indicators report;
- promotion and facilitation of relationships and working arrangements between Dorset Council and its Employers;
- responsible for the design, procurement and issuing of fact sheets, newsletters and guidance to scheme members and employers;
- day-to-day accounting for the Pension Fund;
- liaison with External and Internal Audit;
- preparation of the Pension Fund Accounts for inclusion in Dorset Council's Statement of Accounts;
- preparation of the Annual Report and Accounts of the Pension Fund;
- reconciliation of all Managers' purchases, sales and dividends received;
- allocation of cash to Investment Managers;
- appointment of Advisers and Actuary;
- investment of the Fund's surplus cash balances;
- liaison with Investment Managers, Advisers and Actuary;
- monitoring and review of Investment Managers, Advisers and Actuary;
- preparation of the Investment Strategy Statement and Funding Strategy Statement;
- rebalancing of Investment Managers' portfolios to their target asset allocations;
- completion of statistical and financial returns for Government and other bodies;
- co-ordination of the production of FRS102/ IAS19 information for employers;
- co-ordination of reports for Quarterly Pension Fund Committee meetings and the Pension Fund's Annual Meeting;

- liaison with the Actuary to provide information for the triennial valuation, annual accountancy disclosures and ad hoc costings for employers and prospective employers;
- preparation of Pensions Fund Committee reports relating to benefits related issues.

A team of 6 full time equivalent staff in the Treasury and Investments Team provide support to the Fund Administrator in his statutory role in relation to accounting and investment related activities for the Pension Fund, including:

- collection of employee and employer contributions to be invested into the LGPS;
- preparation of Pension Fund Committee reports relating to investments and accounting issues.

### **Communications**

The Pension Fund is committed to establishing and maintaining effective communications with its members and other interested parties. The Fund has a Communications Policy statement formalising the processes by which this will be achieved. This policy statement is available on the Fund's website at [www.yourpension.org.uk](http://www.yourpension.org.uk) and is reproduced in full on page 123.

### **General Data Protection Regulations**

The General Data Protection Regulation (GDPR) is a new set of European Union (EU) regulations which came into force on 25 May 2018. GDPR changes how organisations process and handle data, with the key aim of giving greater protection and rights to individuals. In order to administer the pension scheme, LGPS funds require various pieces of personal data provided by both the individual member and their employer.

To ensure GDPR compliance, every LGPS fund is required to update their privacy notice in line with the new requirements setting out, among other things, why certain data is held, the reason for processing the data, who they share the data with and the period for which the data will be retained.

Within the notice, members will also be provided with additional information about their rights under the legislation.

### **Equality and Diversity**

Dorset County Pension Fund has a workforce that reflects and is part of the community it serves. It is the policy of Dorset Council to ensure that all its employees are selected, trained and promoted on the basis of their ability, the requirements of the job and other similar non-discriminatory criteria. All employment decisions are based purely on relevant and objective criteria.

Dorset aim to deliver accessible, high-quality and value for money services to all our customers, without discrimination on grounds of group memberships; for example; sex, race, disability, sexual orientation, religion, belief or age.

### **Information Technology**

Dorset County Pension Fund (DCPF) requires administration software to fulfil its function of providing an efficient compliant service for Local Government Pension Scheme (LGPS) members and pensioners across 200 employers, covering a membership of over 70,000.

The LGPS regulations, The Pension Regulator, HMRC and the scheme actuaries requires the DCPF to manage the LGPS properly to ensure it has accurate, complete and up-to-date records in order to pay the correct level of benefits to its members with sufficient funding levels. In order to do this, there is the necessity to have administration software and associated software to maintain the controls and processes within the Pensions Administration Team to meet these standards.

The Pension Team's main administration system was Altair, provided under license by Aquila Heywood, the contract ceased 15th August 2021. The new contract was awarded in October 2020 to Universal Pensions Management (UPM), provided under licence by CIVICA, with an initial contract license of 7 years with the option to extend by a further 3 years.

UPM went live on 28th July 2021.

The Pension Administration System, Universal Pensions Management (UPM) delivers fully integrated functions, Pensions Administration, Case Management, Information Management and Payroll. UPM offers a fully integrated Employers and Members portal which allows Employers to submit starters, leavers and change in contracts for members via a secure electronic exchange. Members and Pensioners can register for the portal, whereby they can update personal details which automatically update their Pension record in UPM, it has the ability for members to run pension benefit estimate and access an electronic version of the Annual Benefit Statement.

Historical and current Member and Pensioner data was migrated into UPM.

The Pensions Team use an Information Management System, provided under license by Hugh Symons. This license provides an electronic view of Pension members correspondence with a secure drive for the Pensions Team.

Document images for LGPS members were migrated into UPM and destroyed by Hugh Symons. The service requirements of the Fund will remain for correspondence of non LGPS members only.

The Fund's financial data is collected from several different payroll providers and collated on the County Council's SAP system. This system is maintained in-house by Dorset Council's ICT team and includes comprehensive contingency and business continuity provisions. The payment of pensions is managed in-house by the Pension Fund, using SAP ERM System.

Formal notification has been submitted to Dorset Council; the payroll service will be administered in house by the Fund by late 2023. The payroll project will commence in September 2022 with CIVICA, Pensions and Dorset's HR/Pay.

All council staff involved in Pension Fund Administration and Investment activities

have access to the internet and the council's intranet.

The Pension Fund maintains two websites which are managed by its own officers.

The web address for the member website is **[www.dorsetpensionfund.org](http://www.dorsetpensionfund.org)**

The web address for the employer website is **[www.dcpfemployers.org](http://www.dcpfemployers.org)**

### **Benefit Statements**

The Pensions Administration Team is required each year to send annual benefits statements to its active and deferred members. The statement is intended to inform the scheme member of the value of their benefits and provide an overview of when they may become payable.

### **Performance Standards**

The Pensions Team has a number of service standards that it seeks to meet in order to ensure that it is providing an efficient and timely service to members of the LGPS. The standards are:

#### ***New Active Members***

***Membership Certificate:*** Dorset aim to issue a Membership Certificate to a new member within one month of receiving a completed notification from the member's employer.

***Transfers In:*** Dorset aim to acknowledge the member's request for transfer details and calculate the estimated benefits that a transfer value will buy and issue a quotation within 10 days of receiving details from the previous scheme and any additional essential information required from Her Majesty's Revenue & Customs. Dorset aim to request payment of the transfer value within 5 days of receiving confirmation from the member that the transfer is to proceed. Dorset aim to confirm the actual benefits purchased by the transfer value within 10 days of receiving payment from the previous scheme.

#### ***Existing Active Members***

***Annual Benefit Statements:*** Provided pay details are received from employers promptly after the year end and all information is held, Dorset will make available each year an Annual Benefit

Statement to each member showing the estimated current value of accrued benefits, the value of prospective benefits at normal retirement age, the estimated current value of death-in-service benefits and, for tax purposes the amount of Annual Allowance used by the change in benefit value since the previous year.

***Paying Extra Contributions:*** Dorset aim to provide information within 10 days of receiving a request from a member wishing to pay extra contributions.

***Retirements:*** Dorset aim to send details of the benefits payable and pay the member's tax-free cash lump sum within 10 days of receiving all of the information required from the member's employer and/or the member.

***Deaths:*** Dorset aim to send details of the benefits payable within 10 days of receiving all of the information required from the late member's employer and we will pay the lump sum death grant within 10 days of receiving Grant of Probate (or other appropriate documentation) or authorisation from two delegated officers.

***Early Leavers:*** Dorset aim to send details of the benefit options available within 30 days of receiving all of the information required from the employer.

***Refunds:*** Dorset aim to pay a refund by the end of the month following receipt of the member's formal request for payment.

***Transfers Out:*** Dorset aim to issue a quotation, guaranteed for 3 months, within 10 days of receiving the member's request and confirmation of the member's contracted-out rights from Her Majesty's Revenue & Customs (where appropriate). Dorset aim to pay a transfer value within five days of receiving confirmation from the member that the transfer is to be made and all of the information required to make payment is received.

#### ***Deferred Members***

***Annual Benefit Statements:*** Dorset aim to make available to each deferred member a Benefit

Statement by 31 August annually, showing the current value of the member's preserved benefits.

### **Members' Self Service (MSS)**

Members of the Fund can access their own pension records online, through Altair Member Self Service (My Pension). In 2018, The DCPF launched MSS facility, which enables active, deferred and pensioner members the option to change basic details, such as address, run through benefit calculations and also receive communications. This has been very successful, with approximately 34% of active members signed up for this service and 24% of deferred members.

The Dorset County Pension Fund has its own website, with information for all member types, and for employees. The site contains information, forms and fact sheets, as well as details covering investments and governance.

Annual Benefit Illustrations are issued each year to active and deferred members together with an annual newsletter detailing regulatory changes and key messages for members. Annual newsletters are also sent to pensioner members each year. These communications are very well received by members.

Provided Dorset hold an address which has been confirmed we will write to the member setting out the benefit options available to them.

### **Lifetime Allowance Frozen for five Years**

The Chancellor has announced that the standard lifetime allowance (LTA) will remain at £1,073,100 for at least the next five tax years (2021-22 to 2025-26). This freeze takes effect from 6 April 2021 and breaks the current link between the LTA and the consumer price index.

The LTA is the maximum amount of tax relieved pension savings an individual can build up over their life. A lifetime allowance tax charge is payable on the excess. Various forms of protection have been made available to provide shelter against previous reductions in the LTA, but there will be no new form of protection this time because the LTA is not reducing.

When you retire or receive a pension estimate you will be informed of your LTA amount. The LTA is most likely to affect people with significant pension savings, caused by high salaries or/ and long service.

If you are concerned about your LTA, this can be calculated using the following method:

X multiply your annual pension by 20  
+ add any lump sum  
+ add any AVC fund  
= **this will be your Lifetime Allowance**

### **Help with Pension Problems**

#### ***Internal Dispute Resolution Procedure***

From the day a person starts a job with an employer, to the day when benefits or dependant's benefits are paid, the employer and the Pension Scheme administering authority have to make decisions under the Pension Scheme rules that affect the member (or their dependants). When the member (this includes dependants) is notified of a decision they should check, as far as they can, that it is based on the correct details and that they agree with the decision.

If they are not satisfied with any decision affecting them made in relation to the Scheme, they have the right to ask for it to be looked at again under the formal complaint procedure. They also have a right to use the procedure if a decision should have been made by their employer or administering authority, but it hasn't been. The complaint procedure's official name is the "Internal Dispute Resolution Procedure" (IDRP). The following gives an overview of the IDRP process:

#### *First stage:*

If a member needs to make a formal complaint, they should make it:

- in writing, and

- normally within 6 months of the day when they were told of the decision they want to complain about.

The complaint will be considered carefully by a person nominated by the body that took the decision against which the member wishes to complain. This guide calls them the “nominated person”. That person is required to give the member their decision in writing.

If the nominated person's decision is contrary to the decision the member complained about, the employer or administering authority that made that original decision will now have to deal with your case in accordance with the nominated person's decision.

If the decision the member complained about concerned the exercise of discretion by the employer or administering authority, and the nominated person decides that the employer or administering authority should reconsider how they exercised their discretion, they will be required to reconsider their original decision.

#### *Second Stage:*

The member can ask the pension scheme administering authority to take a fresh look at the complaint in any of the following circumstances:

- the member is not satisfied with the nominated person's first-stage decision,
- the member has not received a decision or an interim letter from the nominated person, and it is 3 months since the member lodged your complaint,
- it is one month after the date by which the nominated person told the member (in an interim letter) that they would give them a decision, and they have still not received that decision.

This review would be undertaken by a person not involved in the first stage decision.

The member will need to send the appropriate administering authority their complaint in

writing. The time limits for making the complaint are set out within the IDRPs Employee’s Guide (see link below). The administering authority will consider the complaint and give you their decision in writing.

If the member is still unhappy following the administering authority's second stage decision, they can take the case to the Pensions Ombudsman provided they do so within 3 years from the date of the original decision (or lack of a decision) about which the member is complaining.

If a member approaches you because they are unhappy with a decision made please ask them to contact staff in the Pensions Administration team in the first instance as many issues can be resolved without the need to resort to the lengthy process of IDRPs. It could simply be that there is a misunderstanding of the Regulations and that the decision made is in fact correct and this can be explained to the member accordingly.

#### **The Pensions Regulator (TPR)**

The Pensions Regulator (TPR) is the public body that protects workplace pensions in the UK. They work with employers and those running pensions so that people can save safely for their retirement. Their aim to be a strong, visible regulator so that we build people's confidence in pensions.

The Pensions Regulator has responsibility for overseeing the Local Government Pension Scheme and is committed to ensuring that every fund reaches a basic level of compliance against the law and the Regulator’s Code of Practice 14 for public sector schemes.

#### **Pensions Ombudsman**

In cases where a complaint or dispute has not been satisfactorily resolved through the IDRPs, an application can be made to the pensions Ombudsman within three years of the event that gave rise to the complaint or dispute or, if later, within three years of when the individual first knew about it (or ought to have known about it).

There is discretion in certain instances for the time limit to be extended.

The Ombudsman can investigate and determine any complaint or dispute involving maladministration of the scheme or matters of fact or law and his or her decision is final and binding (unless the case is taken to the appropriate Court on a point of law). Matters where legal proceedings have already started cannot be investigated by the pensions Ombudsman.

The Pensions Ombudsman's website can be found at [www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk) or they can be contacted on 0800 917 4487. The address is:  
10 South Colonnade  
Canary Wharf  
London  
E14 4PU

### **Money Helper**

Money Helper is available at any time to assist members and beneficiaries of the scheme in connection with any pension query that they may have difficulty which they cannot resolve with the scheme administrator. Information can be found at the following:  
[www.moneyhelper.org.uk](http://www.moneyhelper.org.uk)  
Telephone No: 0800 011 3797.

### **How can I trace my pension rights?**

The Pension Tracing Service holds details of pension schemes, including the LGPS, together with relevant contact addresses. It provides a tracing service for ex-members of schemes with pension entitlements (and their survivors), who have lost touch with previous schemes. All occupational and personal pension schemes must register if the pension scheme has current members contributing to the scheme or people expecting benefits from the scheme.

If you need to use this tracing service, please write to:

Address: The Pension Tracing Service, Tyneview Park, Whitley Road, Newcastle upon Tyne, NE98 1BA  
Telephone: 0800 731 0193

Website: [www.gov.uk/find-pension-contact-details](http://www.gov.uk/find-pension-contact-details)

### **The Financial Conduct Authority (FCA)**

The FCA regulates the conduct of financial service firms and financial markets in the UK. The website provides advice and information to consumers in the avoidance of pension scams and includes a register members can check to find a suitably qualified independent financial advisor.

In writing: FCA Head Office, 12 Endeavor Square, London, E20 1JN

By telephone: 0800 111 6768

Website: <https://www.fca.org.uk/>

### **Pension Scams Pledge**

The Dorset County Pension Fund have pledged to do what we can to protect scheme members and follow the principles of the Pension Scams Industry Group (PSIG) Code of Good Practice as it applies to LGPS Funds.

Pledging to combat pension scams confirms our intent to protect our LGPS members and demonstrates that we are committed to stopping scammers in their tracks.

The Dorset County Pension Fund have committed to:

- regularly warn members about pension scams;
- encourage members asking for cash drawdown to get impartial guidance from The Pensions Advisory Service;
- get to know the warning signs of a scam and best practice for transfers by key staff completing the scams module in the Trustee Toolkit; studying and using resources on the Financial Conduct Authority (FCA) ScamSmart website. TPR scams information and the PSIG code;
- take appropriate due diligence measures by carrying out checks on pension transfers and documenting pension transfer procedures;
- clearly warning members if they insist on high-risk transfers being paid;



- report concerns about a scam to the authorities and communicate this to the scheme member.

# Actuarial Information

## Statement of the Actuary IAS26 Report

Pension accounting disclosure as at 31 March 2022. Prepared in accordance with IAS26.

### Introduction

We have been instructed by Dorset Council, the administering authority to the Dorset County Pension Fund (the Fund), to undertake pension expense calculations in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to members of the Fund as at 31 March 2022. We have taken account of current LGPS Regulations, as amended, as at the date of this report.

This report is addressed to the administering authority and its advisers; in particular, this report is likely to be of relevance to the Fund's auditor.

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings. Full details of the benefits being valued are as set out in the Regulations and summarised on the LGPS website ([www.lgpsregs.org/](http://www.lgpsregs.org/)) and the Fund's membership booklet ([www.lgpsmember.org/](http://www.lgpsmember.org/)).

This report is prepared in accordance with our understanding of IAS26 and complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100). In calculating the disclosed numbers we have adopted methods and assumptions that are consistent with IAS19.

This report should be read in conjunction with the post accounting date briefing note for disclosures as at 31 March 2022.

### Data used

We have used the following items of data which we received from the administering authority:

- 31 March 2022 – results of the latest funding valuation
- 31 March 2021 – results of the latest IAS26 report
- 31 March 2022 – Fund asset statement
- 31 March 2022 – Fund income and expenditure items (estimated where necessary) to
- 31 March 2022 – details of any new unreduced early retirement payments out to.

The data has been checked for reasonableness and we are happy that the data is sufficient for the purposes of our advice.

Although some of these data items have been estimated, we do not believe that they are likely to have a material effect on the results of this report.

We are not aware of any material changes or events since we received the data.

### Employer membership statistics

The table below summarises the membership data at 31 March 2022.

Member data summary	Number	Salaries/ Pensions £000s	Average age
Actives	23,160	455,060	47
Deferred pensioners	35,046	49,563	50
Pensioners	25,296	121,447	72

## Unfunded benefits

We have excluded any unfunded benefits as these are liabilities of employers rather than the Fund.

## Early retirements

We requested data on any early retirements in respect of the Fund from the administering authority for the year ending 31 March 2022. We have been notified of 59 new early retirements during the year which were not allowed for at the previous accounting date. The total annual pension that came into payment was £498,700.

## Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2022 is estimated to be 9.99%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for the Fund is as follows (noting that due to rounding they may not total 100%):

Asset breakdown	31 Mar 2022		31 Mar 2021	
	£000s	%	£000s	%
Equities	1,964,910	53	1,809,703	54
Liability Driven Investment	458,960	12	381,311	11
Cash	83,245	2	99,563	3
Other Bonds	185,995	5	192,357	6
Diversified Growth Fund	243,437	7	164,281	5
Property	345,765	9	313,249	9
Infrastructure	252,133	7	220,057	7
Multi Asset Credit	169,355	5	170,469	5
<b>Total</b>	<b>3,703,800</b>	<b>100</b>	<b>3,350,990</b>	<b>100</b>

## Actuarial methods and assumptions

Details of the actuarial methods and derivation of the assumptions used can be found in the 31 March 2022 briefing note issued alongside this report unless noted otherwise below. The key assumptions used are set out below.

The financial assumptions have been set with consideration of the duration of the Fund's past

service liabilities, which is estimated to be 21 years.

Post retirement mortality	31 Mar 2022	31 Mar 2021
Base table	S3PA	S3PA
Multiplier (M/F)	90% / 100%	90% / 100%
Future improvements model	CMI_2021	CMI_2020
Long-term rate of improvement	1.25% p.a.	1.25% p.a.
Smoothing parameter	7.0	7.5
Initial addition parameter	0.0% p.a.	0.5% p.a.
2020 weight parameter	5%	25%
2021 weight parameter	5%	n/a

Life expectancy from age 65 (years)		31 Mar 2022	31 Mar 2021
Retiring today	Males	22.1	23.1
	Females	24.2	24.6
Retiring in 20 years	Males	23.4	24.4
	Females	25.6	26.0

Financial assumptions	31 Mar 2022 p.a.	31 Mar 2021 p.a.	31 Mar 2020 p.a.
Discount rate	2.60%	2.00%	2.35%
Pension increases (CPI)	3.20%	2.85%	1.90%
Salary increases	4.20%	3.85%	2.90%

We have allowed for actual pension increase experience for the period from 2021-2022. This assumes that pension increases are in line with the annual pension increases set by the HM Treasury Revaluation Order.

Net pension asset in the statement of financial position as at	31 Mar 2022 £000s	31 Mar 2021 £000s	31 Mar 2020 £000s
Present value of the defined benefit obligation	6,267,323	6,281,638	4,786,543
Fair value of Fund assets (bid value)	3,703,800	3,350,990	2,713,601
<b>Net liability in balance sheet</b>	<b>2,563,523</b>	<b>2,930,648</b>	<b>2,072,942</b>

## Results

The present value of the defined benefit obligation consists of £6,156,789,000 in respect of vested obligation and £117,003,000 in respect of non-vested obligation.

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to 31 Mar 2022 £000s	Year to 31 Mar 2021 £000s
<b>Opening defined benefit obligation</b>	<b>6,281,638</b>	<b>4,786,543</b>
Current service cost	233,429	162,424
Interest cost	124,812	111,379
Change in financial assumptions	(305,037)	1,431,794
Change in demographic assumptions	(154,940)	(51,824)
Experience loss/(gain) on defined benefit obligation	170,211	(62,322)
Liabilities assumed / (extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	(115,373)	(130,306)
Past service costs, including curtailments	2,660	4,922
Contributions by Scheme participants and other employers	29,923	29,028
<b>Closing defined benefit obligation</b>	<b>6,267,323</b>	<b>6,281,638</b>

Reconciliation of opening & closing balances of the fair value of Fund assets	Year to 31 Mar 2022 £000s	Year to 31 Mar 2021 £000s
<b>Opening fair value of Fund assets</b>	<b>3,350,990</b>	<b>2,713,601</b>
Interest on assets	67,225	63,817
Return on assets less interest	267,645	571,523
Other actuarial gains/(losses)	-	-
Administration expenses	(2,692)	(2,040)
Contributions by employer	106,082	105,367
Contributions by Scheme participants and other employers	29,923	29,028
Estimated benefits paid net of transfers in	(115,373)	(130,306)
Settlement prices received / (paid)	-	-
<b>Closing fair value of Fund assets</b>	<b>3,703,800</b>	<b>3,350,990</b>

Sensitivity analysis	£000s	£000s	£000s
<b>Adjustment to discount rate</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	6,136,682	6,267,323	6,402,124
<b>Adjustment to long term salary increase</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	6,276,711	6,267,323	6,258,011
<b>Adjustment to pension increases and deferred revaluation</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	6,391,809	6,267,323	6,146,618
<b>Adjustment to life expectancy assumptions</b>	<b>+ 1 Year</b>	<b>None</b>	<b>- 1 Year</b>
Present value of total obligation	6,562,393	6,267,323	5,986,558

# Governance

## Pension Fund Committee

The Dorset County Pension Fund Committee Members as at 31 March 2022.

Dorset County Pension Fund Committee	
Committee Member	Representing
Andy Canning (Chairman)	Dorset Council
Peter Wharf (Vice Chairman)	Dorset Council
John Beesley	BCP Council
David Brown	BCP Council
Simon Christopher	Dorset Council
Bobbie Dove	BCP Council
Adrian Felgate	Scheme Member Representative
Howard Legg	Dorset Council
Mark Roberts	Dorset Council

				
<b>Councillor Andy Canning</b>	<b>Councillor Peter Wharf</b>	<b>Councillor John Beesley</b>	<b>Councillor David Brown</b>	<b>Councillor Simon Christopher</b>
Dorset Council (Chairman)	Dorset Council (Vice-Chairman)	BCP	BCP	Dorset Council
				
<b>Councillor Bobbie Dove</b>	<b>Mr Adrian Felgate</b>	<b>Councillor Howard Legg</b>	<b>Councillor Mark Roberts</b>	<b>Mr Aidan Dunn</b>
BCP	Scheme Member Representativ	Dorset Council	Dorset Council	Fund Administrator

## Committee Members Attendance

The table below summarises the meetings which have taken place including attendance by members of the Committee.

Committee Member	15 Jun 2021	08 Sept 2021	30 Nov 2021	10 Mar 2022	Total	Voting rights
Andy Canning (Chairman)	✓	✓	✓	✓	4	✓
Peter Wharf (Vice Chairman)	✓	✓	✓	✓	4	✓
Adrian Felgate	✓	✓	✓	✓	4	✓
Bobbie Dove	✓	✓	✓	X	3	✓
David Brown	✓	✓	✓	✓	4	✓
Howard Legg	✓	✓	✓	✓	4	✓
John Beesley	✓	✓	✓	✓	4	✓
Mark Roberts	✓	✓	✓	✓	4	✓
Simon Christopher	✓	✓	✓	✓	4	✓

### Committee Structure

The Council delegates the management of the Fund to the Pension Committee. A Committee of elected members, five Dorset Councillors, three Councillors representing Bournemouth, Christchurch and Poole and one voting Scheme Member representative are responsible for making investment policy, overseeing how the scheme is run and monitoring performance. The Committee is supported by an investment management expert who is not involved in the management of the Fund's Assets. The Committee meets on a quarterly basis.

### Committee Responsibilities Delegated to the Fund Administrator

The Committee delegates to the Fund Administrator the following responsibilities:

- Managing and monitoring the investment managers, consultants and custodian.
- Managing the Fund's cash assets directly held by the Administering Authority.
- Transferring assets between the Administering Authority, the investment managers and custodian.
- Accounting for all investment transactions.
- Within limits, authorising expenditure from the Fund.
- Paying the fees of the investment managers and the custodian.

- When necessary, exercising the Fund's voting rights after consulting the Chairman and Vice Chairman.
- Admitting organisations into the Pension Scheme after consulting the Chairman and Vice Chairman.

### Committee Responsibilities

The Pension Fund Committee terms of reference are set out below and the Committee is responsible for monitoring all aspects relating to the investment of the assets of the Fund as follows:

- Setting and monitoring performance objectives for the Pension Fund.
- Approval and review of the overall investment strategy of the Pension Fund.
- Approval and review of asset allocation decisions.
- Performance monitoring Investment Managers and investments.
- Appointing (and, when necessary, dismissing) Investment Managers\*.
- Appointing (and, when necessary, dismissing) Investment Consultants.
- Appointing (and, when necessary, dismissing) the Pension Fund Actuary.
- Appointing (and, when necessary, dismissing) the Pension Fund Custodian.
- Setting and approving Administering Authority discretions for the Local Government Pension Scheme.

- Agreeing and monitoring actions to address findings from any review of Pension Fund activities.
- Approval of key policies and statements:
  - Investment Strategy Statement.
  - Funding Strategy Statement.
  - Governance Compliance Statement.
  - Communications Strategy Statement.

\*This had been the responsibility of the Pension Fund Committee but as national pooling of LGPS funds progresses, this responsibility will ultimately transfer to the Brunel Pension Partnership, of which Dorset County Pension Fund is a member. The Pension Fund Committee will still retain control over the asset allocation.

#### **Governance Policy and Compliance Statement**

This statement can be found at:  
<https://www.yourpension.org.uk>

#### **Accountability and Transparency**

Pensions Committee meetings are open to members of the public.

Pensions Committee agendas and minutes are published on the Dorset County Council website at  
<https://moderngov.dorsetcouncil.gov.uk>

#### **Code of Conduct**

Councillors are required to comply with the requirements of the Localism Act 2011 regarding disclosable pecuniary interests which are to:

- Check if there is an item of business on this agenda in which you or a relevant

person has a disclosable pecuniary interest.

- Inform the Secretary to the Committee in advance about your disclosable pecuniary interest and if necessary take advice.
- Check that you have notified your interest to your own Council's Monitoring Officer (in writing) and that it has been entered in your Council's Register (if not this must be done within 28 days and you are asked to use a notification form available from the clerk).
- Disclose the interest at the meeting and in the absence of a dispensation to speak and/or vote, withdraw from any consideration of the item.

#### **Conflicts of Interest**

The Pension Fund is governed by elected members acting as trustees and the code of conduct for elected members' sets out how any conflicts of interest should be addressed.

The code includes general provisions on ethics and standards of behaviour which require elected members to treat others with respect and not to bully, intimidate or do anything to compromise the impartiality of those who work for or on behalf of the Council.

The Code also contains rules about "disclosable pecuniary interests" and sets out the action an elected member must take when they have such an interest in Council business, for instance withdrawing from the room or chamber when the matter is discussed and decided in committee, unless dispensation has been obtained from the Council's Monitoring Officer.

## The Local Pension Board for the Dorset County Pension Fund

#### **Introduction**

With effect from 1 April 2015 Dorset County Pension Fund created a Local Pension Board. The role of the board is to help the Dorset Pension Fund comply with all the legislative requirements

to ensure the scheme is being effectively and efficiently governed and managed.

The Local Pension Board helps ensure that the Fund is managed and administered effectively and

efficiently and complies with the code of practice on the governance and administration of local government pension schemes issued by the

The function of the Board as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013 is to assist the Scheme Manager;

- To secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS;
- To secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator
- To secure the effective and efficient governance and administration of the LGPS for the Dorset County Pension Fund; and
- To provide the Scheme Manager with such information as it requires to ensure that any member of the Local Pension Board or person to be appointed to the Local Pension Board does not have a conflict of interest.

Local Pension Boards are constituted entirely under the Public Service Pensions Act 2013 and are not local authority committees.

### Role of the Pension Board

The Pension Board is responsible for:

- Scrutinising the progress of actions to meet the performance objectives of the Pension Fund.
- Reviewing and monitoring the training plan of the Pensions Board and elected members and officers with delegated responsibilities for the governance, management and administration of the Pension Fund.
- Reviewing and monitoring the performance of external business partners, including the pensions administration service, the actuary, the custodian and the investment consultant.
- Reviewing and monitoring the Risk Register and risk monitoring of scheme employers.

Pension Regulator and with due regard to guidance issued by government, The Pensions Regulator and the LGPS Advisory Board.

- Reviewing the implementation of revised policies and procedures, including the administering discretions.
- Reviewing the compliance of projects commissioned by the Pension Fund Committee, including the Triennial Valuation of the Pension Fund.
- Ensuring pension rules and regulations are being complied with, when officers are making decisions on pension matters.
- Scrutinising data quality.
- Reviewing internal audit reports.
- Assisting in the development of improved customer services.
- Reviewing compliance of Investment Managers with Investment Management Agreements; and
- Reviewing progress of agreed actions to address finding from any review of the Pension Fund activities.

### The current membership of the Local Pension Board as at 31 March 2022

The Pension Board consists of 8 members and is constituted as follows

- 4 employer representatives
- 4 scheme membership representatives

The Pension Board meets four times a year.

The Local Pension Board Current Membership	
Board Member	Representing
Adam Richens (Vice Chairman)	Employer Representative (BCP Council)
John Jones	Member Representative (Retired Scheme Member)
Mary O' Sullivan	Employer Representative (Arts University Bournemouth)
Councillor David Shortell	Employer Representative (Dorset Council)
James Stevens	Scheme Member Representative
Jon Bird (prev. Jeff Morley)	Scheme Member Representative (Unison)
Julie Strange	Employer Representative (Dorset Police)



## The Local Board Members Attendance

The table below summarises the meetings which have taken place including attendance by members of the Board.

Pension Board Member	24 Jun 2021	28 Sept 2021	9 Dec 2021	23 Mar 2022	Total
Paul Kent (Chairman)	X	✓	X	✓	2
Adam Richens (Vice Chairman)	✓	X	✓	X	2
John Jones	✓	X	✓	✓	3
Jeff Morley	✓	✓	N/A	N/A	2
Mary O' Sullivan	✓	✓	✓	X	3
Councillor David Shortell	✓	✓	✓	✓	4
James Stevens	✓	✓	✓	✓	4
Julie Strange	✓	X	✓	✓	3

### Pension Board Changes

Paul Kent stepped down as the Chair in March 2022. Paul was also a Scheme Member Representative (Retired Scheme Member). Paul had been on the board for seven years and for a number of those as Chair.

Jeff Morley stepped down as a Member Representative in September 2021. Jeff had been a member of the board since 2015.

### Matters discussed by the board

During 2021-22 the following items were discussed by the board.

Standing items at each board meeting:

- LGPS Administration report, which includes Key Performance Indicators.
- Papers from the Pension Fund Committee meetings.
- Investment Update.
- Risk Register.

In addition, other subjects included:

- COVID-19 response and steps taken regarding:
  - Administration
  - Working from home
  - Employer support
  - Member Communications

- *New systems implementation.* In July 2021, Dorset County Pension Fund installed a new pensions administration system. This involved moving from the previous system provided by Aquila Heywood to a new system provided by CIVICA.
- Implementation of new Employer and Member on-line portals.
- 2022 fund valuation.
- McCloud judgement (court ruling to remove age discrimination in public service pensions) and remedy.
- Review and approve Deferred Debt Arrangement and Debt Spreading Arrangement policies. These were required due to LGPS amendments on employer contributions and flexibility on exit payments.
- Review and approve updates on Local Pension Board Conflict of Interest Policy and Local Pension Board Terms of Reference.
- Public Service Pensions cost control mechanism.
- Annual end of year processes and annual benefit statements.
- Annual allowance.
- Dorset County Pension Fund data quality report
- Board member training.

Pension Board agendas, minutes and additional reports are published on the Dorset County Pension Fund website at

[www.dorsetpensionfund.org/dorsetpension-fund/about-us/local-pensionboard/](http://www.dorsetpensionfund.org/dorsetpension-fund/about-us/local-pensionboard/)

### Scheme Compliance/Breaches

During the 2021-22 scheme year no materially significant breaches of the law were identified that required reporting to The Pensions Regulator (TPR).

There was a delay in sending out annual allowance statements to members. This was not a material breach as TPR accepts delays can happen due to system changes, but it was reported to be on the safe side.

The TPR's guidance on reporting breaches of the law can be found here:

<https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-1-reporting-breaches-of-the-law>

### Training

Dorset County Pension Fund is committed to providing training to those involved in the governance of the Fund and to ensure members have the necessary skills and knowledge to act effectively in line with their responsibilities.

The Local Pension Board Training Policy for Dorset County Pension Fund can be found on our website here:

<https://www.dorsetpensionfund.org/media/ssqltsiu/dcpf-local-pension-board-training-policy-december-2019.pdf>

### The Pensions Regulator Public Service Toolkit

All board members are required to complete the Pensions Regulator's online Public Service toolkit. The programme is split into seven separate courses designed to cover the governance and administration of public service schemes, as described in the code of practice:

<https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-14-public-service-pension-code-of-practice>

- Conflicts of interest
- Managing risk and internal controls
- Maintaining accurate member data
- Maintaining member contributions
- Providing information to members and others.
- Resolving internal disputes.
- Reporting breaches of the law.

### Training sessions and events

Various conferences and seminars organised by industry bodies such as the Local Government Association (LGA) and the Chartered Institute of Public Finance and Accountancy (CIPFA) take place during the year. Attendance at these events will count as board member training, along with bespoke sessions arranged for board meetings.

During 2021-22, many of these events were still restricted to virtual' on-line events due to COVID measures.

Events attended by board members during 2021-22 were as follows (all events were webinars):

Event	Content	Attendees
CIPFA LGPS Local Pension Boards Member Annual Full Day Event Jun 2021	The latest Local Government Pension Scheme (LGPS) and governance information updates and training on specific topics	Jeff Morley
Barnett Waddingham - Overview of the LGPS Jul 2021	The structure of the scheme and its key stakeholders, and a summary of its benefits, costs and how it is governed	Mary O'Sullivan

LGPS Governance Fundamentals Held over 3 days: Oct, Nov & Dec 2021	Bespoke LGPS courses that provide members of local pension boards with the knowledge and skills to enable them to carry out their duties effectively	Julie Strange
2022 Fund Valuation Dec 2021	A presentation by Barnett Waddingham LLP on the 2022 fund valuation	Adam Richens David Shortell Mary O'Sullivan James Stevens Julie Strange John Jones

Events and conferences scheduled for 2022-23 are as follows:

Event	Content	Method
CIPFA - LGPS Local Pension Boards Member Annual Full Day Event May 2022	The latest LGPS and governance information updates and training on specific topics	Seminar
PLSA - Local Authority Conference Jun 2022	Dedicated to the LGPS. Speakers will include senior policy makers and influencers, high profile industry figures and people with something to teach us from outside pensions	Conference
LGPS Local Pension Board Members' all-day event Jun 2022	The latest updates on governance and the LGPS from key industry players and to look ahead to key issues facing them and the LGPS	Seminar
LGPS Governance Fundamentals Held over 3 days in Oct, Nov & Dec 22	Bespoke LGPS courses that provide members of local pension boards with the knowledge and skills to enable them to carry out their duties effectively	Seminar
LGPS Governance Conference 2023 Jan 2023	Annual conference	Online or in person
LGPS Local Pension Board Members Spring Seminar 2023 Feb 2023 TBC	The latest LGPS and governance information updates, training on specific topics and opportunities for discussion and networking.	Seminar

### 2022-23 Local Pension Board meetings

Local Pension Board Meetings have been provisionally scheduled for the following dates:

- 22 June 2022
- 28 September 2022
- 7 December 2022
- March 2023 – date to be confirmed.

# Pension Fund Accounts

## Independent auditors statement to the Members of the Dorset County Pension Fund on the Pension Fund Financial Statements

We have examined the Pension Fund financial statements for the year ended 31 March 2022, which comprise the Fund Account, the Net Assets Statement and the related notes 1 to 24.

### **Respective responsibilities of the Chief Financial Officer and the auditor**

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the pension fund's financial statements in accordance with applicable United Kingdom law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Our responsibility is to report to you my opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of Dorset Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

We also read the other information contained in the Pension Fund annual report and consider the implications for my report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists only of the summaries of key financial information and of investment performance included in the annual report.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the administering authority's full annual

statement of accounts describes the basis of our opinion on those financial statements.

### **Opinion**

In our opinion, the pension fund financial statements are consistent, in all material respects, with the pension fund financial statements in the full annual statement of accounts of Dorset Council for the year ended 31 March 2022 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

### **Use of our report**

This report is made solely to the members of Dorset Council ('the Authority'), as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.



Ian Howse (Key Audit Partner)  
For and on behalf of Deloitte LLP  
Cardiff, United Kingdom  
13 December 2024

# Pension Fund accounts

Pension Fund Account for the year ended 31 March 2022.

The Pension Fund Accounts contain two core statements, the Pension Fund Account and the Net Assets Statement.

Each of the statements is accompanied by supplementary notes providing additional detail to the figures presented.

FUND ACCOUNT					
2020-21				2021-22	
£'000	£'000		Note	£'000	£'000
		<b>Dealings with members, employers and others directly involved in the Fund</b>			
	<b>134,548</b>	<b>Contributions</b>	7		<b>139,798</b>
105,446		Employer contributions		109,864	
29,102		Member contributions		29,934	
	<b>8,612</b>	<b>Transfers in from other pension funds</b>	8		<b>22,524</b>
	<b>143,160</b>	<b>Total additions from dealing with members etc.</b>			<b>162,322</b>
	<b>(131,431)</b>	<b>Benefits</b>	9		<b>(133,759)</b>
(110,372)		Pensions		(114,379)	
(17,342)		Commutation and lump sum retirement benefits		(16,277)	
(3,717)		Lump sum death benefits		(3,103)	
	<b>(7,773)</b>	<b>Payments to and on account of leavers</b>	10		<b>(5,633)</b>
(325)		Refunds of contributions		(439)	
(7,448)		Transfers to other pension funds		(5,194)	
	<b>3,956</b>	<b>Net additions/(withdrawals) from dealings with members and others</b>			<b>22,930</b>
	<b>(13,085)</b>	<b>Management expenses</b>	11		<b>(15,574)</b>
	<b>(9,129)</b>	<b>Net additions/(withdrawals) including Fund management expenses</b>			<b>7,356</b>
	<b>17,419</b>	<b>Investment Income</b>	12		<b>16,228</b>
	<b>(56)</b>	<b>Taxes on income</b>			<b>(10)</b>
	<b>629,155</b>	<b>Profit/(loss) on disposal of investments and changes in the value of investments</b>			<b>329,236</b>
	<b>646,518</b>	<b>Net return on investments</b>			<b>345,454</b>
	<b>637,389</b>	<b>Net increase/(decrease) in assets available for benefits during the year</b>			<b>352,810</b>
	<b>2,713,601</b>	<b>Opening net assets of the fund 1 April</b>			<b>3,350,990</b>
	<b>3,350,990</b>	<b>Closing net assets of the fund 31 March</b>			<b>3,703,800</b>

# Net Asset Statement

NET ASSETS STATEMENT					
31 March 2021			31 March 2022		
£'000	£'000		Note	£'000	£'000
	<b>768</b>	<b>Long term investments</b>	<b>13</b>		<b>838</b>
768		Brunel Pension Partnership Ltd		838	
	<b>3,339,773</b>	<b>Investment assets</b>	<b>14</b>		<b>3,693,622</b>
-		UK equities (quoted)		-	
52		Overseas equities (quoted)		59	
2,894,459		Pooled investment vehicles		3,210,018	
96,102		Private equity		132,224	
260,716		Property		274,308	
87,696		Cash & cash equivalents		72,664	
(670)		Derivative contracts	16	3,108	
1,418		Other investment assets		1,241	
	-	<b>Investment liabilities</b>			-
-		Other investment liabilities		-	
	<b>3,340,541</b>	<b>Total net investments</b>			<b>3,694,460</b>
	-	<b>Long term debtors</b>			-
-		Other long term debtors		-	
	<b>16,030</b>	<b>Current assets</b>			<b>13,992</b>
8,766		Contributions due from employers		10,732	
7,264		Other current assets		3,260	
	<b>(5,581)</b>	<b>Current liabilities</b>			<b>(4,652)</b>
(550)		Unpaid benefits		(928)	
(5,031)		Other current liabilities		(3,724)	
-		Deferred income		-	
	<b>3,350,990</b>	<b>Net assets available to fund benefits</b>			<b>3,703,800</b>

# Notes to the Accounts

## Note 1. Description of the Fund

The Dorset County Pension Fund ("the Fund") is part of the Local Government Pension Scheme (LGPS) and is administered by Dorset Council ("the Council").

### a) General

The scheme is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme (LGPS) Regulations 2013 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2016

It is a contributory defined benefit pension scheme administered by the Council to provide pensions and other benefits for pensionable employees of the Council, other councils and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The Fund is overseen by the Pension Fund Committee, which is a committee of the Council.

### b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Fund include the following:

- **Scheduled bodies**, which are automatically entitled to be members of the Fund
- **Admitted bodies**, which participate in the Fund under the terms of an admission agreement between the Fund and the employer. Admitted bodies include voluntary, charitable and similar not-for-profit organisations, or private contractors undertaking a local authority

function following outsourcing to the private sector.

Membership details are set out below:

31 March 2021		31 March 2022
<b>320</b>	<b>Total Employers</b>	<b>327</b>
	<b>Employees</b>	
6,316	Administering Authority	7,130
17,068	Other Scheduled Bodies	19,403
1,127	Admitted Bodies	1,117
<b>24,511</b>	<b>Total Employees</b>	<b>27,650</b>
	<b>Pensioners</b>	
9,268	Administering Authority	9,524
13,295	Other Scheduled Bodies	13,850
1,824	Admitted Bodies	1,928
<b>24,387</b>	<b>Total Pensioners</b>	<b>25,302</b>
	<b>Deferred Pensioners</b>	
8,935	Administering Authority	8,839
14,355	Other Scheduled Bodies	14,434
1,535	Admitted Bodies	1,527
<b>24,825</b>	<b>Total Deferred Pensioners</b>	<b>24,800</b>
<b>73,723</b>	<b>Total Members</b>	<b>77,752</b>

### c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme. Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2022. Employers' contributions are set based on triennial actuarial funding valuations.

The last such valuation was at 31 March 2019. Currently, employer contribution rates range from 10.0% to 29.0% of pensionable pay.

#### **d) Benefits**

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index. A range of other benefits are also provided including early retirement, disability pensions and death benefits, as explained on the LGPS website - see [www.lgpsmember.org](http://www.lgpsmember.org).

#### **Note 2. Basis of Preparation**

The statement of accounts summarise the Fund's transactions for the 2021-22 financial year and its financial position at 31 March 2022. The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021-22 ("the Code"), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. IFRS 16, introduced on 1 January 2019, was originally due to be adopted by the Code for accounting periods commencing on or after 1 April 2022. However, an optional deferral to adopt IFRS 16 from either 1 April 2022, 1 April 2023 or 1 April 2024 has been announced following an emergency consultation for updating the Code. This new accounting standard largely removes the distinction between operating and finance leases by introducing an accounting model that requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. This will bring assets formerly off-Balance Sheet onto the Balance Sheet of lessees.

Implementation of IFRS 16 is not expected to have a material impact on the Fund because it does not hold any assets as a lease.

The accounts report on the net assets available to pay pension benefits. They do not take account of

obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Fund has opted to disclose this information by appending an actuarial report.

#### **Note 3. Summary of Significant Accounting Policies**

##### **Fund Account:**

##### **Contribution income**

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the Fund actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the Fund actuary in the rates and adjustment certificate issued to the relevant employing body. Additional employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long term financial assets.

##### **Transfers to and from other schemes**

Transfers in and out relate to members who have either joined or left the Fund.

Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (Note 8).



Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

#### **Investment income**

Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Rental income is recognised on a straight-line basis over the term of the lease. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.

Changes in the value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

#### **Benefits payable**

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities, providing that payment has been approved.

#### **Taxation**

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is

permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

#### **Management expenses**

The Fund discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016). All items of expenditure are charged to the Fund on an accruals basis.

#### **Net Assets Statement:**

##### **Financial assets**

All investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. Any gains or losses on investment sales arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 17). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

##### **Freehold and leasehold properties**

Properties are valued annually as at the year-end date by independent external valuers on a fair value basis and in accordance with the Royal Institute of Chartered Surveyors' (RICS) Valuation Standards. See Note 17 for more details.

##### **Foreign currency transactions**

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period.

### **Derivatives**

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

### **Cash and cash equivalents**

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

### **Loans and receivables**

Financial assets classed as amortised cost are carried in the net asset statement at the value of outstanding principal receivable as at the year-end date plus accrued interest.

### **Financial liabilities**

A financial liability is recognised in the net assets statement on the date the Fund becomes legally responsible for that liability. The Fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the change in value of investments.

Other financial liabilities classed as amortised cost are carried in the net asset statement at the value of the outstanding principal at 31 March each year. Any interest due not yet paid is accounted for on an accruals basis and included in administration costs.

### **Actuarial present value of promised retirement benefits**

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of International Accounting Standard (IAS) 19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value

of promised retirement benefits by way of an actuarial report appended to the accounts.

### **Additional voluntary contributions**

The Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016 but are disclosed for information in Note 22.

### **Contingent assets and contingent liabilities**

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event prior to the year-end has created a possible financial obligation whose existence will only be confirmed or otherwise by future events. Contingent liabilities can also arise in circumstances where it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes (see Note 24).

### **Note 4. Critical judgements in applying accounting policies**

#### **Pension fund liability**

The net Fund liability is re-calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 20. Actuarial re-valuations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the

balance struck between longer term investment growth and short-term yield/return.

#### Directly held property

The Fund's investment portfolio includes a number of directly owned properties which are leased commercially to various tenants. The Fund has determined that these contracts all constitute operating lease arrangements under the classifications permitted by the Code, therefore the properties are retained on the net asset statement at fair value.

#### Note 5. Assumptions made about the future and other major sources of uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations. However actual outcomes could be different from the assumptions and estimates made.

The items in the net asset statement for which there is a significant risk of material adjustment the following year are as follows:

#### Actuarial present value of promised retirement benefits (Note 21)

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on Fund assets. A firm of consulting actuaries, Barnett Waddingham, is engaged to provide the Fund with expert advice about the assumptions to be applied.

#### Private equity instruments (Note 17)

Private equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (December 2018) and the Special Guidance issued March 2020 concerning the impact of Covid-19 on valuations. Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

#### Freehold, leasehold property and pooled property funds (Note 17)

Valuation techniques are used to determine the carrying values of directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data, otherwise the best available data is used.

#### Note 6. Events after the reporting date

There are events, both favourable and unfavourable, that can occur between the end of the reporting period and the date when the financial statements are authorised for issue. There are events that provide additional information about conditions that existed at the end of the reporting period (adjusting events), and events that occur after the reporting period (non-adjusting events). No events after the reporting date have been identified.

#### Note 7. Contributions receivable

By category:

2020-21		2021-22
£'000	Employer contributions	£'000
77,954	Contributions re future service costs	81,650
17,617	Contributions re past service costs (deficit recovery)	18,452
4,020	Voluntary additional contributions	4,359
3,544	Augmentation cost of early retirements	2,121
2,333	Exit payments from employers	3,664
(22)	Exit credits to employers	(382)
<b>105,446</b>	<b>Total employer contributions</b>	<b>109,864</b>
<b>29,102</b>	<b>Member contributions</b>	<b>29,934</b>
<b>134,548</b>	<b>Total contributions receivable</b>	<b>139,798</b>

By type of employer:

2020-21		2021-22
£'000		£'000
39,473	Administering authority	41,192
81,909	Other scheduled bodies	84,338
13,166	Admitted bodies	14,268
<b>134,548</b>	<b>Total contributions receivable</b>	<b>139,798</b>

### Note 8. Transfers in from other pension funds

Transfers in from other pension funds in 2021-22 included a group transfer of £16.3m in respect of members of the Police and Crime Commissioner for Dorset that transferred from Devon Pension Fund. All other transfers in were individual transfers.

### Note 9. Benefits payable

By type of employer:

2020-21 £'000		2021-22 £'000
44,394	Administering authority	45,237
76,131	Other scheduled bodies	77,188
10,906	Admitted bodies	11,334
<b>131,431</b>	<b>Total benefits payable</b>	<b>133,759</b>

### Note 10. Payments to and on account of leavers

All transfers out to other pension funds were individual transfers.

### Note 11. Management expenses

The table below shows a breakdown of the management expenses incurred during the year.

2020-21 £'000		2021-22 £'000
2,149	Administrative expenses	2,093
543	Oversight and governance costs	487
10,393	Investment management expenses	12,994
<b>13,085</b>	<b>Total management expenses</b>	<b>15,574</b>

Investment management expenses consisted of:

2020-21 £'000		2021-22 £'000
8,027	Investment management fees	10,649
480	Performance related fees	513
121	Custody fees	27
505	Transaction costs	1,180
873	Transition costs	349
387	Other fees and costs	276
<b>10,393</b>	<b>Total investment management expenses</b>	<b>12,994</b>

Transaction costs associated with pooled investment vehicles are taken into account in calculating the bid/offer spread of these investments and are therefore embedded within the purchase and sales costs and not separately identifiable. All other transaction costs have been charged to the fund account.

### Note 12. Investment income

2020-21 £'000		2021-22 £'000
-	Bonds	199
2,938	Equities	23
386	Pooled Investments	3,066
283	Pooled Property Investments	1,499
12,125	Direct Property	11,042
1,344	Private Equity	233
117	Interest from Cash Deposits	-
11	Other Income	1
215	Fee Rebate Income	165
<b>17,419</b>	<b>Total Investment Income</b>	<b>16,229</b>

### Note 13. Long term investments

In response to the requirements of the investment regulations for LGPS funds to pool investment assets, Brunel Pension Partnership Ltd (Brunel) has been formed to oversee the investment assets for the Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire LGPS funds.

Each of the ten funds own an equal share of Brunel, with share capital invested by each fund at a cost of £840k. The value of each fund's shareholding based on Brunel's most recently audited accounts was £838k (£768k at 31 March 2021).

**Note 14. Investment assets**

31 March 2021		Description/Investment Manager	31 March 2022	
Market Value			Market Value	
%	£'000		£'000	%
<b>0.00</b>	-	<b>UK Equities - Quoted</b>	<b>0</b>	<b>0.00</b>
		- Wellington	0	
<b>0.00</b>	<b>52</b>	<b>Overseas Equities - Quoted</b>	<b>59</b>	<b>0.00</b>
	52	Investec	59	
		- Wellington	0	
<b>2.90</b>	<b>96,102</b>	<b>Private Equity</b>	<b>132,224</b>	<b>3.60</b>
	52,998	HarbourVest	76,893	
	27,849	Aberdeen Standard	22,047	
	5,656	Capital Dynamics Global Secondary Fund V	10,613	
	6,050	Neuberger Berman Private Equity Impact Fund	7,917	
	1,524	Nuberger Berman SCIOF IV	6,706	
	1,948	Ardian LBO Fund	3,571	
		- Vespa Capital III	2,229	
	78	Summit Eur Growth EQ III SCSP LP	860	
		- Alpinvest Secondaries Fund VII Limited Partnership	1,388	
<b>7.80</b>	<b>260,716</b>	<b>Property (directly owned)</b>	<b>274,308</b>	<b>7.40</b>
	260,716	CBRE Global Investors	274,308	
		<b>Pooled Investment Vehicles:</b>		
<b>5.80</b>	<b>192,357</b>	<b>Bonds</b>	<b>185,995</b>	<b>5.00</b>
	192,357	RLAM Corporate Bond Fund	185,995	
<b>10.40</b>	<b>348,550</b>	<b>UK Equities - Quoted</b>	<b>373,410</b>	<b>10.10</b>
	74,779	Schroder UK Smaller Companies Equity Fund	71,248	
	107,290	LGIM UK Equity Index (passive)	121,452	
	166,481	Brunel UK Equities	180,710	
<b>40.90</b>	<b>1,364,900</b>	<b>Global Equities - Quoted</b>	<b>1,455,272</b>	<b>39.40</b>
	275,104	LGIM Smart Beta Fund (passive)	309,179	
	183,350	LGIM World Developed Equities (passive)	206,930	
	247,102	Brunel Global High Alpha Equities	268,741	
	169,360	Brunel Emerging Markets Equities	149,963	
	325,313	Brunel Global Sustainable Equities	352,133	
	164,670	Brunel Smaller Companies Equities	168,326	
<b>5.10</b>	<b>170,469</b>	<b>Multi Asset Credit (MAC)</b>	<b>169,355</b>	<b>4.60</b>
	170,469	CQS Credit Multi Asset Fund	0	
		- CQS Global Funds Mutual Fund	34,167	
		- Oaktree (LUX) III SA SICAV Mutual Fund	33,805	
		- Neuberger Berman Investment Mutual Fund	101,382	
<b>1.60</b>	<b>52,533</b>	<b>Property Funds</b>	<b>71,457</b>	<b>1.90</b>
	4,155	Lend Lease Retail Partnership	58	
	6,282	Standard Life UK Shopping Centre Trust	5,395	
	16,451	CBRE UK Long Income Property Fund	17,362	
	22,359	Aberdeen Standard Long Lease Property Fund	25,480	
	3,286	M&G Secured Income Property Fund	23,162	

31 March 2021		Description/Investment Manager	31 March 2022	
Market Value			Market Value	
%	£'000		£'000	%
<b>4.90</b>	<b>164,281</b>	<b>Diversified Returns Fund</b>	<b>243,437</b>	<b>6.60</b>
	164,281	Brunel Diversifying Returns Fund	243,437	
<b>6.60</b>	<b>220,057</b>	<b>Infrastructure</b>	<b>252,133</b>	<b>6.80</b>
	96,252	Hermes GPE Infrastructure Funds	102,094	
	107,419	IFM Global Infrastructure Fund	132,380	
	16,386	Greencoats Renewable Income Infrastructure Fund	17,659	
<b>11.40</b>	<b>381,311</b>	<b>Liability Driven Investment</b>	<b>458,960</b>	<b>12.50</b>
	381,311	Insight LDI Fund	458,960	
<b>86.70</b>	<b>2,894,459</b>	<b>Total - Pooled Investments</b>	<b>3,210,018</b>	<b>86.90</b>

31 March 2021		Description/Investment Manager	31 March 2022	
Market Value			Market Value	
%	£'000		£'000	%
<b>2.60</b>	<b>87,696</b>	<b>Cash &amp; Cash Equivalents</b>	<b>72,664</b>	<b>2.00</b>
<b>0.00</b>	<b>(670)</b>	<b>Derivatives</b>	<b>3,108</b>	<b>0.10</b>
<b>0.00</b>	<b>1,418</b>	<b>Investment Receivables</b>	<b>1,241</b>	<b>0.00</b>
<b>100.00</b>	<b>3,339,773</b>	<b>Total Investment Assets</b>	<b>3,693,622</b>	<b>100.00</b>

Any single investments exceeding 5% of total net assets are in pooled investment vehicles made up of underlying investments each of which represent substantially less than 5% of total net assets.

Investment assets under the management of Brunel Pension Partnership are valued at £2,099M at 31 March 2022 (£1,860M at 31 March 2021).

The pension fund's investment portfolio includes a number of directly owned properties that are leased commercially to various tenants. The future minimum lease payments receivable are as follows:

31 March 2021		31 March 2022
£'000		£'000
11,446	Within one year	10,087
40,726	Between one and five years	34,635
38,479	Later than five years	29,564
<b>90,651</b>	<b>Total future lease payments due under existing contracts</b>	<b>74,286</b>

## Note 15. Reconciliation of movements in investments and derivatives

The following table summarises details of purchases, sales and changes in the market valuation of investments in the fund during the financial year.

2021-22	Value 1 April 2021	Purchases & Derivative payments	Sales & Derivative receipts	Change in market value	Value 31 March 2022
	£'000	£'000	£'000	£'000	£'000
Long Term Investments	768	-	-	70	838
Bonds	-	72,045	(73,319)	1,274	0
Equities - Quoted	52	-	-	7	59
Pooled Investments Vehicles	2,894,459	365,732	(295,258)	245,085	3,210,018
Private Equity	96,102	17,410	(35,020)	53,732	132,224
Property	260,716	5,940	(32,292)	39,944	274,308
<b>Total Securities</b>	<b>3,252,097</b>	<b>461,127</b>	<b>(435,889)</b>	<b>340,112</b>	<b>3,617,447</b>
Forward Foreign Exchange	(670)	1,144	(160)	2,794	3,108
Futures	-	-	-	-	-
<b>Total Securities and Derivatives</b>	<b>3,251,427</b>	<b>462,271</b>	<b>(436,049)</b>	<b>342,906</b>	<b>3,620,555</b>
<b>Other Investment Balances:</b>					
Cash & cash equivalents	87,696	-	-	(13,697)	72,664
Other investment assets	1,418	-	-	27	1,241
Other investment liabilities	-	-	-	-	-
<b>Total Net Investments</b>	<b>3,340,541</b>	<b>462,271</b>	<b>(436,049)</b>	<b>329,236</b>	<b>3,694,460</b>

2020-21	Value 1 April 2020	Purchases & Derivative payments	Sales & Derivative receipts	Change in market value	Value 31 March 2021
	£'000	£'000	£'000	£'000	£'000
Long Term Investments	427	-	-	341	768
Equities - Quoted	171,787	811,429	(1,040,909)	57,745	52
Pooled Investments Vehicles	2,115,368	843,583	(616,598)	552,106	2,894,459
Private Equity	98,085	15,574	(18,427)	870	96,102
Property	264,665	1,420	(6,427)	1,058	260,716
<b>Total Securities</b>	<b>2,650,332</b>	<b>1,672,006</b>	<b>(1,682,361)</b>	<b>612,120</b>	<b>3,252,097</b>
Forward Foreign Exchange	(9,757)	-	-	9,087	(670)
Futures	-	865	(2,121)	1,256	-
<b>Total Securities and Derivatives</b>	<b>2,640,575</b>	<b>1,672,871</b>	<b>(1,684,482)</b>	<b>622,463</b>	<b>3,251,427</b>
<b>Other Investment Balances:</b>					
Cash & cash equivalents	54,925	-	-	6,712	87,696
Other investment assets	3,353	-	-	-	1,418
Other investment liabilities	(2,316)	-	-	-	-
<b>Total Net Investments</b>	<b>2,696,537</b>	<b>1,672,871</b>	<b>(1,684,482)</b>	<b>629,175</b>	<b>3,340,541</b>

## Note 16. Analysis of Derivatives

The Fund's holdings in derivatives are to hedge liabilities or hedge exposures to reduce risk. To maintain appropriate diversification a significant proportion of the Fund's equity portfolio is in

overseas stock. To reduce the volatility associated with fluctuating currency rates, the Fund hedges 50% of the US Dollar, Euro and Japanese Yen exposure within its global equities investments. As at 31 March 2022, the Fund held the following open forward currency contracts.

Settlement	Currency Bought	Local Value £'000	Currency Sold	Local Value £'000	Asset Value £'000	Liability Value £'000
1-6 months	USD	38,092	GBP	28,941	0	(2)
	JPY	380,643	GBP	2,388	0	0
	EUR	4,021	GBP	3,409	0	0
	GBP	276,613	USD	361,383	2,065	0
	GBP	29,077	JPY	4,433,026	1,270	0
	GBP	35,229	EUR	41,813	0	(225)
<b>Open Forward Currency Contracts at 31 March 2022</b>					<b>3,335</b>	<b>(227)</b>
<b>Net Forward Currency Contracts at 31 March 2022</b>						<b>3,108</b>

Settlement	Currency Bought	Local Value £'000	Currency Sold	Local Value £'000	Asset Value £'000	Liability Value £'000
1-6 months	GBP	219,859	USD	305,036	0	(1,180)
	GBP	31,497	EUR	36,627	255	0
	GBP	28,032	JPY	4,232,785	255	0
<b>Open Forward Currency Contracts at 31 March 2021</b>					<b>510</b>	<b>(1,180)</b>
<b>Net Forward Currency Contracts at 31 March 2021</b>						<b>(670)</b>



## Note 17. Fair value of investment assets

All investment assets have been valued using fair value techniques based on the characteristics of each asset class. Asset valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values, as follows:

**Level 1:** where fair values are derived from unadjusted quoted prices in active markets for identical assets;

**Level 2:** where quoted market prices are not available, for example, where an asset is traded in a market that is not considered to be active, but where valuation techniques are based significantly on observable market data;

**Level 3:** where at least one input that could have a significant effect on the asset's valuation is not based on observable market data.

The following tables summarise the Fund's investment assets by class at 31 March 2022 and at 31 March 2021 measured at fair value according to the above fair value hierarchy.

31 March 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
UK Equities - Quoted	0	0	0	0
Overseas Equities - Quoted	59	0	0	59
Pooled Investment Vehicles	0	2,886,429	323,589	3,210,018
Private Equity	0	0	132,224	132,224
Property	0	0	274,308	274,308
Cash & Cash Equivalents	72,664	0	0	72,664
Derivatives	0	3,108	0	3,108
Other investment assets	1,241	0	0	1,241
<b>Total</b>	<b>73,964</b>	<b>2,889,537</b>	<b>730,121</b>	<b>3,693,623</b>

31 March 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
UK Equities - Quoted	0	0	0	0
Overseas Equities - Quoted	52	0	0	52
Pooled Investment Vehicles	0	2,621,869	272,590	2,894,459
Private Equity	0	0	96,102	96,102
Property	0	0	260,716	260,716
Cash & Cash Equivalents	83,061	4,635	0	87,696
Derivatives	0	(670)	0	(670)
Other investment assets	1,418	0	0	1,418
<b>Total</b>	<b>84,531</b>	<b>2,625,834</b>	<b>629,408</b>	<b>3,339,774</b>

During the year ended 31 March 2022 there were no transfers between levels 1, 2 or 3 of the fair value hierarchy.

The basis of the valuation of each class of investment asset is summarised below.

Description of Asset	Basis of Valuation	Key Inputs	Key Sensitivities
<b>Level 1</b>			
Market quoted investments	Published bid market price ruling on the final day of the accounting period.	Not required.	Not required.
Exchange traded pooled investments	Published exchange prices at the reporting date.	Not required.	Not required.
Cash and cash equivalents	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments.	Not required.	Not required.
<b>Level 2</b>			
Pooled investments - unit trusts etc	Closing bid price where bid and offer prices are published, or closing single price where single price only is published.	Net Asset Value (NAV) based pricing set on a forward pricing basis.	Not required.
Forward foreign exchange derivatives.	Market forward exchange rates at year-end.	Exchange rate risk.	Not required.
<b>Level 3</b>			
Freehold and leasehold properties	Valued at fair value at the reporting date by Peter Sudell FRICS of BNP Paribas Real Estate and Andrew Wells FRICS (the Derwent portfolio) of Allsop LLP, both acting as independent valuers and in accordance with current RICS Valuation Standards.	Existing lease terms and rentals, independent market research, nature of tenancies, covenant strength for existing tenants, assumed vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more general changes to market prices.
Unquoted equity	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2018).	Earnings (EBITDA) and revenue multiples, discount for lack of marketability, control premium.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's reporting date, changes to expected cashflows, differences between audited and unaudited accounts.

Property funds (where regular trading does not take place)	Underlying assets valued at fair value at the reporting date by each fund's valuers in accordance with current RICS Valuation Standards, taking account of other financial assets and liabilities within the fund structure.	Existing lease terms and rentals, independent market research, nature of tenancies, covenant strength for existing tenants, assumed vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more general changes to market prices.
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### Sensitivity of assets valued at Level 3

The Fund has determined that the valuation methods described above are likely to be accurate

within the following ranges, and has set out below the consequent potential impact on the closing values of investments held at 31 March 2022.

	Valuation range % (+/-)	Value at 31 March 2022 £'000	Value on Increase £'000	Value on Decrease £'000
Pooled Investment Vehicles	15.00	323,589	372,128	275,051
Private Equity	15.00	132,224	152,058	112,390
Property	15.00	274,308	315,454	233,162
<b>Total</b>		<b>730,121</b>	<b>839,640</b>	<b>620,603</b>

The following tables provides an analysis of the Fund's assets and liabilities by fair value hierarchy

31 March 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets at fair value through profit and loss</b>				
Equities	59	-	-	59
Pooled investments	-	2,886,429	252,132	3,138,561
Pooled property investments	-	-	71,457	71,457
Private equity	-	-	132,224	132,224
Derivative contracts	-	3,335	-	3,335
<b>Sub-total</b>	<b>59</b>	<b>2,889,764</b>	<b>455,813</b>	<b>3,345,636</b>
<b>Non-financial assets at fair value through profit and loss</b>				
Property	-	-	274,308	274,308
<b>Financial liabilities at fair value through profit and loss</b>				
Derivative contracts	-	(227)	-	(227)
<b>Total</b>	<b>59</b>	<b>2,889,538</b>	<b>730,121</b>	<b>3,619,717</b>

31 March 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets at fair value through profit and loss</b>				
Equities	52	-	-	52
Pooled investments	-	2,621,869	220,057	2,841,926
Pooled property investments	-	-	52,533	52,533
Private equity	-	-	96,102	96,102
Derivative contracts	-	510	-	510
<b>Sub-total</b>	<b>52</b>	<b>2,622,379</b>	<b>368,692</b>	<b>2,991,123</b>
<b>Non-financial assets at fair value through profit and loss</b>				
Property	-	-	260,716	260,716
<b>Financial liabilities at fair value through profit and loss</b>				
Derivative contracts	-	(1,180)	-	(1,180)
<b>Total</b>	<b>52</b>	<b>2,621,199</b>	<b>629,408</b>	<b>3,250,659</b>

The following table provides a reconciliation of fair value measurements within Level 3

	Pooled Investments £'000	Private Equity £'000	Property £'000	Total £'000
Value at 31 March 2021	272,590	96,102	260,716	629,408
Purchases and derivative payments	24,706	17,410	5,940	48,056
Sales and derivative receipts	(10,077)	(35,020)	(32,292)	(77,389)
Unrealised gains and losses	36,630	37,744	39,944	114,318
Realised gains and losses	(260)	15,988	-	15,728
<b>Value at 31 March 2022</b>	<b>323,589</b>	<b>132,224</b>	<b>274,308</b>	<b>730,121</b>

#### Note 18. Classification of Financial Instruments

As at 31 March 2022	Fair value through profit and loss £'000	Assets at amortised cost £'000	Liabilities at amortised cost £'000
<b>Financial assets</b>			
Equities	59	-	
Pooled investments	3,138,561	-	
Pooled property investments	71,457	-	
Private equity	132,224	-	
Derivative contracts	3,335	-	
Cash and cash equivalents	-	72,664	
Other investment balances	-	1,241	
Debtors	-	13,992	
<b>Total</b>	<b>3,345,636</b>	<b>87,897</b>	
<b>Financial liabilities</b>			
Derivative contracts			227
Other investment balances			-
Sundry creditors			4,652
<b>Total</b>			<b>4,879</b>

As at 31 March 2021	Fair value through profit and loss £'000	Assets at amortised cost £'000	Liabilities at amortised cost £'000
<b>Financial assets</b>			
Equities	52	-	
Pooled investements	2,841,926	-	
Pooled property investments	52,533	-	
Private equity	96,102	-	
Derivative contracts	510	-	
Cash and cash equivalents	-	87,696	
Other investment balances	-	1,418	
Debtors	-	16,030	
<b>Total</b>	<b>2,991,123</b>	<b>105,144</b>	
<b>Financial liabilities</b>			
Derivative contracts			1,180
Other investment balances			-
Sundry creditors			5,581
<b>Total</b>			<b>6,761</b>

#### Note 19. Nature and extent of risks arising from financial instruments

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunities for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, interest rate risk and currency risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet its forecast cash flows.

Responsibility for the Fund's risk management strategy rests with the Committee. The Committee receives regular reports from each investment manager and from its Independent Adviser on the nature of the investments made and their associated risks.

##### (a) Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment

activities, particularly through its equity holdings. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. Exposure to specific markets and asset classes is limited by applying strategic targets to asset allocation, which are agreed and monitored by the Committee.

##### (a) (i) Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or factors affecting all such instruments in the market. The Fund's investment managers mitigate this risk through diversification in line with their own investment strategies.

The following table demonstrates the change in the net assets available to pay benefits if the market price for each class of investment had increased or decreased by 15%, excluding cash and other investment assets.

As at 31 March 2022	Value £'000	Change %	Increase £'000	Decrease £'000
UK equities - quoted	0	15.00	0	0
Overseas equities - quoted	59	15.00	9	(9)
Pooled Investment Vehicles	3,210,018	15.00	481,503	(481,503)
Private Equity	132,224	15.00	19,834	(19,834)
Property	274,308	15.00	41,146	(41,146)
Cash & cash equivalents	72,664	0.00	0	0
Derivatives	3,108	15.00	466	(466)
Other investment assets	1,241	0.00	0	0
<b>Total</b>	<b>3,693,622</b>	<b>14.70</b>	<b>542,958</b>	<b>(542,958)</b>

As at 31 March 2021	Value £'000	Change %	Increase £'000	Decrease £'000
UK equities - quoted	0	15.00	0	0
Overseas equities - quoted	52	15.00	8	(8)
Pooled Investment Vehicles	2,894,459	15.00	434,169	(434,169)
Private Equity	96,102	15.00	14,415	(14,415)
Property	260,716	15.00	39,107	(39,107)
Cash & cash equivalents	87,696	0.00	0	0
Derivatives	(670)	15.00	(100)	100
Other investment assets	1,418	0.00	0	0
<b>Total</b>	<b>3,339,773</b>	<b>14.60</b>	<b>487,599</b>	<b>(487,599)</b>

#### (a) (ii) Interest Rate Risk

Interest rates can vary and can affect both income of the Fund and the value of Fund assets, both of which affect the value of net assets available to pay benefits. The Fund's exposure to interest rate movements on those investments at 31 March 2022 and 2021 are provided below, based on underlying financial assets at fair value.

This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of an increase or decrease of 1% (100 basis points) in interest rates.

The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalents but they will affect the interest received on those balances.

As at 31 March 2022	Market Value £'000	Change in net assets +1% -1%	
Cash & cash equivalents	72,664	0	0
<b>Assets held in pooled investment vehicles:</b>			
Bonds	185,995	1,860	(1,860)
Multi Asset Credit	169,355	1,694	(1,694)
Liability Driven Investment	458,960	4,590	(4,590)
<b>Total</b>	<b>886,973</b>	<b>8,143</b>	<b>(8,143)</b>

As at 31 March 2021	Market Value £'000	Change in net assets +1% -1%	
Cash & cash equivalents	87,696	0	0
<b>Assets held in pooled investment vehicles:</b>			
Bonds	192,357	1,924	(1,924)
Multi Asset Credit	170,469	1,705	(1,705)
Liability Driven Investment	381,311	3,813	(3,813)
<b>Total</b>	<b>831,833</b>	<b>7,441</b>	<b>(7,441)</b>

### (a) (iii) Currency Risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling (GBP).

To mitigate the effect of movements in foreign exchange rates against its overseas equities investments, the Fund has in place a 50% passive currency hedge against the three major currencies, the US Dollar, the Euro and the Japanese Yen, and 50% of its holdings in the LGIM Passive Developed Equities and Smart Beta funds are in hedged units.

Following analysis of historical data, the Fund considers the likely volatility associated with foreign exchange rate movements to be not more than +/- 15% in total. The following summarises the Fund's exposure to currency exchange rate movements on its investments net of these hedges.

As at 31 March 2022	Total Exposure £'000	Unhedged Exposure £'000	Potential Movement £'000
Overseas equities - quoted	59	30	4
Pooled Investment Vehicles	2,000,444	1,347,789	202,168
Private Equity	132,224	132,224	19,834
<b>Total</b>	<b>2,132,727</b>	<b>1,480,043</b>	<b>222,006</b>

As at 31 March 2021	Total Exposure £'000	Unhedged Exposure £'000	Potential Movement £'000
Overseas equities - quoted	52	26	4
Pooled Investment Vehicles	1,807,070	1,209,300	181,395
Private Equity	96,102	96,102	14,415
<b>Total</b>	<b>1,903,224</b>	<b>1,305,428</b>	<b>195,814</b>

### (b) Credit Risk

Credit risk represents the risk that the counterparty to a financial transaction will fail to discharge an obligation and cause the Fund to incur a financial loss. The selection of high-quality counterparties, brokers and financial institutions minimises credit risk and the market values of investments generally reflect an assessment of credit risk.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Fund's credit criteria. The Fund also sets limits as to the maximum percentage of deposits placed with any one individual institution. In addition, the Fund invests in Money

Market Funds, all of which have a AAA rating from the leading credit rating agencies.

The table below summarises the Fund's exposure to credit risk at 31 March 2022 and 31 March 2021.

Investment £'000	31 March 2022	31 March 2021
Bank Account Deposits	25,764	33,796
Money Market Funds	46,900	53,900
Assets held in pooled investment vehicles:		
Bonds	185,995	192,357
Multi Asset Credit	169,355	170,469
Liability Driven Investment	458,960	381,311
<b>Total</b>	<b>886,973</b>	<b>831,833</b>

### (c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. Such risks are mitigated by maintaining a detailed cashflow model and taking appropriate steps to ensure that there is adequate cash available to meet liabilities as they fall due.

The Fund has immediate access to its cash holdings and defines liquid assets as assets that can be converted to cash within three months notice, subject to normal market conditions. As at 31 March 2022, liquid assets were £2,964M representing 80% of total net assets (£2,711m at 31 March 2021 representing 81% of total net assets at that date).

#### Note 20. Funding arrangements

In accordance with the LGPS Regulations, the Fund's actuary, Barnett Waddingham, undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The most recent such valuation took place as at 31 March 2022, setting employer contribution rates for the period 1 April 2023 to 31 March 2026.

The next valuation is taking place as at 31 March 2025 and will set employer contribution rates for the period 1 April 2026 to 31 March 2029.

The key elements of the funding policy are:

- to ensure that the long-term solvency of the Fund i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- to ensure that employer contribution rates are as stable as possible;
- to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;
- to reflect the different characteristics of employing bodies in determining contribution rates where it is reasonable to do so; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the council

tax payer from an employer defaulting on its pension obligations.

Contribution rates for the year ending 31 March 2022 were set at the valuation calculated as at 31 March 2019. The common contribution rates set at the 2019 valuation for the three year period ending 31 March 2023 are as follows.

	2020-21	2021-22	2022-23
Primary rate (future service contributions)	17.70%	17.70%	17.70%
Secondary rate (deficit recovery contributions)	4.00%	4.10%	4.40%
<b>Total employer contributions</b>	<b>21.70%</b>	<b>21.80%</b>	<b>22.10%</b>

The common contribution rates set at the 2022 valuation for the three year period ending 31 March 2026 are as follows.

	2023-24	2024-25	2025-26
Primary rate (future service contributions)	19.10%	19.10%	19.10%
Secondary rate (deficit recovery contributions)	3.10%	3.30%	3.40%
<b>Total employer contributions</b>	<b>22.20%</b>	<b>22.40%</b>	<b>22.50%</b>

The contribution rates paid by each employer, in addition to those paid by members of the scheme, are set to be sufficient to meet the liabilities that build up each year within the Fund in respect of the benefits earned by each employer's active members of the Fund during the year plus an amount to reflect each participating employer's share of the value of the Fund's assets compared with the liabilities that have already accrued at the valuation date. Each employer pays an



individual rate of contributions to reflect its own particular circumstances and funding position within the Fund. The contribution rates were calculated using the projected unit method taking account of market conditions at the valuation date.

At the 2022 actuarial valuation, the Fund was assessed as 96% funded (92% at the 2019 valuation) with a deficit recovery period of no more than 16 years (19 years at the 2019 valuation). The key assumptions applied by the actuary for the 2022 and 2019 valuations are summarised below. To be consistent with the market value of assets, the liabilities were valued allowing for expected future investment returns and increases to benefits as determined by market levels at the valuation date.

	Valuation 2022	Valuation 2019
Annual rate of return on investments (discount rate)	4.90%	5.00%
Annual rate of increases in pay (long term)	4.00%	3.60%
Annual rate of inflation (CPI)	3.00%	2.60%

#### **Note 21. Actuarial present value of promised retirement benefits**

In addition to the triennial funding valuation, the Fund's actuary, Barnett Waddingham, also undertakes a valuation of the Fund's liabilities on an IAS 19 basis every year using the same base data as the funding valuation rolled forward to the current financial year, but taking account of changes in membership numbers and updating assumptions to the current year. This annual valuation is not carried out on the same basis as that used for setting employer contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

This valuation as at 31 March 2022 is set out in the appendix to these financial statements 2021-22.

#### **Note 22. Additional voluntary contributions (AVC)**

The Council administers an in-house AVC Scheme with two designated providers, Prudential and Utmost Life and Pensions Limited (formerly Equitable Life). The amounts contributed to AVC plans by employees who are members of the pension scheme do not form any part of, and are not included in, the Fund accounts.

Each employer in the Fund is responsible for collecting from their own employees and paying to the AVC provider those contributions due on AVC plans. Dorset Council, in its capacity as a scheme employer, deducted and paid to the AVC providers a total of £697k in 2021-22 (£549k in 2020-21).

#### **Note 23. Related party transactions**

Related party issues arise primarily from the fact that the Council is the administering authority for the Fund. The Council also has various operational, contractual and financial dealings with a number of scheduled and admitted bodies of the Fund, however, these activities do not relate to the Council's role as administering authority for the Fund.

The Council remits monthly contributions to the Fund in arrears, and March 2022 contributions of £3.3m were accrued as at 31 March 2022. Management and administration costs of £2.1m were incurred by the Council and recharged to the Fund in 2021-22. In addition at any given time there may be amounts which have been paid or received by both the Council or the Fund where indebtedness arises between the two. These can arise due to operational necessity or where single transactions have elements relating to both the Council and the Fund and are settled on a regular basis.

Senior officers of the Council are members of the Fund as employee contributors. As at 31 March 2022, one member of the Committee was a contributing member of the Fund. The key management personnel of the Fund are the members of the Committee, the Council's Chief Financial Officer (who is the Fund Administrator) and the Deputy Chief Financial Officer. The £2.1m

recharge from the Council includes a charge of £19k for the Deputy Chief Financial Officer's time spent working for the Fund.

#### **Note 24. Contingent assets, liabilities, and contractual commitments**

##### **Recovery of withholding tax**

The Fund is continuing the process required to recover withholding tax from various EU investments following rulings requiring equal treatment for all EU investors. These claims will be retrospective and will cover a varying number of years depending on the domicile. Neither the amount nor the expected time of settlement are known so consequently the financial statements as at 31 March 2022 do not reflect any potential recovery of tax.

##### **Impact of the McCloud and Sargeant judgements**

The Local Government Pension Scheme (LGPS) introduced a new Career Average Revalued Earnings (CARE) benefit structure with effect from 1 April 2014. For members who were 10 years or less from Normal Retirement Age on 1 April 2012, an 'underpin' was provided based on the existing final salary scheme to provide transitional protection to those members.

In December 2018, the Court of Appeal found that transitional protections in the pension schemes for firefighters ("McCloud") and the judiciary ("Sargeant") resulted in unlawful age discrimination. The implications of the ruling are expected to apply to all public sector schemes including the LGPS. The Government sought permission to appeal this decision to the Supreme Court but that permission was denied on 27 June 2019. There remains considerable uncertainty about the eventual remedy that may be put in place for the LGPS.

The Government Actuary's Department's (GAD) estimated the potential impact to be between 0.1% and 3.2% of total LGPS active member liabilities, depending on a number of assumptions. Whilst this looks at the national picture, the impact on any given fund and its scheme employers could be significantly different. The Fund's actuary have calculated the estimated

impact on liabilities for the main employers in the Fund based on the assumptions used by GAD. These results range from 0.4% to 0.8% of total liabilities for each employer.

##### **Outstanding capital commitments**

Outstanding capital commitments (investments) at 31 March 2022 were approximately £54m. These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the pension fund. The amounts 'called' by these funds are irregular in both size and timing over a number of years from the date of each original commitment.

# Asset Pools

## Background

Brunel Pension Partnership is one of eight UK Local Government Pension Scheme Pools, bringing together more than £35 billion of investments of ten likeminded funds: Avon, Buckinghamshire, Cornwall, Devon, Dorset, the Environment Agency, Gloucestershire, Oxfordshire, Somerset and Wiltshire.

Brunel's priority is to manage fiduciary duties to their clients. The partnership also made major commitments on Responsible Investment and Climate Change in line with shared values. In this way, the aim is to help clients provide not only for their members' retirement, but for the world they retire into.

Brunel Pension Partnership is authorised and regulated by the Financial Conduct authority as a full service MIFID firm.

As at 31 March 2022, approximately 61% of the pension fund's assets were under the management of Brunel Pension Partnership.

It is anticipated that the remaining Fund's investments assets will be transitioned across from our existing investment managers to portfolios managed by Brunel. This does not include the illiquid assets the Fund is already invested in, such as private equity and infrastructure, which will run off at a normal life cycle.

Councillor John Beesley is the pension fund's representative on the Brunel Oversight Board (BOB) and updates the Committee on governance matters relating to the investment pooling partnership. The meeting on 2 December 2021 had been feedback from the Conference of Parties (COP) in Glasgow on climate change. The main topic of the meeting on 27 January 2022 was Brunel's budget for 2022-23. Future meetings

would look at portfolio underperformance and the climate action stock take.

The governance arrangements for the pool are as follows:

- The Brunel Oversight Board is comprised of representatives from each of the administering authorities and two member observers with agreed constitution and Terms of Reference. Acting for the administering authorities, it has ultimate responsibility for ensuring that Brunel delivers the services required to achieve investment pooling and deliver each Fund's investment strategy.
- The Client Group supports the Brunel Oversight Board. It is comprised of investment officers drawn from each of the administering authorities. The Client Group is responsible for monitoring Brunel, the transition of assets to the portfolios, portfolio performance, and provides a forum for discussing technical and practical matters. It is responsible for providing practical support to enable the Brunel Oversight Board to fulfil its monitoring and oversight function

Brunel offers its clients more than 20 portfolios to implement their investment decisions. These include:

- Six passive equities and bonds.
- Eleven active equities and bonds; and
- Five private markets.

More details on these portfolios can be found on [www.brunelpensionpartnership.org/home/about/](http://www.brunelpensionpartnership.org/home/about/)

# Asset Pools

In 2015 the Department of Communities and Local Government (as it then was) issued LGPS: Investment Reform Criteria and Guidance which set out how the government expected LGPS funds to establish asset pooling arrangements. The objective was to deliver:

- Benefits of scale;
- Strong governance and decision making;
- Reduced costs and excellent value for money; and
- An improved capacity and capability to invest in infrastructure.

To meet these requirements, the Fund joined with nine other LGPS administering authorities (Avon, Buckinghamshire, Cornwall, Devon, Gloucestershire, Oxfordshire, Somerset, the Environment Agency and Wiltshire) to form the Brunel Pension Partnership. The expected costs and savings for the Fund in the original business case approved in January 2017 and then submitted to Government, are set out in the following table.

**Table 1: Expected Costs and Savings from Pooling (as per Business Case)**

	2016	2018	2019	2020	2021	2022	2023	2024	2025	Total
	2018	2019	2020	2021	2022	2023	2024	2025	2036	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Set up costs	1,183	-	-	-	-	-	-	-	-	1,183
Ongoing Brunel Costs	-	487	637	657	679	701	724	747	10,019	14,650
Dorset Fund Savings	-	(125)	(129)	(133)	(137)	(141)	(145)	(149)	(1,972)	(2,931)
Transition costs	-	1,283	1,896	123	-	-	-	-	-	3,301
Fee savings	-	(59)	(1,499)	(2,562)	(2,986)	(3,453)	(3,953)	(4,232)	(71,046)	(89,788)
<b>Net costs / (savings)</b>	<b>1,183</b>	<b>1,586</b>	<b>905</b>	<b>(1,915)</b>	<b>(2,444)</b>	<b>(2,893)</b>	<b>(3,374)</b>	<b>(3,634)</b>	<b>(62,999)</b>	<b>(73,585)</b>

Following approval of the business case, Brunel Pension Partnership Ltd was established in July 2017 as a company wholly owned in equal shares by the ten administering authorities and authorised by the Financial Conduct Authority (FCA).

The company is responsible for implementing the strategic asset allocations of the participating funds by investing their assets within defined outcome focused investment portfolios. In particular, it researches and selects the external managers or pooled funds needed to meet the investment objective of each portfolio. However,

responsibility for setting strategic asset allocations remains with the administering authorities.

The financial performance of the pool is monitored to ensure that Brunel is delivering on the key objectives of investment pooling. This includes reporting of the costs associated with the appointment and management of the pool company including set up costs, investment management expenses and the oversight and monitoring of Brunel by the client funds. The set up and transition costs incurred to date are set out in the following table.

**Table 2: Investment Pool Set Up Costs**

	2021/22		Total £'000	Cumulative to date £'000
	Direct £'000	Indirect £'000		
<b>Set Up Costs</b>				
Recruitment	-	-	-	18
Legal	-	-	-	133
Consulting, Advisory & Procurement	-	-	-	82
Other support costs e.g. IT, accommodation	-	-	-	0
Share purchase / subscription costs	-	-	-	840
<b>Total Set Up Costs</b>	-	-	-	<b>1,072</b>
<b>Transition Costs</b>				
Transition fees		44	44	320
Taxation		-	-	552
Other transition costs		182	182	3,459
<b>Total Transition Costs</b>	-	<b>226</b>	<b>226</b>	<b>4,331</b>

The Fund transitioned its first assets to Brunel's management in July 2018 and by 31 March 2022 approximately two thirds of assets had transitioned. The investment fee savings achieved to date are summarised in the following table.

**Table 3: Investment Fee Savings from Pooling**

	Value OBC 31-Mar-16 £'000	Value 31-Mar-22 £'000	Price Variance £'000	Quantity Variance £'000	Total Saving / (Cost) £'000
UK Passive Equities	365,654	121,452	-50	0	-50
UK Active Equities	218,539	180,710	2,635	1,141	3,776
Global Passive Equities	0	206,930	95	-188	-93
Smart Beta Passive Equities	227,083	309,179	300	718	1,018
Emerging Markets Equities	65,186	149,963	356	-973	-617
High Alpha Global Equities	0	268,741	1,581	-3,365	-1,784
Global Smaller Companies Equities	0	168,326	327	-1,344	-1,017
Global Sustainable Equities	0	352,133	1,308	-2,675	-1,367
Core Global Equities	333,306	0	0	1,766	1,766
Diversifying Returns Fund	107,588	243,437	858	-786	72
Multi Asset Credit	0	169,355	76	-533	-457
<b>Sub-Total Listed Markets</b>	<b>1,317,356</b>	<b>2,170,226</b>	<b>7,486</b>	<b>-6,239</b>	<b>1,247</b>
Private Markets			314	-304	10
<b>Total</b>			<b>7,800</b>	<b>-6,543</b>	<b>1,257</b>

This analysis shows the fee savings achieved for the assets that have transitioned to Brunel portfolios against the fees charged at the time the business case for pooling was prepared in 2016. Where the Fund did not have an investment in an equivalent mandate an average of the fees paid by other client funds at that time is used as a proxy fee.

The price variance measures the extent to which changes in fee rates have generated savings or costs, and the quantity variance shows the difference in fees payable as a result of changes in asset value since the original business case.

A summary of the costs and savings to date compared to the original business case is provided in the following table.

**Table 4: Expected vs Actual Costs and Savings to Date**

	2020/21				2021/22			
	Budget		Actual		Budget		Actual	
	In Year	To Date	In Year	To Date	In Year	To Date	In Year	To Date
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Set up costs	0	1,183	0	1,072	0	1,183	0	1,072
Ongoing Brunel Costs	657	1,781	942	2,755	679	2,460	946	3,701
Client Savings	(133)	(387)	(133)	(387)	(137)	(524)	(133)	(520)
Transition costs	123	3,301	1,743	3,825	0	3,301	507	4,332
Fee savings	(2,562)	(4,120)	(1,984)	(3,604)	(2,986)	(7,106)	(4,196)	(7,800)
<b>Net costs / (savings)</b>	<b>(1,915)</b>	<b>1,758</b>	<b>568</b>	<b>3,661</b>	<b>(2,444)</b>	<b>(686)</b>	<b>(2,876)</b>	<b>785</b>

# Other Material

## Knowledge and Skills

There is a requirement for all those involved in the management and oversight of public sector pension funds (whether members or officers) to ensure they achieve the level of knowledge and skill necessary for performing their duties and responsibilities effectively.

Dorset County Pension Fund recognises the importance of ensuring that it has the necessary resources to discharge its pensions administration responsibilities and that all staff and members charged with the financial administration, governance and decision-making with regard to

the pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.

The Dorset County Pension Fund seeks to utilise individuals who are both capable and experienced and it will provide/arrange training for staff and members of the pensions decision-making and governance bodies to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

## Training

All public sector organisations charged with the financial management of pension schemes will be aware of the schemes' growing complexity. Public sector pension scheme financial management demands appropriate skills, including knowledge of financial markets and products; financial services procurement; pensions accounting and auditing; actuarial practices; investment performance and risk management and the implications of legal and regulatory requirements.

Every public sector organisation should secure appropriate training, having assessed the professional competence of both those involved in pension scheme financial management and those with a policy, management and/or oversight role. They should also ensure that those charged with pension scheme governance have access to the skills and knowledge they require to carry out this role effectively.

CIPFA has published its Pensions Finance Knowledge and Skills Framework as a basis for the training and development of those involved in

pension scheme finances. The six areas within the Knowledge and Skills framework are:

- Pensions legislative and governance context.
- Pensions accounting and auditing standards.
- Financial services procurement and relationship management.
- Investment performance and risk management.
- Financial markets and product knowledge.
- Actuarial methods, standards and practices.

As an administering authority of the Local Government Pension Scheme, Dorset Council has always recognised the importance of ensuring that all officers and members of the Pension Fund Committee charged with the financial management and decision making with regard to the pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them. The Fund provides and arranges training for officers and members of the Pension Fund Committee to enable them to acquire and maintain an

appropriate level of expertise, knowledge, and skills.

Specifically, the administering authority must ensure:

- that decisions are taken by persons or organisations with the skills, knowledge advice and resources necessary to make them effectively monitor implementation; and
- those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest.

Topics for training in 2021-22 for members and officers included:

- Training on Private Markets.
- Brunel Private Debt.
- Training with Insight.
- Refresher training on Governance matters with Peter Scales.
- Training on Paris-aligned and Climate Transition passive funds.
- Smart-Beta fund training.
- Initial thoughts from Steve Tyson, the new Independent Investment Adviser.



# Glossary of Terms

## **Actuarial Valuation**

An Actuarial Valuation is a three yearly valuation of the Fund. It is undertaken by the Actuary into the liability of the Fund to meet its liabilities. For the LGPS the Fund Actuary will assess the funding level of each participating employer and agree contribution rates.

## **Actuary**

An independent consultant who advises the Fund and reviews the financial position of the Fund every three years. The Actuary produces a report, known as the actuarial report, which compares the Fund's assets with the liabilities and prescribes the rates at which the employing bodies must contribute.

## **Additional Voluntary Contributions (AVCs)**

AVCs are paid by a contributor who decides to supplement their pension by paying extra contributions to the Scheme's AVC provider.

## **Administering Authority**

A body required to maintain a pension fund under the LGPS regulations. For the Dorset County Pension Fund this is Dorset Council.

## **Admitted Bodies**

These are employers who have been allowed into the Fund at the Council's discretion.

## **Asset Allocation**

The apportionment of the Fund's assets between different types of investments (or asset classes).

## **Assets**

These are everything that the pension fund holds. They include investments, bank balances and debtors.

## **Automatic Enrolment**

A work-based pension requirement introduced by the Government from October 2012 onwards. It has been introduced over a number of years, with larger employers required to meet the new requirements first and smaller employers phased

in over a number of years. Workers can opt out at any time, but may be subject to re-enrolment every three years from the date the employer was first required to comply with the new rules. An employer cannot offer workers inducements (additional pay, holidays etc.) or encourage workers not to join or opt out of a workplace pension. Following the ending of contracting out from 6 April 2016 the LGPS has been certified as satisfying the Alternative Quality Test in relation to the jobholders employed by all participating employers who are relevant members of that scheme, as required by the Occupational and Personal Pension Schemes (Automatic Enrolment) (Miscellaneous Amendments) Regulations 2016.

## **Benchmark**

A measure against which pension fund management performance is judged. A series of appropriate indices is chosen which reflects the requirements of the trustees. Usually a target is set which requires an agreed percentage better performance from the fund than the benchmark.

## **Bonds**

Loans made to an issuer (often a government or a company) which undertakes to repay the loan at an agreed later date. The term refers generically to corporate bonds or government bonds (gilts).

## **Brunel Pension Partnership (BPP Ltd)**

A partnership of ten LGPS funds to pool the management of their investment assets. The individual funds will retain responsibility for setting investment strategy; BPP Ltd, a company owned by the ten administering authorities will implement the strategies on behalf of the funds. The funds in the partnership are: Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset and Wiltshire.

## **Cessation Valuation**

A calculation carried out by the actuary when an employer leaves the Fund, which may result in a final deficit payment due to the Fund.

**Collateral**

An asset (cash or securities) posted from one counterparty to another, and held as a guarantee against the value of a specified of trades or other transactions.

**Consumer Price Index (CPI)**

Measure of price inflation in the UK. It differs from the RPI in the range of goods and services included, and the way the index is constructed.

**Corporate Governance**

Issues relating to the way in which a company ensures that it is attaching maximum importance to the interest of its shareholders and how shareholders can influence management.

**Custody/Custodian**

The safekeeping of securities by a financial institution. The Custodian keeps a register of holdings and will collect income and distribute monies according to client instruction.

**Deferred Pensioners**

A deferred member is one that has stopped paying into the scheme but is not yet receiving a pension. As a deferred member you will receive an Annual Benefit Statement which shows the benefits you have accrued and any pension increase that has been applied and how much they will be worth on retirement.

**Emerging Markets**

Developing economies in Latin America, Africa, Asia and the Middle East as well as areas of Europe and the Far East. Investment returns within these markets tend to more volatile than those in more established markets.

**Equities**

Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

**Fund Administrator**

The person who is responsible for managing the pension fund.

**Fund of Funds**

Funds whose principle activity is investing in other investment funds. Investors in funds of funds can increase their level of diversification and take advantage of the experience and research capability of the fund of funds manager.

**Funding Level**

The ratio of a fund's assets to the estimated value of its past service liabilities. This is expressed as a percentage. If a fund has a funding level of 110% it owns 10% more assets than it currently requires to meet its liabilities.

**Hedge**

A means of protecting against financial loss, normally by taking an offsetting position in a related investment.

**Infrastructure**

The public facilities and services needed to support residential development, including highways, bridges, schools and sewer and water systems.

**Investment Strategy**

The Fund's long term distribution of assets amongst various asset classes, taking into consideration the aim of the Pension Fund Committee and the attitude to risk and timescale.

**LGPS**

The Local Government pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government.

**Liabilities**

Financial liabilities are debts owed to creditors for outstanding payments due to be paid. Pension liabilities are the pension benefits and payments that are due to be paid when someone retires.

**Market Value**

The price at which an asset might reasonably be expected to be sold in an open market.

**Membership**

Local authority employment during which time pension contributions were made or redeemed to have been made providing entitlement to benefits under the scheme.

**Normal Pension Age**

Normal Pension Age is the age from which you can retire and receive your pension without reduction. Your Normal Pension Age in the LGPS is linked to your State Pension Age (with a minimum of age 65). You can check your Normal Pension age by looking up your current State Pension Age at [www.gov.uk/calculate-state-pension](http://www.gov.uk/calculate-state-pension).

**Passive Management**

A style of investment management that seeks to attain performance equal to market or index returns.

**Pensionable Pay**

Pensionable pay is the amount of pay on which you pay contributions. It includes basic pay, plus some other extras such as bonus, shift allowances and voluntary overtime. It does not include things like mileage or expenses.

**Performance Measurement**

Calculation of a Fund's historic return on its investments.

**Private Equity**

Private equity is capital that is not noted on a public exchange. Private equity is composed of funds and investors that directly invest in private companies, or that engage in buyouts of public companies, resulting in the delisting of public equity.

**Scheduled Body**

A scheduled body is a statutorily defined body within the scheme's regulations and has a statutory obligation to participate in the Scheme.

**Transfer Payment**

A payment made from one pension scheme to another in lieu of benefits which have accrued to the member or members concerned, to enable the receiving pension scheme to provide alternative benefits.

# Appendices

## Appendix 1

### Investment Strategy Statement

November 2021

#### 1. Introduction

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require administering authorities of LGPS funds to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State. This statement must be reviewed by the administering authority at least every three years, or more frequently should any significant change occur.

The regulations provide a prudential framework, within which administering authorities are responsible for setting their policy on asset allocation, risk and diversity. Administering authorities must invest, in accordance with its investment strategy, any pension fund money that is not needed immediately to make payments. The Investment Strategy Statement is therefore an important governance tool as well as providing transparency in relation to how LGPS funds' investments are managed.

All functions of Dorset Council ("the Council") as the administering authority for the Dorset County Pension Fund ("the Fund") have been delegated to the Pension Fund Committee ("the Committee"). This includes responsibility for determining the overall investment strategy and strategic asset allocation of the Fund, and in doing so taking proper professional advice.

The Fund's primary purpose is to provide pension benefits for its members. The Fund's investments will be managed to achieve a return that will ensure the solvency of the Fund and provide for

members' benefits in a way that achieves long term cost efficiency and effectively manages risk. The Investment Strategy Statement therefore sets out a strategy that is designed to achieve an investment return consistent with the objectives and assumptions set out in the Fund's Funding Strategy Statement.

The Investment Strategy Statement sets out in more detail the Fund's:

- assessment of the suitability of particular types of investments, and the balance between asset classes;
- approach to risk and how risks will be measured and managed, consistent with achieving the required investment return;
- approach to investment pooling and its relationship with its investment pooling manager, Brunel Pension Partnership Ltd ("Brunel"); and
- policy on how environmental, social or corporate governance considerations are taken into account in its investment strategy, including its stewardship responsibilities as a shareholder and asset owner.

This statement replaces the previous version of the Investment Strategy Statement (ISS) first published March 2018 and has been amended to reflect the results of the strategic allocation review agreed by the Committee September 2020.

<https://moderngov.dorsetcouncil.gov.uk/ieListDocuments.aspx?CId=434&MIId=4777&Ver=4>

## 2. Investment strategy and the process for ensuring suitability of investments

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death before or after retirement for their dependants in accordance with LGPS Regulations.

To meet this objective a major review of the Fund's strategic asset allocation is undertaken every three years shortly after the results of the triennial actuarial valuation are known. The Fund's strategic asset allocation was last reviewed in this way in 2020, advised by Mercer, an investment consultancy firm with considerable LGPS experience and expertise, and Alan Saunders, MJ Hudson, the Fund's independent investment adviser. The Committee also considers asset allocation at each of its quarterly meetings.

In order to prudently diversify sources of investment return and risk the Fund allocates across a variety of different asset classes. To be judged suitable for investment, asset classes must be consistent with the Fund's risk and return objectives, improve diversification and be understood by the Committee.

The Fund's current target strategic asset allocation, agreed by the Committee at its meeting September 2020, is set out in the table below together with tolerances by which the actual allocation can vary without further agreement by the Committee:

Asset Class	Allocation	Tolerance
UK Specific Equities	10%	+/- 2%
Global Equities	35%	+/- 5%
Emerging Markets Equities	5%	+/- 2%
Corporate Bonds	4%	+/- 2%
Multi Asset Credit	5%	+/- 1%
Property	10%	+/- 2%
Diversifying Return Funds	6%	+/- 1%
Private Equity	5%	+/- 2%
Infrastructure	8%	+/- 2%
Cash	0%	+ 2%

<b>Total Return Seeking Assets</b>	<b>88%</b>	-
Liability Driven Investment	12%	+/- 2%
<b>Total Assets</b>	<b>100%</b>	-

## 3. Risk measurement and management

Achieving satisfactory investment returns will, to a considerable degree, reflect the risks taken, and therefore the Fund seeks to understand, measure and manage risk, but not eliminate it.

There is an absolute risk of reduction in the value of the Fund's assets through negative returns. Whilst this cannot be avoided entirely, it can be mitigated by positioning the assets of the Fund across different types of assets, sectors and geographic regions.

There is also the relative risk that the Fund's investments under-perform the market, usually measured by comparison with a performance benchmark. The Fund's investment managers can, to a large extent, control relative risk by using statistical techniques to forecast how volatile their performance is likely to be relative to their benchmark or target. Each manager has a mandate specific benchmark and controls.

Different asset classes have different risk and return characteristics. For example, equities (company shares) have produced better long-term returns than fixed interest investments but they are more volatile and have at times produced negative returns for long periods. In setting the investment strategy, the Committee considers the expected risks and returns of the various asset classes and the correlation between those returns to target or expected return within an acceptable level of risk.

Risks may also arise from a lack of suitable balance or diversification of the Fund's assets. The adoption of an asset allocation strategy and the detailed monitoring of performance and risks relative to the targets set, constrains the investment managers from deviating too far from the intended outcome, whilst at the same time

allowing adequate flexibility to manage the portfolios in such a way as to enhance returns.

Other financially material risks arising from environmental, social and corporate governance (ESG) issues are required to be considered and managed by the Fund's investment managers in relation to all asset classes. The Fund's approach in this area is set out in more detail in section 5 below.

Consideration is also given to the on-going risks of a mismatch, over time, between the Fund's assets and its liabilities. The Fund's Funding Strategy Statement considers these risks in greater detail, however, the major risks that can lead to this mismatch are the impact of interest and inflation yields on liabilities. In order to mitigate this risk, the Fund has an asset allocation of 12% to Liability Driven Investment (LDI) and holds other assets, such as property, with direct or indirect links to inflation.

#### **4. Approach to asset pooling**

In accordance with the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016., the Fund participates with nine other LGPS funds to pool investment assets through the Brunel Pension Partnership Ltd (Brunel). Brunel is wholly owned by the ten administering authorities (in equal shares) that participate in the pool and is authorised by the Financial Conduct Authority (FCA).

The administering authorities retain the responsibility for setting the strategic asset allocation for their pension funds and allocating investment assets to the portfolios provided by Brunel. Brunel is responsible for implementing those asset allocations by investing funds' assets within defined outcome focused investment portfolios it has developed.

Brunel creates collective investment vehicles for quoted assets such as equities and bonds, and for private market

investments it creates and manages an investment programme with a defined investment cycle for each asset class. It researches and selects the external managers or pooled funds needed to meet the investment objective of each portfolio.

The process of transitioning the Fund's assets to the portfolios managed by Brunel started in April 2018 and is expected to be largely completed during 2021, except for legacy private market assets and other illiquid assets. Until such time as transitions take place, the client funds will continue to maintain the relationship with its legacy investment managers and oversee their investment performance, working in partnership with Brunel where appropriate.

A detailed service agreement between Brunel and its clients sets out the duties and responsibilities of Brunel and the rights of the clients, including a duty of care for Brunel to act in its clients' interests.

The governance arrangements for the pool include the Brunel Oversight Board, comprised of representatives from each of the administering authorities plus two scheme member observers. Acting for the administering authorities, it has ultimate responsibility for ensuring that Brunel delivers the services required to achieve investment pooling and deliver each client fund's investment strategy.

The Oversight Board has a monitoring and oversight function. Subject to its terms of reference it will consider relevant matters on behalf of the administering authorities, but it does not have delegated powers to take decisions requiring shareholder approval which must be remitted back to each administering authority individually. The administering authorities' shareholder rights are set out in the Shareholders Agreement and other constitutional documents.

The Oversight Board is supported by the Client Group, comprised primarily of pension investment officers drawn from each of the administering authorities. It has a primary role in reviewing the implementation of pooling by Brunel, including the plans for transitioning assets to the portfolios. It provides a forum for discussing technical and practical matters, confirming priorities, and resolving differences. It is responsible for providing practical support to enable the Oversight Board to fulfil its monitoring and oversight function.

The Client Group monitors performance and service delivery for each of the established Brunel portfolios in addition to the regular reports to administering authorities.

## 5. Environmental, social and corporate governance (ESG) policy

The primary aim of the Fund is to maximise the value of investments made for the benefit of the many stakeholders, including council tax payers, scheme employers, current employee contributors and pensioners. The Fund does not place restrictions on investment managers in choosing individual investments in companies or sectors in either the UK or overseas markets and its policy is to support engagement with companies to effect change, rather than disinvestment.

The Fund has a fiduciary duty to seek to obtain the best financial return that it can for its scheme members and their employers, and all other considerations are secondary. However, the Fund is mindful of its responsibilities as a long-term shareholder and believes that in the long term better financial returns will be generated by investing in companies and assets that contribute to the long-term sustainable success of the global economy and society.

The Fund recognises the risks associated with environmental, social and governance (ESG) issues, and the potential impact on the financial

returns if those risks are not managed effectively. The Fund therefore expects its external fund managers to monitor and manage the associated risks.

The Fund will work with its partners in the Brunel pool and Brunel to ensure that robust systems are in place for monitoring ESG risk, both at a portfolio and a total fund level, and that the associated risks are effectively managed. The Fund fully endorses and supports the policies set out in the Brunel Responsible Investment Policy:

<https://www.brunelpensionpartnership.org/responsibleinvestment/responsible-investment-policy>

The Fund is also a member of the Local Authority Pension Fund Forum (LAPFF). The LAPFF exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders while promoting corporate social responsibility and high standards of corporate governance among the companies in which they invest.

<https://lapffforum.org/>

### Climate Change

The Fund believes climate change poses significant risks to global financial stability and could thereby create climate-related financial risks for the Fund's investments, unless action is taken to mitigate these risks. The Fund recognises that climate change will have impacts across all investment asset classes and looks to Brunel and all other investment managers to identify and manage climate-related financial risks as part of day-to-day fund management.

At its meeting September 2020, the Committee agreed a strategy of **decarbonisation**, meaning a reduction in allocations of investment to companies which are high carbon emitters and looking to influence the demand for fossil fuels and their financing, not just their supply, and not a strategy of **divestment**, meaning completely divesting from companies involved in the sourcing and refining of fossil fuels.

The Fund does not consider a top-down approach to divestment to be an appropriate strategy. By integrating climate change into risk management process, using carbon footprinting, assessing fossil fuel exposure and challenging managers on physical risks, the Fund seeks to reduce unmitigated climate and carbon risk. Where companies fail to engage with climate change issues, selective divestment may be appropriate based on investment risk.

Significant decarbonisation has been and will continue to be achieved through the transition of assets to the management of Brunel. 10% of the Fund's total Investment assets are now invested in Brunel's global sustainable equities fund, and all other actively managed Brunel funds are committed to a policy of a 7% year on year reduction in their carbon footprint. In addition, a significant proportion of the Fund's infrastructure investments is expected to be invested in renewable energy assets.

This process is informed by using a variety of tools in combination with industry and corporate engagement. Brunel's quarterly reports considered by the Committee and publicly available include summaries of the carbon intensity and extractive exposure of its funds compared to industry benchmarks

The Fund fully endorses and supports the Brunel Climate Change Policy:

<https://www.brunelpensionpartnership.org/climate-change/>

## 6. Stewardship Policy

The Fund is committed to responsible stewardship and believe that through stewardship it can contribute to the care, and ultimately long-term success, of all the assets within our remit. The Fund supports and applies the UK Stewardship Code 2020 definition of stewardship:

"Stewardship is the responsible allocation, management, and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society."

The Fund works with or through Brunel, the Local Authority Pension Fund Forum and/or other partners to pursue activities which are outcomes focused, which prioritise the pursuit and achievement of positive real-world goals, and where there is enhanced collaboration which focuses on collective goals to address systemic issues.

This includes, engaging with companies and holding them to account on material issues, exercising rights and responsibilities such as voting, and integrating environmental, social and governance factors into investment decision making.

The Fund fully endorses and supports the Brunel Stewardship Policy:

[https://www.brunelpensionpartnership.org/stewardship\\_report/](https://www.brunelpensionpartnership.org/stewardship_report/)



## Appendix 2

# Pension Administration Strategy Report

### Introduction

Dorset County Pension Fund (*“the Fund”*) is responsible for the administration of the Local Government Pension Scheme (*“LGPS”*) within the geographical area of Dorset. The Fund also administers the LGPS on behalf of a number of qualifying employers who are not situated within the Dorset area. The service is carried out by Dorset Council (*“the administering authority”*) on behalf of qualifying employers and ultimately the LGPS members.

This document is the Pensions Administration Strategy statement outlining the policies and performance standards towards providing a cost-effective, inclusive and high quality pensions and administration service. Delivery of such an administration service is not the responsibility of one person or one organisation, but is rather the joint working of a number of different stakeholders, which between them are responsible for delivering the pensions administration service to meet the diverse needs of the membership. As the cost of this service is borne by the Fund, and effectively recharged pro-rata to each employer via the contribution rate, it is in everyone's interests to ensure an efficient cost-effective provision.

### Compliance

Developed in consultation with employers within the Fund, this statement seeks to promote good working relationships, improve efficiency and ensure agreed standards of quality in delivery of the pension administration service amongst the employers and the Fund. A copy of this strategy is issued to each of the relevant employers.

The undertakings set out within this Pension Administration Strategy will be reviewed annually by the Fund. In no circumstances does this strategy override any provision or requirement of the Regulations set out below nor is it intended to replace the information provided in the

Employers' Guide on the Dorset County Pension Fund website for day-to-day use;  
[www.yourpension.org.uk/Dorset/Employers](http://www.yourpension.org.uk/Dorset/Employers)

### Review

The Fund will review this policy statement and make revisions as appropriate following a material change in its policies in relation to any of the matters contained in the strategy. Employers will be consulted and informed of the changes.

### Regulatory Framework

Regulation 59 of the LGPS Regulations 2013 enables an LGPS administering authority to prepare a document (*“the pension administration strategy”*) detailing administrative standards, performance measure, data flows and communication with employers.

In addition, Regulation 70 of the LGPS Regulations 2013 allows an administering authority to recover costs from an employing authority where costs have been incurred because of that employing authority's level of performance in carrying out its functions under these Regulations. See Poor Performance section.

This document has been presented, considered and approved by the Local Pensions Board on 3 December 2019 and, as such, the contents of which apply to all existing and future employers of Dorset County Pension Fund and from 1 January 2020.

### Liaison and Communication

The delivery of a high quality, cost effective administration service is not the responsibility of just the administering authority, but depends on the joint working of the administering authority with a number of individuals in different organisations to ensure Scheme members, and other interested parties, receive the appropriate level of service and ensure that statutory requirements are met.

Each Employing authority will designate a named individual to act as the main point of contact (Pension Liaison Officer (PLO)) with regard to any aspect of administering the LGPS.

**Their key responsibilities will be to:**

- to act as a conduit for communications to appropriate staff within the employer - for example, Human Resources, Payroll teams, Directors of Finance;
- to ensure that standards and levels of service are maintained;
- to ensure that details of all nominated representatives and authorised signatures are correct and to notify the Fund of any changes immediately;
- to arrange distribution of communications literature as and when required;
- to inform the Fund of any alternative service arrangements required;
- to assure data quality and ensure the timely submission of data to the Fund;
- to assist and liaise with the Fund on promotional activities; and to ensure payments due to the Fund are made in accordance with the Pensions Administration Strategy

**Employer Training/Meetings**

Employer workshops are arranged 3 times per year but more will be provided if requested or deemed necessary by the Fund. The workshops cover employer responsibilities highlighting:

- Starter and leaver processes
- Final Pay
- LGPS Discretions
- End of Year requirements
- Communications

The Fund will hold Pension Liaison Officer Group (PLOG) meetings 3 times per year. Attendance by each employer's PLO is actively encouraged.

The Fund holds an annual employers' meeting where officers provide information on Fund Finances, Investment Performance and topical issues for the Fund; in recent times this has included updates on future changes to the LGPS.

Attendance by each employer's main contact and Senior Management is actively encouraged.

Meetings with senior pension fund staff can be arranged on request.

**Policy Discretions**

Each employer is required to produce, publish and maintain a statement of policy regarding the exercise of certain discretionary functions available to them within the LGPS regulations. The policy statement must be kept under review and where revisions are made; the revised policy statement must be sent to the Fund and made readily available to all employees within the employing authority within one month of the effective date.

**Notification of Employee's Rights**

Any decisions made by an employing authority affecting an employee's rights to membership or entitlement to benefits must be notified to the employee in writing.

**Internal Disputes Resolution Procedures (IDRP)**

Each employing authority is required to nominate and name the person to whom applications under Stage 1 of the Internal Disputes Resolution Procedures should be made. The name, job title and contact details of this nominated person must be kept current with the Fund.

**Computer Links**

The Fund will, to appropriate large employers, provide the software, hardware and communication facilities in order for employing authority staff to produce retirement estimates and enquire on their employee's record of membership.

The Fund will ensure that the Pensions Administration computer system is available for use during normal office hours with the exception of any necessary scheduled maintenance of the system.

**Fund and Employer Responsibilities**

The LGPS Regulations identifies a number of responsibilities for the Fund and Employers.

Performance Standards are held within the following tables:

<b>New Appointments</b>	
<b>Employers' Responsibility</b>	<b>Fund's Responsibility</b>
To ensure that pensions information is included as part of any induction process.	To provide to employers on request appropriate information/forms for inductions.
To provide each new employee with an LGPS booklet and application form, either with their contract or within two weeks of starting work.	To update pension information in accordance with regulatory changes and provide sufficient stock within five weeks of request by the employer.

<b>New Starters</b>	
<b>Employers' Responsibility</b>	<b>Fund's Responsibility</b>
To ensure that all employees subject to automatic admission are brought into the LGPS from the date of appointment, and provide the Pensions Team each month with details of their start date by electronic interface, monthly return or YourFund starter form.	To accurately record and update associated member records on the pension administration system.
To assist the Fund in ensuring that all new starters complete the Pension Membership Form containing information including National Insurance Number, Date of Birth and Home Address to the Fund within 1 calendar month of the employee's first pay date.	To write to member sending a Transfer Booklet within 10 days of receipt of Pension Membership Form if starter information has been provided by employer.
Where there is more than one contract of employment with the same employer, each membership shall be maintained separately and the Fund notified.	To accurately record these member records on the pension administration system.
To send the Fund notification in agreed electronic or paper format of any eligible employees subject to automatic entry, who do not wish to join, or elect to leave the scheme within three months of appointment.	To accurately record and update member records on the pension administration system within 30 working days of receipt of the notification.

<b>Valuation &amp; Annual Benefit Illustrations</b>	
<b>Employers' Responsibility</b>	<b>Fund's Responsibility</b>
<p>To ensure that the Fund is informed of any changes in the circumstances of employees on YourFund or by electronic interface within 1 calendar month of the change.</p> <p>The changes include:</p> <p><b>Status:</b></p> <ul style="list-style-type: none"> <li>- Change of name</li> <li>- Marital Status</li> <li>- National Insurance Number</li> <li>- Address</li> </ul> <p><b>Conditions of Service:</b></p> <ul style="list-style-type: none"> <li>- Contractual Hours</li> <li>- Employee Number and/or Post Number</li> <li>- Date Joined Scheme (if adjusted)</li> </ul> <p>Each employer must ensure that the relevant contributions are deducted, if required.</p> <p><b>End of Year</b> End of Year contribution return to be sent to the Fund by the 30th April.</p> <p>Employer to respond to End of Year queries within 10 working days of request.</p>	<p>To provide forms for recording any key change in circumstances and/or to provide a template for the secure submission of data electronically.</p> <p>To accurately record and update member records on the pension administration system within 30 working days of notification or any shorter period as requested by the employer with regard to specific requirements.</p> <p>To issue Annual Benefit Illustrations by the 31st August of the year concerned for all members where the employer has sent end of year contribution return by 30th April of that same year.</p> <p>To calculate the LGPS member's Annual Allowance under HMRC Legislation and notify members, where appropriate by the 5th October of the year concerned or within 3 months of member's request.</p>

<b>Retirement Estimates</b>	
<b>Employers' Responsibility</b>	<b>Fund's Responsibility</b>
<p>To submit a request using the estimate form on YourFund</p> <p>(Only 1 estimate request per member per rolling year allowed, additional requests chargeable as per Charging Schedule - Appendix A)</p> <p>For larger bulk estimates, requests can be made in alternative formats.</p>	<p>To issue the quotations within 15 working days of receiving the request or by separate agreed timescales for bulk requests.</p> <p>To provide large employers with the appropriate software to produce retirement estimates without the resource of Fund staff.</p>

<b>Actual Retirement</b>	
<b>Employers' Responsibility</b>	<b>Fund's Responsibility</b>
<p>To submit the pre-retirement information via YourFund form to the Fund at least one month before retirement where possible.</p> <p>To submit leaver form no later than 15 working days after retirement date.</p> <p>Further information can be found in the Employers Guide: <a href="http://www.yourpension.org.uk/Dorset/Employers">www.yourpension.org.uk/Dorset/Employers</a>.</p>	<p>To issue the member with a pre-retirement letter and information within 15 working days of notification from employer.</p> <p>To issue a final retirement letter and make payment of any lump sum within 10 working days of receipt of all relevant forms and certificates subject to being after the date of retirement.</p> <p>To pay any pension payment on the last working day of each month, following retirement.</p>

<b>Ill Health Retirements</b>	
<b>Employers' Responsibility</b>	<b>Fund's Responsibility</b>
<p>To determine based on medical opinion and advice of one of the Administering Authorities approved Independent Medical Registered Practitioners (Independent Medical Registered Practitioners (IMRP)) whether an ill health award is to be made and determine which tier 1, 2 or 3.</p> <p>To submit the appropriate form to the Fund at least one month before retirement where possible but in all cases no later than 15 working days after retirement date</p>	<p>To calculate and pay required benefits inline with actual retirement timescales.</p>
<p>To keep a record of all Tier 3 ill health retirements, particularly in regard to the 18 month review of their gainful employment and any subsequent appointment with an (IMRP) approved by the Administration Authority for a further medical certificate.</p> <p>To inform the Administering Authority if and when the pension should cease.</p>	<p>To calculate and recover any overpayment of pension benefits</p>
<p>To review all Tier 3 ill health retirement cases prior to discontinuance at three years and notify member of cessation if applicable.</p> <p>Further information on ill health retirements can be found in the Employers Guide; <a href="http://www.yourpension.org.uk/Dorset/Employers">www.yourpension.org.uk/Dorset/Employers</a></p>	<p>Update the member records as becoming a "pensioner member with deferred benefits from the date of the suspension".</p>

<b>Members Leaving Employment Before Retirement</b>	
<b>Employers' Responsibility</b>	<b>Fund's Responsibility</b>
<p>To notify the Fund of the employee's date and reason for cessation of membership and all other relevant information via YourFund within one month of the event.</p> <p>To supply member with a Leaver Election Form.</p>	<p>To accurately record and update member records on the pension administration system.</p> <p>To inform members who leave the Scheme, who are not entitled to immediate payment of benefits, the options available and deferred benefit entitlement with 40 days.</p>

<b>Former Members With Deferred Benefits</b>	
<b>Employers' Responsibility</b>	<b>Fund's Responsibility</b>
<p>To keep adequate records of the following for members who leave the Scheme with deferred benefits as early payment of benefits may be required:</p> <ul style="list-style-type: none"> <li>- Name and Last known address</li> <li>- National Insurance Number</li> <li>- Payroll Number</li> <li>- Date of Birth</li> <li>- Last job including job description</li> <li>- Salary details</li> <li>- Date and reason for leaving</li> </ul> <p>On application from the former employee to have their deferred benefits paid early, a determination as to whether or not they are eligible for early payment on ill health grounds after seeking a suitable medical opinion from an independent Registered Medical Practitioner (IRMP) approved by the Administering Authority, to determine whether benefits should be released early on compassionate grounds and whether any early retirement reduction should be waived.</p>	<p>To record and update member records on pension administration system.</p> <p>Issue deferred benefit notification within 2 months of notification by employer.</p> <p>To provide former members, where possible, an annual benefit illustration of their deferred benefits updated by accrued annual pensions increase award.</p> <p>To provide estimates of benefits that may be payable and any resulting employer costs within 15 working days of request.</p>

<b>Death In Service &amp; Terminal Illness</b>	
<b>Employers' Responsibility</b>	<b>Fund's Responsibility</b>
<p>To inform the Fund immediately of the death of an employee or when a member is suffering from a potentially terminal illness and provide details of the next of kin.</p> <p>Further information can be found in the Employers Guide;  <a href="http://www.yourpension.org.uk/Dorset/Employers">www.yourpension.org.uk/Dorset/Employers</a></p>	<p>To assist employers, employees and their next of kin in ensuring the pension options are made available and that the payment of benefits are expedited in an appropriate caring manner.</p>

<b>Financial Obligations</b>	
<b>Employers' Responsibility</b>	<b>Fund's Responsibility</b>
<p>To pay the Fund all contributions deducted from payroll (not including AVCs) of its employees and employer contributions, no later than the 19th day (for cheque payments) or 22nd (for electronic payments) of the month following the period of deductions.</p> <p>To re-imburse the Fund for all pension payments made which are not to be borne by the Fund e.g. early retirement strain cost, compensatory added years, injury allowances under an agreed schedule.</p> <p>To ensure that all payments made to the Fund are supported by a completed Monthly Financial Return form which is available at <a href="http://www.yourpension.org.uk/Dorset/Employers/Employer-Guide/Monthly&gt;Returns">www.yourpension.org.uk/Dorset/Employers/Employer-Guide/Monthly&gt;Returns</a></p> <p>Further information can be found in the Employer Guide: <a href="http://www.yourpension.org.uk/Dorset/employers">www.yourpension.org.uk/Dorset/employers</a></p>	<p>To allocate the received contributions to each employers record.</p> <p>To monitor employer contribution payover as detailed in the Fund's Payment of Employee and Employer Pension Contributions Policy.</p> <p>Interest will be charged for late payment as detailed in Regulation 71(4) of the LGPS Regulations 2013.</p>
<p>To apply the correct employer and employee contribution rate.</p> <p>To alter employee contribution rates at all other times in line with the employers' discretionary policy on adjusting employee contribution rates.</p>	<p>Inform each employer of any new contribution banding.</p>
<p>To pay all rechargeable items to the Fund within four weeks of the invoice.</p>	<p>The Fund will inform employers of any recharge items as they become due.</p>
<p>To pay the appropriate AVC provider AVC contributions deducted from payroll of its employees no later than the 19th day of the month following the period of deductions.</p>	<p>To record and update member records on pension administration system to show membership of AVC scheme.</p>

<b>Additional Benefits (ARCs and ASBCs)</b>	
<b>Employers' Responsibility</b>	<b>Fund's Responsibility</b>
<p>To collect from the employee payroll, contributions and to arrange the prompt payment to the Fund no later than the 19th day (for cheque payments) or 22nd (for electronic payments) of the month following deduction.</p> <p>More information can be found in the Employers Guide, <a href="http://www.yourpension.org.uk/Dorset/employers">www.yourpension.org.uk/Dorset/employers</a></p>	<p>To provide information on Additional Regular Contributions (ARCs) and Additional Survivor Benefit Contributions (ASBC's) on request to the LGPS member and employers and issue quotations within 15 working days.</p>

## Discretions Policy

### Employers' Responsibility

Formulate, publish and update (as necessary) an Employer Discretions Policy as required under the LGPS Regulations using the Discretions template and provide a copy of this to Administering Authority. More information can be found in the Employers Guide, [www.yourpension.org.uk/Dorset/employers](http://www.yourpension.org.uk/Dorset/employers) See Appendix B for details of Discretions.

This must be done within 30 days of policy being agreed by the appropriate officers or committee of the Employer OR any changes being made

**and**

No later than 6 months after being informed by the Fund of any relevant change in the Regulations

### Fund's Responsibility

Formulate, publish and update (as necessary) an Administering Authority Discretions Policy as required under the LGPS Regulations. The Fund will keep the policies under review and will update within 6 months of any relevant change in the Regulations.

Where the Fund does not have an up to date discretions policy from an Employer, the Fund will not process anything which involves Employers discretions. This currently includes application of rule of 85 for members between 55 and 60, additional pension awards, flexible retirement and waiving of actuarial reductions on any of these.



## Fund Administration Performance

### Task Standards

In all cases the standard quoted applies only once all necessary information and documents have been received.

The annual figures for the Fund performance measures across all employers will be monitored by the Local Pensions Board and reported in the Annual Report.

Task	Standard (working days)
Letters/emails acknowledged	10 Days
New Starters processed - electronic/paper	30 Days
Payment of transfer values	20 Days
Provision of inward transfer quotes	15 Days
Notification of deferred benefits	40 Days
Respond to members general postal/telephone enquiries	10 Days
Changes in details processed	30 Days
Estimates for divorce purposes processed	30 Days or 21 Days for Court Ordered requests
Refund Payments	15 Days
Deferred benefits calculated	40 Days
APC Illustrations calculated	10 Days
Annuity quotations calculated	5 Days
New retirement letters sent detailing options	10 Days
New retirement benefits processed for payment following receipt of election	5 Days
Deferred benefits processed for payment following receipt of election	20 Days
Notification of death processed	5 Days
Processing of survivor pensions	10 Days
Processing of death grants	5 Days
Estimate requests processed	15 Days

### Audit

The Fund is subject to an annual audit of its processes and internal controls. Employers are expected to fully comply with any requests for information from both internal and approved external auditors. Any subsequent recommendations will be considered and where appropriate implemented with Employing authority cooperation.

### Benchmarking

The Fund will regularly monitor its costs and service performance by benchmarking with other administering authorities. Details of the costs of administration, quality measures

and standards of performance will be monitored by the Pension Fund Committee and the Local Pensions Board. A summary will be published in the Annual Report.

### Employer Performance Reporting

#### Poor Performance

The Local Pensions Board will monitor regularly the key performance measures. The Fund will seek, at the earliest opportunity, to work closely with employers in identifying areas of poor performance, provide the necessary training and development to put in place appropriate processes to improve the level of service into the future.

In the event of continued poor performance and a lack of any evidence of measures being taken to achieve improvement by an employing authority the Fund will seek to recover any additional costs arising.

The Fund may also charge for other services, details of all the charges that apply are provided in Appendix A.

Any third party costs or regulatory fines incurred by the Fund as a consequence of administrative failures or poor performance by the employing authority will be recovered from the employer. These may include fines imposed by the Courts or the Pensions Ombudsman and additional charges in respect of actuarial fees, legal fees, third party computer charges and additional printing and distribution costs.

In dealing with poor performance the Fund will:

- write to the employer setting out the area(s) of poor performance;
- meet with the employing authority, to discuss area(s) of poor performance and how these can be addressed;
- issue formal written notice, where no improvement is demonstrated by the employing authority or where there has been a failure to take agreed action by the employing authority;
- make a claim for cost recovery, taking account of time and resources in resolving the specific area(s) of poor performance;
- will report any claim for the cost of recovery to the Local Pensions Board at the next available meeting and may form part of the administration report in the Fund's published Annual Report;
- report the employer to the Pensions Regulator where deemed necessary.

## Standards of Data

### Overriding Legislation

In performing the role of administering the LGPS, The Fund and Employers will comply with the overriding legislation, including:

- the General Data Protection Regulations

- the Occupational Pensions Schemes; (*Disclosure of Information*) Regulations 1986;
- the Public Pensions Pensions Act;
- any Transitional Regulations currently in place;
- the Discretionary and Compensation Regulations 2006;
- the Data Protection Act 2018;
- the Freedom of Information Act 2000;
- the Equality Act 2010;
- the Finance Act 2004;
- Health and Safety Legislation;
- Employment Rights Act 1998;
- HMRC Legislation and
- Current Government Actuaries Department Guidance.

and any future amendments to the above legislation.

## Associated Policy Statements

### Communications Policy

The statement outlines the Fund's policy on:

- Information to members, representatives and employers;
- The format, frequency and method of distributing such information;
- The promotion of the Scheme to prospective members and their employing authorities.

The policy can be accessed on the Dorset County Pension Fund website:

[www.yourpension.org.uk/Dorset/In-the-Scheme/Publications](http://www.yourpension.org.uk/Dorset/In-the-Scheme/Publications)

### Governance Policy

Dorset Council has delegated to the Pension Fund Committee various powers and duties in respect of the investment of the Fund. This statement sets out the scheme of delegation and the terms of reference, structure and operational procedures of the delegation.

The policy can be accessed on the Dorset County Pension Fund website:

<https://www.yourpension.org.uk/Dorset/Investments-Governance/Responsible-Investment>

### **Privacy Statement**

The fund collects and processes personal data about scheme members. The Privacy Notice explains the information the Fund holds and how it is used.

The policy can be accessed on the Dorset County Pension Fund website:  
<https://www.yourpension.org.uk/Dorset/Accessibility/Privacy-and-Cookie-Policy.aspx>

### **Data Retention Policy**

This statement sets out the Fund's policy on the retention of personal data.

The policy can be found on the Dorset County Pension Fund website:  
<https://www.yourpension.org.uk/Dorset/Accessibility/Privacy-and-Cookie-Policy/Retention-Policy.aspx>

### **Employer Discretions**

The LGPS Regulations require every employing authority to:

- issue a written policy statement on how it will exercise the various discretions provided by the LGPS;
- keep it under review;
- revise it as necessary.

A list of the Employer discretions can be found in the Employers Guide:  
<https://www.yourpension.org.uk/Dorset/Employers>

### **Administering Authority Discretions**

The LGPS Regulations require every administering authority to:

- issue a written policy statement on how it will exercise the various discretions provided by the LGPS;
- keep it under review;
- revise it as necessary.

A copy of the Dorset County Pension Fund Administering Authority Discretions can be found

on the Dorset County Pension Fund website:  
<https://www.yourpension.org.uk/Dorset/Scheme>

## **Local Government Pension Scheme Regulations 2013 Excerpts Related to Pensions Administration Strategy Documents**

### **Exchange of information - Regulation 80**

#### **(1). A Scheme employer must –**

- a) inform the appropriate administering authority of all decisions made by the employer under regulation 72 (first instance decisions) or by an adjudicator appointed by the Scheme employer under regulation 74 (applications for adjudication of disagreements) concerning members; and
- b) give that authority such other information as it requires for discharging its Scheme functions.

#### **(2). If –**

- a) an administering authority makes any decision under regulations 72 (first instance decisions), 75 (decisions of the adjudicator) or 76 (reference of adjudications to administering authority) about a person for whom it is not the Scheme employer; and
- b) information about that decision is required by the person's Scheme employer for discharging that employer's Scheme functions, that authority must give that employer that information if asked to supply it.

#### **(3). Within three months of the end of each Scheme year, each Scheme employer must give a statement to the appropriate administering authority giving the following details in respect of each employee who has been an active member during the Scheme year –**

- a) the employee's name and gender;

- b) the employee's date of birth and national insurance number;
- c) a unique reference number relating to each employment in which the employee has been an active member; and
- d) the information relating to the employee for the Scheme year in question for each employment which is specified in paragraph (4).

**(4). The information required by paragraph (3)(d) is –**

- a) the dates of active membership;
- b) the pensionable pay received and employee contributions deducted while regulation 9 (contributions) applied;
- c) the pensionable pay received and employee contributions deducted while regulation 10 (temporary reduction in contributions) applied;
- d) any contributions by the employer in relation to the employee's pensionable pay;
- e) any contributions by employee or employer under regulation 16 (additional pension contributions);
- f) any contributions by employee or employer under regulation 17 (additional voluntary contributions).

**Pension administration strategy - Regulation 59**

**(1). An administering authority may prepare a written statement of the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate (*"its pension administration strategy"*) and, where it does so, paragraphs (3) to (7) apply.**

**(2). The matters are –**

- a) procedures for liaison and communication with employers in relation to which it is the

- administering authority (*"its scheme employers"*);
- b) the establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions by –
  - i. the setting of performance targets,
  - ii. the making of agreements about levels of performance and associated matters, or
  - iii. such other means as the administering authority considers appropriate;
- c) procedures which aim to secure that the administering authority and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;
- d) procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions;
- e) the circumstances in which the administering authority may consider giving written notice to any of its Scheme employers under regulation 70 (additional costs arising from Scheme employer's level of performance) on account of that employer's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b);
- f) the publication by the administering authority of annual reports dealing with –
  - i. the extent to which that authority and its Scheme employers have achieved the levels of performance established under sub-paragraph (b), and

- ii. such other matters arising from its pension administration strategy as it considers appropriate; and
- g) such other matters as appear to the administering authority after consulting its Scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

**(3). An administering authority must –**

- a) keep its pension administration strategy under review; and
- b) make such revisions as are appropriate following a material change in its policies in relation to any of the matters contained in the strategy.

**(4). In preparing or reviewing and making revisions to its pensions administration strategy, an administering authority must consult its scheme employers and such other persons as it considers appropriate.**

**(5). An administering authority must publish –**

- a) its pension administration strategy; and
- b) where revisions are made to it, the strategy as revised.

**(6). When an administering authority publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its employers and to the Secretary of State as soon as is reasonably practicable.**

**(7). An administering authority and its Scheme employers must have regard to the pension administration strategy when carrying out their functions under these Regulations.**

**(8). In this regulation references to the functions of an administering authority include, where applicable, its functions as a Scheme employer.**

**Additional costs arising from Scheme employer's level of performance - Regulation 70**

**(1). This regulation applies where, in the opinion of an administering authority, it has incurred additional costs which should be recovered from a Scheme employer because of that employer's level of performance in carrying out its functions under these Regulations.**

**(2). The administering authority may give written notice to the Scheme employer stating –**

- (a) the administering authority's reasons for forming the opinion mentioned in paragraph (1);
- (b) the amount the authority has determined the Scheme employer should pay under regulation 69(1)(d) (payments by Scheme employers to administering authorities) in respect of those costs and the basis on which the specified amount is calculated; and
- (c) where the administering authority has prepared a pension administration strategy under regulation 59, the provisions of the strategy which are relevant to the decision to give the notice and to the matters in sub-paragraphs (a) or (b).

**Interest on late payments by Scheme employers - Regulation 71**

**(1). An administering authority may require a Scheme employer or former Scheme employer from which any payment is due under regulations 67 to 70 (employer's contributions or payments) is overdue to pay interest on that amount.**

**(2). The date on which any amount due under regulations 67 (employer's contributions), 68 (employer's further payments), 70 (additional costs arising from Scheme employer's level of performance) is overdue is one month**

**from the date specified by the administering authority for payment.**

**(3). The date on which any amount due under regulation 69 (payment by Scheme employers to administering authorities) (other than an extra charge payable under regulation 68 and referred to in regulation 69(1)(b)) is overdue is the day after the date when that payment is due.**

**(4). Interest payable under this regulation must be calculated at one per cent above base rate on a day to day basis from the due date to the date of payment and compounded with three-monthly rests**

Overriding legislation dictates minimum standards that Pension Schemes should meet in providing certain pieces of information to the various associated parties - not least of which the Scheme member.

## Appendix A – Charging Schedule

	Charge
Failure to notify the Fund of new starters with full information within 1 month of their start date	£50 per case
Failure to notify the Fund of changes in status within 1 month of the change	£50 per case
Failure to notify the Fund of any member leaving the Scheme (termination of employment or opting-out) within 1 month of the event	£50 per case
Failure to notify the Fund of any retirement within 15 days of retirement date	£50 per case
Where as a result of the Employer's/Payroll Providers failure to notify the Fund of a retirement interest becomes payable on any lump sum or death grant paid, the Fund will recharge the total amount of interest to the Employer/Payroll Provider	Interest calculated in accordance with Regulation 71 of the LGPS Regulations 2013
Failure to notify the Fund of the death in service of a member within 10 working days of the Employer receiving notification	£250 per case
Failure to pay over the monthly contributions to the Fund by the 22nd of the month following deduction of the contributions	Interest calculated on a daily basis equal to the Bank of England Base Rate plus 1%
Failure to provide the Fund with the End of Year return by 30th April	£100 per working day from day after required date to date return is received
Failure to respond to requests for End of Year information to resolve queries within 10 working days of Fund request	£50 per query
Estimate requests in excess of 1 required in a rolling year	£100 per estimate request plus VAT per additional request
Failure to pay invoices from the Fund within the prescribed payment period	Interest calculated on a daily basis equal to the Bank of England Base Rate plus 1%

### Notes to Charging Schedule

Notifications of new starters, changes, absences, leavers, retirements and death in service must give full information as detailed in the Employer's Guide:

[www.yourpension.org.uk/Dorset/Employers](http://www.yourpension.org.uk/Dorset/Employers)

Regulation 71 of the LGPS Regulations 2013 states that interest must be calculated at one per cent above base rate on a day to day basis from the due date to the date of payment and compounded with three-monthly rests. If late payment of a lump sum or death grant occurs as a result of a failure by the scheme member or

scheme member's representative to provide the information to the Fund, the Fund will be liable for the payment of any interest due.

### Contact details

Dorset County Pension Fund  
County Hall,  
Dorchester  
Dorset  
DT1 1XJ

**Tel:** 01305 224845

**Fax:** 01305 224049

**Email:** [pensionshelpline@dorsetcouncil.gov.uk](mailto:pensionshelpline@dorsetcouncil.gov.uk)

**Web:** [www.yourpension.org.uk/dorset](http://www.yourpension.org.uk/dorset)

# Appendix 3

## Funding Strategy Statement

### November 2021

#### Introduction

This is the Funding Strategy Statement for the Dorset County Pension Fund (the Fund). It has been prepared with the support of the Fund Actuary, Barnett Waddingham LLP in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 as amended (the Regulations) and describes Dorset Council's funding strategy, in its capacity as administering authority, for the Dorset County Pension Fund.

This statement should be read in conjunction with the Fund's Investment Strategy Statement (ISS) and has been prepared with regard to the guidance (*Preparing and Maintaining a funding strategy statement in the LGPS 2016 edition*) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

#### Purpose of the Funding Strategy Statement

The purpose of this Funding Strategy Statement (FSS) is to:

- Establish a clear and transparent fund-specific strategy that will identify how employers' pension liabilities are best met going forward;
- Support the desirability of maintaining as nearly constant a primary contribution rate as possible, as defined in Regulation 62(6) of the Regulations;
- Ensure that the regulatory requirements to set contributions to meet the future liability to provide Scheme member benefits in a way that ensures the solvency and long-term cost efficiency of the Fund are met; and
- Take a prudent longer-term view of funding those liabilities.

These objectives are desirable individually but may be mutually conflicting. This FSS seeks to set out how the administering authority has balanced the conflicting aims of affordability of contributions, transparency of processes, stability of employers' contributions and prudence in the funding basis.

#### Aims and purpose of the Fund

The aims of the Fund are to:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due;
- Enable primary contribution rates to be kept as nearly constant as possible and (subject to the administering authority not taking undue risks) at reasonable cost to all relevant parties (such as the taxpayers, scheduled, resolution and admitted bodies), while achieving and maintaining Fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the Fund and employers, and the risk appetite of the administering authority and employers alike; and
- Seek returns on investment within reasonable risk parameters.

The purpose of the Fund is to:

- Pay pensions, lump sums and other benefits to Scheme members as provided for under the Regulations;
- Meet the costs associated in administering the Fund; and
- Receive and invest contributions, transfer values and investment income.



## Funding Objectives

Contributions are paid to the Fund by Scheme members and the employing bodies to provide for the benefits which will become payable to Scheme members when they fall due.

The funding objectives are to:

- Ensure that pension benefits can be met as and when they fall due over the lifetime of the Fund;
- Ensure the solvency of the Fund;
- Set levels of employer contribution rates to target a 100% funding level over an appropriate time period and using appropriate actuarial assumptions, while taking into account the different characteristics of participating employers;
- Build up the required assets in such a way that employer contribution rates are kept as stable as possible, with consideration of the long-term cost efficiency objective; and
- Adopt appropriate measures and approaches to reduce the risk, as far as possible, to the Fund, other employers and ultimately the taxpayer from an employer defaulting on its pension obligations.

In developing the funding strategy, the administering authority should also have regard to the likely outcomes of the review carried out under Section 13(4)(c) of the Public Service Pensions Act 2013. Section 13(4)(c) requires an independent review of the actuarial valuations of the LGPS funds; this involves reporting on whether the rate of employer contributions set as part of the actuarial valuations are set at an appropriate level to ensure the solvency of the Fund and the long-term cost efficiency of the Scheme so far as relating to the pension Fund. The review also looks at compliance and consistency of the actuarial valuations.

## Key Parties

The key parties involved in the funding process and their responsibilities are set out below.

### *The administering authority*

The administering authority for the Fund is Dorset Council.

The main responsibilities of the administering authority are to:

- Operate the Fund in accordance with the LGPS Regulations;
- Collect employee and employer contributions, investment income and other amounts due to the Fund as stipulated in the Regulations;
- Invest the Fund's assets in accordance with the Fund's Investment Strategy Statement;
- Pay the benefits due to Scheme members as stipulated in the Regulations;
- Ensure that cash is available to meet liabilities as and when they fall due;
- Take measures as set out in the Regulations to safeguard the Fund against the consequences of employer default;
- Manage the actuarial valuation process in conjunction with the Fund Actuary;
- Prepare and maintain this FSS and also the ISS after consultation with other interested parties;
- Monitor all aspects of the Fund's performance;
- Effectively manage any potential conflicts of interest arising from its dual role as both Fund administrator and Scheme employer; and
- Enable the Local Pension Board to review the valuation process as they see fit.

### *Scheme employers*

In addition to the administering authority, a number of other Scheme employers participate in the Fund.

The responsibilities of each employer that participates in the Fund, including the administering authority, are to:

- Collect employee contributions and pay these together with their own employer contributions, as certified by the Fund Actuary, to the administering authority within the statutory timescales;

- Notify the administering authority of any new Scheme members and any other membership changes promptly;
- Develop a policy on certain discretions and exercise those discretions as permitted under the Regulations;
- Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures; and
- Pay any exit payments due on ceasing participation in the Fund.

#### *Scheme members*

Active Scheme members are required to make contributions into the Fund as set by the Ministry of Housing, Communities and Local Government (MHCLG).

#### *Fund Actuary*

The Fund Actuary for the Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are to:

- Prepare valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency after agreeing assumptions with the administering authority and having regard to the FSS and the Regulations;
- Prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill-health retirement costs, compensatory added years costs, etc;
- Provide advice and valuations on the exiting of employers from the Fund;
- Provide advice and valuations relating to new employers, including recommending the level of bonds or other forms of security required to protect the Fund against the financial effect of employer default;
- Assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the Regulations;
- Ensure that the administering authority is aware of any professional guidance or other professional requirements which

may be of relevance to their role in advising the Fund; and

- Advise on other actuarial matters affecting the financial position of the Fund.

#### **Funding Strategy**

The factors affecting the Fund's finances are constantly changing, so it is necessary for its financial position and the contributions payable to be reviewed from time to time by means of an actuarial valuation to check that the funding objectives are being met.

The most recent actuarial valuation of the Fund was carried out as at 31 March 2019. The results of the 2019 valuation are set out in the table below:

<b>2019 valuation results</b>	
Surplus (Deficit)	(£255m)
Funding level	92%

On a whole Fund level, the primary rate required to cover the employer cost of future benefit accrual was 17.7% of payroll p.a.

The individual employer contribution rates are set out in the Rates and Adjustments Certificate which forms part of the Fund's 2019 valuation report.

The actuarial valuation involves a projection of future cashflows to and from the Fund. The main purpose of the valuation is to determine the level of employers' contributions that should be paid to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund. A summary of the methods and assumptions adopted is set out in the sections below.

#### **Funding Method**

The key objective in determining employers' contribution rates is to establish a funding target and then set levels of employer contribution rates to meet that target over an agreed period.

The funding target is to have sufficient assets in the Fund to meet the accrued liabilities for each employer in the Fund.

For all employers, the method adopted is to consider separately the benefits accrued before the valuation date (past service) and benefits expected to be accrued after the valuation date (future service). These are evaluated as follows:

- The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service. It makes allowance for future increases to members' pay and pensions. A funding level in excess of 100% indicates a surplus of assets over liabilities; while a funding level of less than 100% indicates a deficit; and
- The future service funding rate (also referred to as the primary rate as defined in Regulation 62(5) of the Regulations) is the level of contributions required from the individual employers which, in combination with employee contributions is expected to cover the cost of benefits accruing in future.

The adjustment required to the primary rate to calculate an employer's total contribution rate is referred to as the secondary rate, as defined in Regulation 62(7). Further details of how the secondary rate is calculated for employers is given below in the Deficit recovery/surplus amortisation periods **Error! Reference source not found.** section.

The approach to the primary rate will depend on specific employer circumstances and in particular may depend on whether an employer is an "open" employer – one which allows new recruits access to the Fund, or a "closed" employer – one which no longer permits new staff access to the Fund. The expected period of participation by an employer in the Fund may also affect the total contribution rate.

For open employers, the actuarial funding method that is adopted is known as the Projected Unit Method. The key feature of this method is that, in

assessing the future service cost, the primary rate represents the cost of one year's benefit accrual only.

For closed employers, the actuarial funding method adopted is known as the Attained Age Method. The key difference between this method and the Projected Unit Method is that the Attained Age Method assesses the average cost of the benefits that will accrue over a specific period, such as the length of a contract or the remaining expected working lifetime of active members.

The approach by employer may vary to reflect an employer's specific circumstance, however, in general the closed employers in the Fund are admission bodies who have joined the Fund as part of an outsourcing contract and therefore the Attained Age Method is used in setting their contributions. All other employers (for example councils, higher education bodies and academies) are generally open employers and therefore the Projected Unit Method is used. The administering authority holds details of the open or closed status of each employer.

#### **Valuation assumptions and funding model**

In completing the actuarial valuation it is necessary to formulate assumptions about the factors affecting the Fund's future finances such as price inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover etc.

The assumptions adopted at the valuation can therefore be considered as:

- The demographic (or statistical) assumptions which are essentially estimates of the likelihood or timing of benefits and contributions being paid, and
- The financial assumptions which will determine the estimates of the amount of benefits and contributions payable and their current (or present) value.

#### *Future price inflation*

The base assumption in any valuation is the future level of price inflation over a period commensurate with the duration of the liabilities,

as measured by the Retail Price Index (RPI). This is derived using the 20 year point on the Bank of England implied Retail Price Index (RPI) inflation curve, with consideration of the market conditions over the six months straddling the valuation date. The 20 year point on the curve is taken as 20 years is consistent with the average duration of an LGPS Fund.

This assumption was reviewed following the Chancellor’s November 2020 announcement on the reform of RPI. From 31 December 2020 RPI inflation is assumed to be 0.3% p.a. lower than the 20 year point on the inflation curve. This adjustment accounts for both the shape of the curve in comparison to the Fund’s liability profile and the view that investors are willing to accept a lower return on investments to ensure inflation linked returns.

*Future pension increases*

Pension increases are linked to changes in the level of the Consumer Price Index (CPI). Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods. At the 31 March 2019 actuarial valuation, a deduction of 1.0% p.a. was made to the RPI assumption to derive the CPI assumption.

This assumption was also reviewed in light of the Chancellor’s announcement on the reform of RPI mentioned above. From 31 December 2020 CPI inflation is assumed to be 0.4% p.a. lower than the RPI assumption (i.e. a total of 0.7% p.a. below the 20 year point on the Bank of England implied RPI inflation curve). This reflects the anticipated reform of RPI inflation from 2030 following the UK Statistics Authority’s proposal to change the RPI calculation method in line with the Consumer Prices Index including Housing costs (CPIH). This assumption will be reviewed at future valuations and the difference between RPI and CPI is expected to move towards 0.0% p.a. as we get closer to 2030.

*Future pay increases*

As some of the benefits are linked to pay levels at retirement, it is necessary to make an assumption as to future levels of pay increases. Historically, there has been a close link between price inflation

and pay increases with pay increases exceeding price inflation in the longer term. The long-term pay increase assumption adopted as at 31 March 2019 was CPI plus 1.0% p.a. which includes allowance for promotional increases.

*Future investment returns/discount rate*

To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to and from the Fund to present day values.

The discount rate that is applied to all projected liabilities reflects a prudent estimate of the rate of investment return that is expected to be earned from the Fund’s long-term investment strategy by considering average market yields in the six months straddling the valuation date. The discount rate so determined may be referred to as the “ongoing” discount rate.

It may be appropriate for an alternative discount rate approach to be taken to reflect an individual employer’s situation. This may be, for example, to reflect an employer targeting a cessation event or to reflect the administering authority’s views on the level of risk that an employer poses to the Fund. The Fund Actuary will incorporate any such adjustments after consultation with the administering authority.

A summary of the financial assumptions adopted for the 2019 valuation is set out in the table below:

<b>Financial assumptions as at 31 March 2019</b>	
RPI inflation	3.6% p.a
CPI inflation	2.6% p.a.
Pension/deferred pension increases and CARE revaluation	In line with CPI inflation
Pay increases	CPI inflation + 1.0% p.a.
Discount rate	5.0% p.a.

**Asset Valuation**

For the purpose of the valuation, the asset value used is the market value of the accumulated fund at the valuation date, adjusted to reflect average market conditions during the six months

straddling the valuation date. This is referred to as the smoothed asset value and is calculated as a consistent approach to the valuation of the liabilities.

The Fund's assets are notionally allocated to employers at an individual level by allowing for actual Fund returns achieved on the assets and cashflows paid into and out of the Fund in respect of each employer (e.g. contributions received and benefits paid).

### **Demographic Assumptions**

The demographic assumptions incorporated into the valuation are based on Fund-specific experience and national statistics, adjusted as appropriate to reflect the individual circumstances of the Fund and/or individual employers.

Further details of the assumptions adopted are included in the Fund's 2019 valuation report.

### **McCloud/Sargeant judgements**

The McCloud/Sargeant judgements were in relation to two employment tribunal cases which were brought against the government in relation to possible age and gender discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. These judgements were not directly in relation to the LGPS, however, do have implications for the LGPS.

In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounted to unlawful discrimination. On 27 June 2019 the Supreme Court denied the government's request for an appeal in the case. A remedy is still to be either imposed by the Employment Tribunal or negotiated and applied to all public service schemes, so it is not yet clear how this judgement may affect LGPS members' past or future service benefits. It has, however, been noted by government in its 15 July 2019 statement that it expects to have to amend all public service schemes, including the LGPS. On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS. The

consultation closed on 8 October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published.

Further details of this can be found below in the **Regulatory risks** section.

At the time of drafting this FSS, it is still unclear how this will affect current and future LGPS benefits. As part of the Fund's 2019 valuation, in order to mitigate the risk of member benefits being uplifted and becoming more expensive, the potential impact of McCloud was covered by the prudence allowance in the discount rate assumption. As the remedy is still to be agreed the cost cannot be calculated with certainty, however, the Fund Actuary expects it is likely to be less than 0.05% of the discount rate assumption.

### **Guaranteed Minimum Pension (GMP) indexation and equalisation**

As part of the restructuring of the state pension provision, the government needs to consider how public service pension payments should be increased in future for members who accrued a Guaranteed Minimum Pension (GMP) from their public service pension scheme and expect to reach State Pension Age (SPA) post-December 2018. In addition, a resulting potential inequality in the payment of public service pensions between men and women needs to be addressed. Information on the current method of indexation and equalisation of public service pension schemes can be found [here](#).

On 22 January 2018, the government published the outcome to its *Indexation and equalisation of GMP in public service pension schemes* consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching SPA before 6 April 2021. HMT published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 6 April 2016. Details of this outcome and the Ministerial Direction can be found [here](#).

On 7 October 2020, the government published its Public Service Pensions: Guaranteed Minimum Pension Indexation consultation. The consultation was published to seek views on a proposal to extend the current interim solution for dealing with GMP indexation in public service pension schemes beyond 5 April 2021. The consultation closed on 30 December 2020 and an outcome is awaited.

The 2019 valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the government providing the remainder of the inflationary increase. For members that reach SPA after this date, it is assumed that the Fund will be required to pay the entire inflationary increase.

#### **Deficit recovery/surplus amortisation periods**

Whilst one of the funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue, it is recognised that at any particular point in time, the value of the accumulated assets will be different to the value of accrued liabilities, depending on how the actual experience of the Fund differs to the actuarial assumptions. This theory applies down to an individual employer level; each employer in the Fund has their own share of deficit or surplus attributable to their section of the Fund.

Where the valuation for an employer discloses a deficit then the level of required employer contributions includes an adjustment to fund the deficit over a maximum period of 19 years. The adjustment may be set either as a percentage of payroll or as a fixed monetary amount.

The deficit recovery periods adopted at the 2019 valuation varied amongst individual employers. Shorter recovery periods have been used where affordable. This will provide a buffer for future adverse experience and reduce the interest cost paid by employers. The deficit recovery period or amortisation period that is adopted for any particular employer will depend on:

- The significance of the surplus or deficit relative to that employer's liabilities;
- The covenant of the individual employer (including any security in place) and any limited period of participation in the Fund;
- The remaining contract length of an employer in the Fund (if applicable); and
- The implications in terms of stability of future levels of employers' contribution.

Where an employer's contribution has to increase significantly then, if appropriate, the increase may be phased in over a period not exceeding three years.

#### **Pooling of individual employers**

The policy of the Fund is that each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution rates are set for individual employers to reflect their own particular circumstances.

However, certain groups of individual employers are pooled for the purposes of determining contribution rates to recognise common characteristics or where the number of Scheme members is small.

The funding pools adopted for the Fund at the 2019 valuation are summarised in the table below:

<b>Pool</b>	<b>Type of pooling</b>	<b>Notes</b>
Dorset Council	Past and future service pooling	All employers in the pool pay the same total contribution rate and have the same funding level
Bournemouth, Christchurch and Poole Council		
Academies		
Small Scheduled Bodies		
Small Admitted Bodies		
SLM Poole		
Weymouth College		

The main purpose of pooling is to produce more stable employer contribution levels, although recognising that ultimately there will be some level of cross-subsidy of pension cost amongst pooled employers.

#### *Forming/disbanding a funding pool*

Where the Fund identifies a group of employers with similar characteristics and potential merits for pooling, it is possible to form a pool for these employers. Advice will be sought from the Fund Actuary to consider the appropriateness and practicalities of forming the funding pool.

Conversely, the Fund may consider it no longer appropriate to pool a group of employers. This could be due to divergence of previously similar characteristics or an employer becoming a dominant party in the pool (such that the results of the pool are largely driven by that dominant employer). Where this scenario arises, advice will be sought from the Fund Actuary.

Funding pools will be monitored on a regular basis, at least at each actuarial valuation, in order to ensure the pooling arrangement remains appropriate.

#### **Risk Sharing**

There are employers that participate in the Fund with a risk-sharing arrangement in place with another employer in the Fund.

For example, there are employers participating in the Fund with pass-through provisions: under this arrangement the pass-through employer does not take on the risk of underfunding as this risk remains with the letting authority or relevant guaranteeing employer. In general, when the pass-through employer ceases participation in the Fund, it is not responsible for making any exit payment, nor receiving any exit credit, as any deficit or surplus ultimately falls to the letting authority or relevant guaranteeing employer.

At the 2019 valuation, risk-sharing arrangements were allowed for by allocating any deficit/liabilities covered by the risk-sharing arrangement to the relevant responsible employer.

#### **New employers joining the Fund**

When a new employer joins the Fund, the Fund Actuary is required to set the contribution rates payable by the new employer and allocate a share of Fund assets to the new employer as appropriate. The most common types of new employers joining the Fund are admission bodies and new academies. These are considered in more detail below.

#### *Admission bodies*

New admission bodies in the Fund are commonly a result of a transfer of staff from an existing employer in the Fund to another body (for example as part of a transfer of services from a council or academy to an external provider under Schedule 2 Part 3 of the Regulations). Typically these transfers will be for a limited period (the contract length), over which the new admission body employer is required to pay contributions into the Fund in respect of the transferred members.

#### Funding at start of contract:

Generally, when a new admission body joins the Fund, they will become responsible for all the pensions risk associated with the benefits accrued by transferring members and the benefits to be accrued over the contract length. This is known as a full risk transfer. In these cases, it may be appropriate that the new admission body is allocated a share of Fund assets equal to the value of the benefits transferred, i.e. the new admission body starts off on a fully funded basis. This is calculated on the relevant funding basis and the opening position may be different when calculated on an alternative basis (e.g. on an accounting basis).

However, there may be special arrangements made as part of the contract such that a full risk transfer approach is not adopted. In these cases, the initial assets allocated to the new admission body will reflect the level of risk transferred and may therefore not be on a fully funded basis or may not reflect the full value of the benefits attributable to the transferring members.

#### *Contribution rate:*

The contribution rate may be set on an open or a closed basis. Where the funding at the start of the contract is on a fully funded basis then the contribution rate will represent the primary rate only; where there is a deficit allocated to the new admission body then the contribution rate will also incorporate a secondary rate with the aim of recovering the deficit over an appropriate recovery period.

Depending on the details of the arrangement, for example if any risk sharing arrangements are in place, then additional adjustments may be made to determine the contribution rate payable by the new admission body. The approach in these cases will be bespoke to the individual arrangement.

#### *Security:*

To mitigate the risk to the Fund that a new admission body will not be able to meet its obligations to the Fund in the future, the new admission body may be required to put in place a bond in accordance with Schedule 2 Part 3 of the Regulations, if required by the letting authority and administering authority.

If, for any reason, it is not desirable for a new admission body to enter into a bond, the new admission body may provide an alternative form of security which is satisfactory to the administering authority.

#### *Risk-sharing:*

Although a full risk transfer (as set out above) is most common, subject to agreement with the administering authority where required, new admission bodies and the relevant letting authority may make a commercial agreement to deal with the pensions risk differently. For example, it may be agreed that all or part of the pensions risk remains with the letting authority.

Although pensions risk may be shared, it is common for the new admission body to remain responsible for pensions costs that arise from:

- above average pay increases, including the effect on service accrued prior to contract commencement; and

- redundancy and early retirement decisions.

The administering authority may consider risk-sharing arrangements as long as the approach is clearly documented in the admission agreement, the transfer agreement or any other side agreement. The arrangement also should not lead to any undue risk to the other employers in the Fund.

Legal and actuarial advice in relation to risk-sharing arrangements should be sought where required.

#### *New academies*

When a school converts to academy status, the new academy (or the sponsoring multi-academy trust) becomes a Scheme employer in its own right.

#### *Funding at start:*

On conversion to academy status, the new academy will become part of the academies funding pool and will be allocated assets based on the funding level of the pool at the conversion date.

#### *Contribution rate:*

The contribution rate payable when a new academy joins the Fund will be in line with the contribution rate certified for the academies funding pool at the 2019 valuation.

#### **Contribution reviews between actuarial valuations**

It is anticipated for most Scheme employers that the contribution rates certified at the formal actuarial valuation will remain payable for the period of the rates and adjustments certificate. However, there may be circumstances where a review of the contribution rates payable by an employer (or a group of employers) under Regulation 64A is deemed appropriate by the administering authority.

A contribution review may be requested by an employer or be required by the administering



authority. The review may only take place if one of the following conditions are met:

- (i) it appears likely to the administering authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;
- (ii) it appears likely to the administering authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or
- (iii) a Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review. A request under this condition can only be made if there has been a significant change in the liabilities arising or likely to arise and/or there has been a significant change in the ability of the Scheme employer to meet its obligations to the Fund.

Guidance on the administering authority's approach considering the appropriateness of a review and the process in which a review will be conducted is set out in the Fund's separate Contribution review policy which can be accessed [here](#). This includes details of the process that should be followed where an employer would like to request a review.

Once a review of contribution rates has been agreed, unless the impact of amending the contribution rates is deemed immaterial by the Fund Actuary, then the results of the review will be applied with effect from the agreed review date, regardless of the direction of change in the contribution rates.

Note that where a Scheme employer seems likely to exit the Fund before the next actuarial valuation then the administering authority can exercise its powers under Regulation 64(4) to carry out a review of contributions with a view to providing that assets attributable to the Scheme employer are equivalent to the exit payment that will be due from the Scheme employer. These

cases do not fall under the separate contribution review policy.

With the exception of any cases falling under Regulation 64(4), the administering authority will not accept a request for a review of contributions where the effective date is within 12 months of the next rates and adjustments certificate.

### **Cessation Valuations**

When a Scheme employer exits the Fund and becomes an exiting employer, as required under the Regulations the Fund Actuary will be asked to carry out an actuarial valuation in order to determine the liabilities in respect of the benefits held by the exiting employer's current and former employees. The Fund Actuary is also required to determine the exit payment due from the exiting employer to the Fund or the exit credit payable from the Fund to the exiting employer. Any deficit in the Fund in respect of the employer will be due to the Fund as an exit payment, unless it is agreed by the administering authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Fund to another participating employer, or if an alternative arrangement is agreed.

In assessing the value of the liabilities attributable to the exiting employer, the Fund Actuary may adopt differing approaches depending on the employer and the specific details surrounding the employer's cessation scenario.

### *Managing exit payments*

Where a cessation valuation reveals a deficit and an exit payment is due, the expectation is that the employer settles this debt immediately through a single cash payment. However, should it not be possible for the employer to settle this amount, providing the employer puts forward sufficient supporting evidence to the administering authority, the administering authority may agree a deferred debt agreement (DDA) with the employer under Regulation 64(7A) or a debt spreading agreement (DSA) under Regulation 64B.

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as

a Scheme employer but with no active members) and remains responsible for paying the secondary rate of contributions to fund their deficit. The secondary rate of contributions will be reviewed at each actuarial valuation until the termination of the agreement.

Under a DSA, the cessation debt is crystallised and spread over a period deemed reasonable by the administering authority having regard to the views of the Fund Actuary.

Whilst a DSA involves crystallising the cessation debt and the employer's only obligation is to settle this set amount, in a DDA the employer remains in the Fund as a Scheme employer and is exposed to the same risks (unless agreed otherwise with the administering authority) as active employers in the Fund (e.g. investment, interest rate, inflation, longevity and regulatory risks) meaning that the deficit will change over time.

Guidance on the administering authority's policy for entering into, monitoring and terminating a DDA or DSA is set out in the Fund's separate DSA and DDA policies document [here](#). This includes details of when a DDA or a DSA may be permitted and the information required from the employer when putting forward a request for a DDA or DSA.

#### *Town and Parish Councils*

A Town or Parish Council in the Fund will participate in the Fund as part of the Small Scheduled Bodies funding pool.

When a Town or Parish Council becomes an exiting employer, the exit valuation will generally be carried out by the Fund Actuary on an ongoing funding basis and the residual assets and liabilities in respect of the Town or Parish Council will remain in the Small Scheduled Bodies funding pool. Circumstances may arise where this approach is not appropriate and these will be revised on a case by case basis.

A Town or Parish Council may defer their exit if the last member leaves the Fund but the Town or Parish Council is intending to offer the scheme to a new employee within the next three years. This

will be in agreement with the Fund, and any suspension period will be time-limited and at the discretion of the Fund.

#### *Exit credits*

Any surplus in the Fund in respect of the exiting employer may be treated differently to a payment of an exit credit, subject to the agreement between the relevant parties and any legal documentation.

Having regard to any relevant considerations, the administering authority will take the following approach to the payment of exit credits:

- Any employer who cannot demonstrate that they have been exposed to underfunding risk during their participation in the Fund will not be entitled to an exit credit payment. This is on the basis that these employers would not have not been asked to pay an exit payment had a deficit existed at the time of exit.
- The level of risk that an employer has borne will be taken into account when determining the amount of any exit credit. It is the responsibility of the exiting employer to set out why the arrangements make payment of an exit credit appropriate.
- Any exit credit payable will be subject to a maximum of the actual employer contributions paid into the Fund.
- As detailed above, the Fund Actuary may adopt differing approaches depending on the specific details surrounding the employer's cessation scenario. The default approach to calculating the cessation position will be on a minimum-risk basis unless it can be shown that there is another employer in the Fund who will take on financial responsibility for the liabilities in the future. If the administering authority is satisfied that there is another employer willing to take on responsibility for the liabilities (or that there is some other form of guarantee in place) then the cessation position may be calculated on the ongoing funding basis.

- The administering authority will pay out any exit credits within six months of the cessation date where possible. A longer time may be agreed between the administering authority and the exiting employer where necessary. For example if the employer does not provide all the relevant information to the administering authority within one month of the cessation date the administering authority will not be able to guarantee payment within six months of the cessation date.
- Under the Regulations, the administering authority has the discretion to take into account any other relevant factors in the calculation of any exit credit payable and they will seek legal advice where appropriate.

### **Bulk transfers**

Bulk transfers of staff into or out of the Fund can take place from other LGPS Funds or non-LGPS Funds. In either case, the Fund Actuary for both Funds will be required to negotiate the terms for the bulk transfer – specifically the terms by which the value of assets to be paid from one Fund to the other is calculated.

The agreement will be specific to the situation surrounding each bulk transfer but in general the Fund will look to receive the bulk transfer on no less than a fully funded transfer (i.e. the assets paid from the ceding Fund are sufficient to cover the value of the liabilities on the agreed basis) and will not pay bulk transfers more than the value of the past service liabilities of the transferring members, based on the latest funding basis updated for market conditions at the transfer date.

A bulk transfer may be required by an issued Direction Order. This is generally in relation to an employer merger, where all the assets and liabilities attributable to the transferring employer in its original Fund are transferred to the receiving Fund.

### **Links with the Investment Strategy Statement (ISS)**

The main link between the Funding Strategy Statement (FSS) and the ISS relates to the discount rate that underlies the funding strategy as set out in the FSS, and the expected rate of investment return which is expected to be achieved by the long-term investment strategy as set out in the ISS.

As explained above, the ongoing discount rate that is adopted in the actuarial valuation is derived by considering the expected return from the long-term investment strategy. This ensures consistency between the funding strategy and investment strategy.

### **Risks and Counter Measures**

Whilst the funding strategy attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of employer contributions, it is recognised that there are risks that may impact on the funding strategy and hence the ability of the strategy to meet the funding objectives.

The major risks to the funding strategy are financial, although there are other external factors including demographic risks, regulatory risks and governance risks.

#### *Financial risks*

The main financial risk is that the actual investment strategy fails to produce the expected rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of factors, including market returns being less than expected and/or the fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets.

The valuation results are most sensitive to the real discount rate (i.e. the difference between the discount rate assumption and the price inflation assumption). Broadly speaking an increase/decrease of 0.5% p.a. in the real discount rate will decrease/increase the valuation of the liabilities by 10%, and decrease/increase the

required employer contribution by around 2.5% of payroll p.a.

However, the Investment and Pension Fund Committee regularly monitors the investment returns achieved by the fund managers and receives advice from the independent advisers and officers on investment strategy.

The Committee may also seek advice from the Fund Actuary on valuation related matters.

In addition, the Fund Actuary provides funding updates between valuations to check whether the funding strategy continues to meet the funding objectives.

#### *Demographic risks*

Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement in longevity. For example, an increase of one year to life expectancy of all members in the Fund will increase the liabilities by approximately 4%.

The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review. For the past two funding valuations, the Fund has commissioned a bespoke longevity analysis by Barnett Waddingham's specialist longevity team in order to assess the mortality experience of the Fund and help set an appropriate mortality assumption for funding purposes.

The liabilities of the Fund can also increase by more than has been planned as a result of the additional financial costs of early retirements and ill-health retirements. However, the administering authority monitors the incidence of early retirements; and procedures are in place that require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

#### *Maturity risk*

The maturity of a Fund (or of an employer in the Fund) is an assessment of how close on average the members are to retirement (or already retired). The more mature the Fund or employer, the greater proportion of its membership that is near or in retirement. For a mature Fund or employer, the time available to generate investment returns is shorter and therefore the level of maturity needs to be considered as part of setting funding and investment strategies.

The cashflow profile of the Fund needs to be considered alongside the level of maturity: as a Fund matures, the ratio of active to pensioner members falls, meaning the ratio of contributions being paid into the Fund to the benefits being paid out of the Fund also falls. This therefore increases the risk of the Fund having to sell assets in order to meet its benefit payments.

The government has published a consultation (*Local government pension scheme: changes to the local valuation cycle and management of employer risk*) which may affect the Fund's exposure to maturity risk. More information on this can be found in the Regulatory risks section below.

#### *Regulatory risks*

The benefits provided by the Scheme and employee contribution levels are set out in Regulations determined by central government. The tax status of the invested assets is also determined by the government.

The funding strategy is therefore exposed to the risks of changes in the Regulations governing the Scheme and changes to the tax regime which may affect the cost to individual employers participating in the Scheme.

However, the administering authority participates in any consultation process of any proposed changes in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

There are a number of general risks to the Fund and the LGPS, including:

- If the LGPS was to be discontinued in its current form it is not known what would happen to members' benefits.
- The potential effects of GMP equalisation between males and females, if implemented, are not yet known.
- More generally, as a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the government.
- The State Pension Age is due to be reviewed by the government in the next few years.

At the time of preparing this FSS, specific regulatory risks of particular interest to the LGPS are in relation to the McCloud/Sargeant judgements, the cost cap mechanism and the timing of future funding valuations consultation. These are discussed in the sections below.

#### **McCloud/Sargeant judgements and cost cap:**

The 2016 national Scheme valuation was used to determine the results of HM Treasury's (HMT) employer cost cap mechanism for the first time. The HMT cost cap mechanism was brought in after Lord Hutton's review of public service pensions with the aim of providing protection to taxpayers and employees against unexpected changes (expected to be increases) in pension costs. The cost control mechanism only considers "member costs". These are the costs relating to changes in assumptions made to carry out valuations relating to the profile of the Scheme members; e.g. costs relating to how long members are expected to live for and draw their pension.

Therefore, assumptions such as future expected levels of investment returns and levels of inflation are not included in the calculation, so have no impact on the cost management outcome.

The 2016 HMT cost cap valuation revealed a fall in these costs and therefore a requirement to enhance Scheme benefits from 1 April 2019. However, as a funded Scheme, the LGPS also had

a cost cap mechanism controlled by the Scheme Advisory Board (SAB) in place and HMT allowed SAB to put together a package of proposed benefit changes in order for the LGPS to no longer breach the HMT cost cap. These benefit changes were due to be consulted on with all stakeholders and implemented from 1 April 2019.

However, on 20 December 2018 there was a judgement made by the Court of Appeal which resulted in the government announcing their decision to pause the cost cap process across all public service schemes. This was in relation to two employment tribunal cases which were brought against the government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. Transitional protection enabled some members to remain in their pre-2015 schemes after 1 April 2015 until retirement or the end of a pre-determined tapered protection period. The claimants challenged the transitional protection arrangements on the grounds of direct age discrimination, equal pay and indirect gender and race discrimination.

The first case (McCloud) relating to the Judicial Pension Scheme was ruled in favour of the claimants, while the second case (Sargeant) in relation to the Fire scheme was ruled against the claimants. Both rulings were appealed and as the two cases were closely linked, the Court of Appeal decided to combine the two cases. In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounts to unlawful discrimination. On 27 June 2019 the Supreme Court denied the government's request for an appeal in the case. A remedy is still to be either imposed by the Employment Tribunal or negotiated and applied to all public service schemes, so it is not yet clear how this judgement may affect LGPS members' past or future service benefits. It has, however, been noted by government in its 15 July 2019 statement that it expects to have to amend all public service schemes, including the LGPS.

On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits and at the same time announced the unpasing of the 2016 cost cap process which will take into account the remedy for the McCloud and Sargeant judgement. The consultation closed on 8 October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published. At the time of drafting this FSS, it is not yet known what the effect on the current and future LGPS benefits will be.

**Consultation: Local government pension scheme: changes to the local valuation cycle and management of employer risk**

On 8 May 2019, the government published a consultation seeking views on policy proposals to amend the rules of the LGPS in England and Wales. The consultation covered:

- amendments to the local fund valuations from the current three year (triennial) to a four year (quadrennial) cycle;
- a number of measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle;
- proposals for flexibility on exit payments;
- proposals for further policy changes to exit credits; and
- proposals for changes to the employers required to offer LGPS membership.

The consultation is currently ongoing: the consultation was closed to responses on 31 July 2019 and an outcome is now awaited. So far, two partial responses to the consultation have been issued:

- On 27 February 2020, a partial response was issued relating to policy changes to exit credits
- On 26 August 2020, a partial response was issued relating to review of employer contributions and flexibility on exit payments.

This FSS has been updated in light of these responses and will be revisited again once the outcomes are known for the remaining items.

*Detail of the outstanding policy proposals are outlined below:*

*Timing of future actuarial valuations:*

LGPS valuations currently take place on a triennial basis which results in employer contributions being reviewed every three years. In September 2018 it was announced by the Chief Secretary to HMT, Elizabeth Truss, that the national Scheme valuation would take place on a quadrennial basis (i.e. every four years) along with the other public sector pension schemes. This results of the national Scheme valuation are used to test the cost control cap mechanism and HMT believed that all public sector scheme should have the cost cap test happen at the same time with the next quadrennial valuation in 2020 and then 2024.

*Changes to employers required to offer LGPS membership:*

At the time of drafting this FSS, under the current Regulations further education corporations, sixth form college corporations and higher education corporations in England and Wales are required to offer membership of the LGPS to their non-teaching staff.

With consideration of the nature of the LGPS and the changes in nature of the further education and higher education sectors, the government has proposed to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS. As these types of employer participate in the Fund, this could impact on the level of maturity of the Fund and the cashflow profile. For example, increased risk of contribution income being insufficient to meet benefit outgo, if not in the short term then in the long term as the payroll in respect of these types of employers decreases with fewer and fewer active members participating in the Fund.

This also brings an increased risk to the Fund in relation to these employers becoming exiting employers in the Fund. Should they decide not to admit new members to the Fund, the active membership attributable to the employers will gradually reduce to zero, triggering an exit under the Regulations and a potential significant exit

payment. This has the associated risk of the employer not being able to meet the exit payment and thus the exit payment falling to the other employers in the Fund.

### **Employer risks**

Many different employers participate in the Fund. Accordingly, it is recognised that a number of employer-specific events could impact on the funding strategy including:

- Structural changes in an individual employer's membership;
- An individual employer deciding to close the Scheme to new employees; and
- An employer ceasing to exist without having fully funded their pension liabilities.

However, the administering authority monitors the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined, and takes advice from the Fund Actuary when required.

In addition, the administering authority keeps in close touch with all individual employers participating in the Fund to ensure that, as administering authority, it has the most up to date information available on individual employer situations. It also keeps individual employers briefed on funding and related issues.

### **Governance risks**

Accurate data is necessary to ensure that members ultimately receive their correct benefits. The administering authority is responsible for keeping data up to date and results of the actuarial valuation depend on accurate data. If incorrect data is valued then there is a risk that the contributions paid are not adequate to cover the cost of the benefits accrued.

### **Monitoring and review**

This FSS is reviewed formally, in consultation with the key parties, at least every three years to tie in with the triennial actuarial valuation process.

The most recent valuation was carried out as at 31 March 2019, certifying the contribution rates payable by each employer in the Fund for the period from 1 April 2020 to 31 March 2023.

The timing of the next funding valuation is due to be confirmed as part of the government's *Local government pension scheme: changes to the local valuation cycle and management of employer risk* consultation which closed on 31 July 2019. At the time of drafting this FSS, it is anticipated that the next funding valuation will be due as at 31 March 2022 but the period for which contributions will be certified remains unconfirmed.

The administering authority also monitors the financial position of the Fund between actuarial valuations and may review the FSS more frequently if necessary.

# Appendix 4

## Communications Policy Statement

### Introduction

The Dorset County Pension currently has 154 active scheme employers and 77,759 members as at 31 March 2022, with 27,095 being active members. We are continuously looking at ways to improve communications with the various stakeholders in the Local Government Pension Scheme administered by Dorset Council.

The Fund aims to use the most appropriate communication medium for the audiences receiving the information. This may involve using more than one method of communication.

This document explains our existing methods of communication and describes some of our future plans.

### Minimum Standards

Under the Occupational and Personal Pension Schemes (Disclosure of Information Regulations) 2013, administrators of the Local Government Pension Scheme are required to:

Provide a copy of the scheme regulations and any overriding legislation, on request, within two months of the request - either through providing a personal copy, a copy for inspection or details of how to obtain a copy; members, prospective members, their spouses, beneficiaries and recognised trade unions are entitled to this information.

Automatically provide basic information about the scheme to every prospective member before starting, or, if this is not practical, within two months of joining. This information must also be provided on request (unless issued within the previous 12 months) to current members, prospective members, spouses, beneficiaries and recognised trade unions within two months of receipt of a written request.

Notify any material changes to the LGPS to all members and beneficiaries (except excluded persons i.e. deferred pensioners whose present address is unknown) where possible before or as soon as possible after (and in any event within three months after) the change.

Compulsorily provide an annual benefit statement to all active, deferred and pension credit members.

**This Communication Policy Statement will be reviewed annually and a revised version will be republished following any material change.**

### Key Objectives

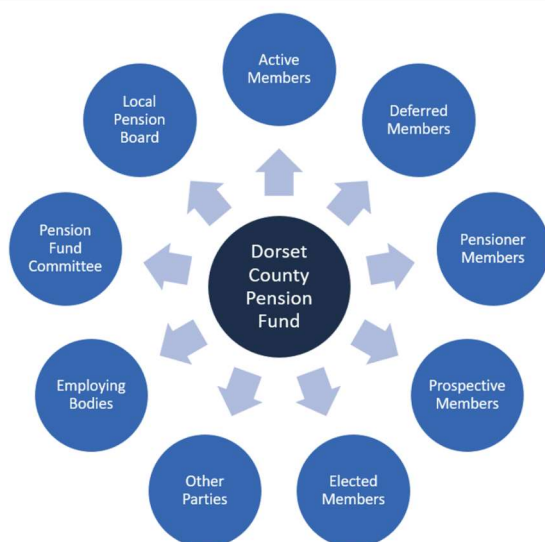
#### *Communication Objectives*

- To use the most appropriate ways of communicating with stakeholders, and to seek continuous improvement in the way we communicate
- To keep all stakeholders informed about the management and administration of the pension fund
- To inform stakeholders to enable them to make the decisions they need to make regarding pensions and the pension fund
- To promote the pension scheme as an important tool in recruitment and as a benefit to scheme members
- To consult, where possible, with key stakeholders about proposed changes in policies and procedures, in relation to the administration of the Local Government Pension Scheme
- To aim to communicate technical pensions legislation in plain English
- To engage where possible in face-to-face communication



- To evaluate the effectiveness of our communication objectives:
  - Feedback questionnaires
  - Monitoring complaints and compliments
  - Customer surveys

## Our Key Audience Groups



## Methods of Communication

**We communicate with our current and former scheme members, and their representatives, through various means and aim to provide a high quality service.**

### Active Scheme Members

#### *Annual Benefit Statements*

These are issued to our members by 31 August. Feedback from our members about our statements has helped us improve our procedures for this process.

All active members are entitled to one further estimate of benefits per rolling year, in addition to the Annual Benefit Statement. If the member requests a further estimate with a 12 month period there will be a charge of £50 + VAT levied.

#### *Employee Newsletters*

A newsletter is issued annually to keep members up to date with proposed changes to the scheme

and any other relevant details. Further newsletters are sent to members highlighting issues of importance, such as changes in scheme regulation or operation as any issues arise.

#### *Pension Fund Publications*

Information guides, leaflets and forms are available on request covering different aspects of the LGPS; these can also be found on our website.

#### *Annual Report*

An Annual report containing information on the management, administration and performance of the pension fund and pension benefits is published annually. This report can be found online at our pensions website.

#### *Pension Fund Website for members*

Our member pension fund website can be found at [www.dorsetpensionfund.org](http://www.dorsetpensionfund.org) and is available to view at all times. It is regularly updated and revised.

#### *My Pension Online*

Members are able to check their pension account online, estimate future benefits and update their address and pension death grant nomination at [www.mypension.dorsetcouncil.gov.uk](http://www.mypension.dorsetcouncil.gov.uk)

#### *Pensions Helpline*

The pensions helpline is a dedicated telephone number and email address for queries. Telephone lines are open 8:40am to 5:20pm Monday to Thursday and 8:40am to 4:00pm Friday (except bank holidays). We also receive and send communications by post.

Tel: 01305 224845

Email: [pensionshelpline@dorsetcouncil.gov.uk](mailto:pensionshelpline@dorsetcouncil.gov.uk)

#### *Presentations and roadshows*

We are available for presentations throughout the county and online by arrangement with employers. Our aim is to explain existing, proposed and new legislation; the information may be presented in one of the following formats;

- LGPS presentations, including new scheme information
- Face to face education sessions

- Pre-retirement seminars

### **Pensioner members**

#### *Pensioner newsletters*

An annual newsletter is sent to our pensioners. This newsletter is used to inform pensioners of the annual pensions increase and also any other relevant information.

#### *Pensioner's Payslips*

A payslip is sent annually to all pensioners. If the monthly amount alters by more than £5.00 a payslip will also be sent.

#### *Pension Fund Website*

Our pension fund website can be found at [www.dorsetpensionfund.org](http://www.dorsetpensionfund.org) and is available to view at all times. It is regularly updated and revised.

#### *My Pension Online*

Pensioner members are able to change their bank account details online, update their address and pension death grant nomination <https://mypension.dorsetcouncil.gov.uk>

### **Deferred Scheme Members**

#### *Deferred Annual Benefit Illustration*

These are issued to our deferred members annually.

#### *Pension Fund Website*

Our pension fund website can be found at [www.dorsetpensionfund.org](http://www.dorsetpensionfund.org) and is available to view at all times. It is regularly updated and revised.

#### *My Pension Online*

Members are able to check their pension account online, estimate future benefits and update their address and pension death grant nomination <https://mypension.dorsetcouncil.gov.uk>

### **Prospective Scheme Members**

#### *New Starter Pack*

On commencement of employment a pensions pack is issued. This pack is sent to all new starters and includes a link to the Scheme short guide, a membership form, death grant expression of wish forms, transfer forms and contact details for further information.

#### *Pension Fund Website*

Our pension fund website can be found at [www.dorsetpensionfund.org](http://www.dorsetpensionfund.org) and is available to view at all times. It is regularly updated and revised.

### **Elected members**

All the provisions we have made for Scheme Members are also available for Elected Members, including information and forms specifically aimed at Councillor Members. The LGPS is now closed to Elected Members.

### **Scheme Employers**

#### *Employers Website*

The Dorset Pension Fund maintains a website dedicated to the scheme employers. This forms our online Employer Guide and holds all relevant up to date forms and publications along with useful information on a variety of subjects. [www.dcpfemployers.org](http://www.dcpfemployers.org)

#### *Email Contact List*

The Dorset County Pension Fund has set up an email contact list for the scheme employers. This enables us to circulate technical advice and guidance to our pensions liaison officers, including a monthly employer newsletter.

There is a dedicated email address ([lgpsemployers@dorsetcouncil.gov.uk](mailto:lgpsemployers@dorsetcouncil.gov.uk)) for employers to use when contacting the Employer Relationship and Communications Team.

#### *Employer Portal*

The Dorset County Pension Fund maintains a secure, internet portal which allows employers to upload files and submit pension forms online. <https://dcpfemployers.dorsetcouncil.gov.uk>

#### *Employer's newsletters*

A newsletter is sent to all employers monthly, containing a variety of information of interest to LGPS employers.

#### *Pension Liaison Officer Group Meetings*

These meetings are held a minimum of three times a year. All scheme employers are invited to attend. During the meeting any changes to scheme regulations or our administrative procedures are discussed. There is also a presentation on a relevant topic.

#### *Individual Employer Meetings*

Meetings can be arranged on an individual basis for an employer to discuss individual requirements. These meetings are available at the employer's request by contacting the Dorset County Pension Fund.

#### *Presentations*

Throughout the year the Dorset County Pension Fund offer a variety of presentations to employers in different locations or online.

#### *Employer Meeting*

An employers meeting is held annually and there are a variety of presentations provided in the meeting.

#### *Annual Report*

The Dorset County Pension Fund Annual Report is published and distributed to all employers. It is also made available to members of the public and all stakeholders and can be found on our website.

### **Fund Staff**

#### *Pensions Staff*

Individual training is provided, as required, to all members of staff. Staff are able to attend training events and conferences both internally and externally. Members of staff are encouraged to take, and helped with, qualifications in pension administration.

#### *Employer Relationship and Communications Team*

There is a team dedicated to employers and communications, this team consists of a manager and an officer. It is their responsibility to ensure relevant communications are sent to the correct

audience.

#### *Team Meetings*

Meetings are held once a month to update all staff on any changes to regulations or practice.

#### *Senior Management Meetings*

The Service Manager for Pensions is a member of the Financial Services Management Team and attends regular meetings convened by the Chief Financial Officer. The Service Manager for Pensions is able to bring any matters of concern / importance to the attention of the Chief Financial Officer through this mechanism.

### **Other Parties**

#### *South West Area Pensions Officer Group (SWAPOG)*

The SWAPOG which meets regularly to discuss and share information on pensions administration. Sub groups of the SWAPOG meet to discuss specific topics such as communications or pensions software.

#### *Brunel Pension Partnership*

Brunel Pension Partnership (Brunel) is one of eight national LGPS pools, bringing together circa £30 billion investments of 10 likeminded funds. Brunel helps manage the investments for the Dorset County Pension Fund.

#### *Pension and Lifetime Saving Association (PLSA)*

The Fund is a member of the PLSA, and officers regularly attend national and regional events to keep up to date with all pension related matters.

#### *Trade Unions*

We will work with the relevant Trade Unions to ensure the Scheme is understood by all interested parties.

#### *Others*

We regularly exchange information with Government bodies such as HMRC, the Pensions Regulator, Secretary of State and DLUHC and will respond to Freedom of Information requests from external parties and members of the public.

## **Pension Fund Committee**

The Pension Fund Committee meets formally at least quarterly, and has the following terms of reference:

**To exercise all functions of the Council as Scheme Manager under Local Government Superannuation Act and Regulations and deal with all matters relating thereto.**

Members of the Committee receive regular training on a bespoke basis, as well as attending a number of national conferences and seminars to ensure that they are fully informed to fully undertake their responsibilities.

The Service Manager for Pensions is in regular contact with the Committee outside of the formal meetings, and ensures that the Committee are kept informed of issues that affect the Fund.

The Committee set and regularly review a number of Pension Fund Policies and Strategies. These are published on the Fund's website, and can be found at:

[www.dorsetpensionfund.org/forms-and-publications](http://www.dorsetpensionfund.org/forms-and-publications)

The current membership of the Pension Fund Committee is as set out below:

- Five members appointed by Full Council (not more than two being also appointed to Cabinet)
- Three members nominated by BCP Council
- One member nominated by a relevant union

## **Pension Board**

With effect from 1 April 2015 Dorset County Pension Fund (DCPF) created a Local Pension board.

The function of the Local Pension Board as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013 is to:

- assist the Scheme Manager

- to secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS;
- to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator;
- in such other matters as the LGPS regulations may specify;
- secure the effective and efficient governance and administration of the LGPS for the DCPF; and
- provide the Scheme Manager with such information as it requires to ensure that any member of the Local Pension Board or person to be appointed to the Local Pension Board does not have a conflict of interest.

The Local Pension Board also help ensure that the DCPF is managed and administered effectively and efficiently and complies with the Public Service Pension Act 2013 on the governance and administration of public pension schemes and with due regard to guidance issued by government, The Pensions Regulator and the LGPS Scheme Advisory Board.

The Local Pension Board of the Dorset County Pension Fund consists of 4 member representatives and 4 member representatives and 4 employer representatives and meets at least 4 times a year.

## Publications Matrix

Communication Material	Paper-based	Electronic Form	Website	When Published	When Reviewed
Scheme Guide	✓	✓	✓	Constantly available	Annually
New Starter Pack	✓	X	✓	Constantly available	Annually
Councillors' Guide	✓	✓	✓	Constantly available	Annually
Scheme Information Leaflets	✓	✓	✓	Constantly available	Annually
Scheme Member Newsletter	✓	✓	✓	Annually	n/a
Pensioner Newsletter	✓	✓	✓	Annually	n/a
Scheme Member's Annual Benefit Statement	✓	X	✓	Annually	Annually
Deferred Member's Annual Benefit Statement	✓	X	✓	Annually	Annually
Member Forms & Factsheets	✓	✓	✓	Constantly available	Annually
Pensioner Forms & Factsheets	✓	✓	✓	Constantly available	Annually
Opt Out Form	✓	✓	✓	Constantly available	Annually
Deferred Benefits Guide	✓	✓	✓	Constantly available	Annually
Funding Strategy Statement	✓	✓	✓	Constantly available	Annually
Communication Strategy Statement	✓	✓	✓	Constantly available	Annually
Administration Strategy	✓	✓	✓	Constantly available	Annually
Investment Strategy	✓	✓	✓	Constantly available	Annually
Annual Report and Accounts	✓	✓	✓	Annually	Annually
Employer's Guide	✓	✓	✓	Constantly available	Annually
Employer Forms & Factsheets	✓	✓	✓	Constantly available	Annually
Employer Newsletters	✓	✓	✓	Monthly	n/a
Employer LGPS Updates	✓	✓	✓	As required	n/a

## Improving Our Standards

We aim to achieve continuous improvement in our communications with all stakeholders and aim to deliver the following in the future to further improve our communications;

- improved general information on the pension scheme on our website.
- feedback buttons added to all emails.

We are continuously seeking ways for stakeholders to provide feedback on the service they have received from the Dorset County Pension Fund. We are now providing the following methods of feedback;

- online feedback form
- feedback form provided at presentations

## General Data Protection Regulations (GDPR)

Dorset Council as the administering authority of the Local Government Pension Scheme and the Dorset County Pension Fund values the privacy of those who provide personal data to it. We collect and process personal data in accordance with our Privacy Notice. A copy of the

Privacy Notice can be accessed here.

[www.dorsetpensionfund.org/forms-and-publications/privacy-policy](http://www.dorsetpensionfund.org/forms-and-publications/privacy-policy)

The Privacy Notice describes what information we collect and how we use it. For more information about how we process personal data, please contact the Dorset County Pension Fund using the contact details set out in the Privacy Notice.

## Contact Details

Write to us at:

Dorset County Pension Fund  
County Hall  
Dorchester  
Dorset  
DT1 1XJ

Tel: 01305 224845  
Fax: 01305 224049

Email: [pensionshelpline@dorsetcouncil.gov.uk](mailto:pensionshelpline@dorsetcouncil.gov.uk)  
Web: [www.dorsetpensionfund.org](http://www.dorsetpensionfund.org)

# Appendix 5

## UK Stewardship Code Principles – Statement of Compliance

On 2 July 2010 the Financial Reporting Council (the FRC) published the UK Stewardship Code (the Code). The Code sets out good practice for institutional investors when engaging with the UK listed companies in which they invest.

The purpose of the Code is to improve the quality of corporate governance by promoting a better dialogue between shareholders and company boards, and more transparency in the way in which investors oversee the companies they own.

The FRC and the National Association of Pension Funds (NAPF) encourage all institutional investors to report on the extent to which they follow the Code, as a stronger corporate governance culture is conducive to protecting and enhancing the value of investments.

The Dorset County Pension Fund takes its responsibilities as a shareholder seriously. It seeks to adhere to the Stewardship Code, and also encourages its appointed asset managers to do so.

**Principle 1: The fund should publicly disclose policy on how it will discharge stewardship responsibilities.**

The Fund's approach to Governance is stated in the published Investment Strategy Statement (ISS). The Fund's policy is to apply the Code both through its arrangements with its asset managers and through membership of the Local Authority Pension Fund Forum (LAPFF).

The Fund's UK Equities are managed by a combination of asset managers and the internal manager. The Dorset Fund uses membership of the LAPFF to keep informed of potential issues of concern at individual companies and across the market, but delegates day to day responsibility for

monitoring and intervening in companies to asset managers where applicable.

**Principle 2: The fund should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.**

The stewardship code assumes that conflicts of interest will arise from time to time. Dorset County Council's Constitution sets out policies for personal and prejudicial Interests. Any conflict of interest would be dealt with in accordance with the Council's Constitution.

**Principle 3: The fund should monitor its investee companies.**

Day to day responsibility for managing the Fund's equity holdings is delegated to the appointed asset managers, and the Fund expects them to monitor companies, intervene where necessary, and report back on activity undertaken. Asset Managers report to the Pension Fund Committee and meet with officers regularly to discuss activity. The Dorset Fund uses membership of the LAPFF to keep informed of potential issues of concern at individual companies and across the market, and regular reports are received from the LAPFF. Officers attend meetings of the LAPFF at least annually to keep up to date with the forum's activities.

**Principle 4: The fund should establish clear guidelines on when and how it will escalate activities as a method of protecting and enhancing shareholder value.**

If a matter is considered to affect shareholder value, the concern will be referred to the LAPFF. In addition, where a governance matter dictates that a resolution merits a dissent vote in accordance with the Fund's Voting Policy, the resolution will be voted against.

**Principle 5: The fund should be willing to act collectively with other investors where appropriate.**

The Fund seeks to work collaboratively with other institutional shareholders in order to maximise the influence that it can have on individual companies. The Fund seeks to achieve this through membership of the LAPFF, which engages with other companies over environmental, social and governance issues on behalf of its members. The Dorset Fund's principal means of collaborate engagement is through membership of the LAPFF. LAPFF coordinates collaborative engagement with companies, regulators and policies. LAPFF periodically issue voting alerts, which are analysed with regard to the Fund's own engagement policy. The decision to participate in such collective decisions is made on a case by case basis.

**Principle 6: The fund should have a clear policy on voting and disclosure of voting activity.**

The Dorset Fund exercises all votes attaching to its UK equity holdings, and seeks to vote where practical in overseas markets. Responsibility for the exercise of voting rights has been delegated to

RREV (Research, Recommendations, Electronic Voting) in the UK, and to Fund Manager Pictet Asset Management in respect of overseas markets. This includes consideration of company explanations of compliance with the Corporate Governance Code. Votes are exercised in accordance with the Fund's Voting Policy, however it is possible for Officers to override the vote of RREV to support the actions of the LAPFF. Real Time reports are available detailing how votes have been cast.

**Principle 7: The fund should report periodically on their stewardship and voting activities.**

The Fund discloses voting data periodically, but intends to formally make statistics available to the Pension Fund Committee annually in future. In addition, the Fund intends to report annually on stewardship activity through a specific section on voting and engagement activity undertaken during the year in the report and accounts. This will include both fund specific information including engagement with companies, and details of activity undertaken through the Local Authority Pension Fund Forum.