

Minutes

Meeting: Local Pension Board for the Dorset County Pension Fund

Time: 2.00 pm

Date: Wednesday 27 September 2023

Venue: County Hall, Committee Room 3

Present:

Richard Bates	Chair
Julie Strange	Employer Representative
Mary O'Sullivan	Employer Representative
Cllr David Shortell	Employer Representative
James Stevens	Member Representative
Jon Bird	Member Representative
Jonathan Stiby	Member Representative

Officer Attendance:

Karen Gibson	Service Manager for Pensions
David Wilkes	Service Manager for Treasury and Investments
Sean Cremer	Corporate Director Finance & Commercial
Vince Elliott	Employer Relationship & Communications Manager

Managers, Advisors and Others Attendance:

None

1. Apologies for Absence and Introductions

1.1. Advance apologies received from:

- | | |
|----------------|-------------------------------------|
| • Adam Richens | Employer Representative |
| • James Sheehy | Membership Representative |
| • Andy Canning | Chair of the Pension Fund Committee |

2. Board Membership Update

- 2.1. The Chair welcomed two new Membership Representatives, Jonathan Stiby and James Sheehy, to the board.
- 2.2. The Chair also thanked John Jones for his service as a Membership Representative. John had recently left the board due to work commitments.

3. Declarations of interest

- 3.1. None

4. Minutes and matters arising from previous meeting

- 4.1. The minutes from the June 2023 meeting were read and agreed.
- 4.2. Cyber Security (point 6.3). Dorset Council, who provide IT services for the Fund, to be approached to give a presentation on cyber and data security at the December meeting. The Pension Fund Committee members will also be invited to this.

5. Papers from the Pension Fund Committee

Items on the agenda of the Pension Fund Committee meeting held on 19 September 2023 were reviewed: [Pension Fund Committee Meeting 19 September 2023](#)

It was noted that the Pension Fund Committee meetings can now be viewed live, or a recording watched later, on [YouTube](#).

5.1. Questions

- 5.1.1. There were no questions from the public, but a Councillor asked that as there seems to be investment still in fossil fuels if the fund was invested in any other morally questionable ventures. The Chair of the Committee said that the Pension Fund Committee agrees the investment strategy for the pension fund but then engages external investment managers to deliver that strategy. They do not restrict investment managers from investing in specific companies or sectors, but they must consider all financially material risks relating to their decisions including environmental, social and governance factors that may apply. As part of the government's requirement for Local Government Pension Scheme (LGPS) funds to pool investments the vast majority of the fund's investments are now managed by the Brunel Pension Partnership, who are widely recognised as a leader in responsible investment.

5.2. Brunel Pension Partnership Quarterly Report

The quarterly performance [report](#) of Brunel Pension Partnership, the pension fund's Local Government Pension Scheme (LGPS) investment pooling manager.

- 5.2.1. Markets appeared to have 'priced in' the belief that inflation had been controlled and that recession had been avoided. Although this scenario was plausible there was still a high chance of a return of high inflation and/or of recession.
- 5.2.2. Listed markets were now driven by a few very large stocks, such as Amazon, Apple, Meta, Nvidia and Tesla. The performance of each of Brunel's listed markets portfolios had been determined by how much the portfolio was over or underweight on the benchmark index in these companies.
- 5.2.3. An error made by the index provider for the Paris Aligned Benchmark and Climate Transition Benchmark had led to inaccurate rebalancing in the passive portfolios that tracked these indices. Officers and the independent investment adviser would need to be confident that this error would not reoccur before recommending to Committee any further allocations to these portfolios.
- 5.2.4. Brunel's annual private markets reviews had just been published. The first cycle of commitments to Brunel's private markets portfolios was now largely invested and had performed well. It was too early to judge the second and

third cycles of commitments, but they were likely to have been adversely impacted by the rising cost of debt finance.

5.3. Brunel Governance/ Scheme Advisory Board Update

- 5.3.1. Cllr John Beesley gave an update in his capacity as the Committee's representative on the Brunel Oversight Board (BOB) and as a member of the Scheme Advisory Board (SAB) for the Local Government Pension Scheme (LGPS).
- 5.3.2. The main items of discussion at SAB had been the next steps for the McCloud remedy following the end of the consultation, the new regulations proposed for survivor benefits and the consultation on next steps for LGPS investments.
- 5.3.3. BOB considered a suggestion from Dorset for the pool to seek cross pool performance data. Brunel's Chief Investment Officer felt that a wider comparison against the peer group of investment managers would be more beneficial. Dorset's suggestion was not supported by the other client funds due to concerns about the further burden of reporting this could lead to with no obvious end result. The independent investment adviser was disappointed and surprised by the lack of support for Dorset's proposal as there was very little transparency of performance data between pools which was believed necessary for raising standards across the pools.
- 5.3.4. A request from Brunel to make changes to their people strategy to include benchmarking of salaries against other LGPS investment pools had now been agreed by all shareholders as required.

5.4. LGPS Investment Consultation

- 5.4.1. In July the government published a consultation seeking views on the "next steps on investments" for the LGPS in England and Wales with a deadline for responses of 2 October 2023.
- 5.4.2. The Committee considered a draft response based on discussions with the other Brunel client funds and the pooling company itself.
- 5.4.3. The Committee was supportive of greater collaboration between pools (especially in private markets) but sceptical of the benefits of reorganising the pools into fewer, larger pools which seemed to lack supporting evidence. The Committee did not agree that government should be directing pension funds to invest a defined amount in 'levelling up' or any other asset class as this could lead to a conflict with their fiduciary duty.
- 5.4.4. An Employer Representative asked whether the government was trying to influence investment decisions. The Service Manager for Treasury and Investments said that this is what the consultation suggests, but our aim is to make the right investments for the Fund.
- 5.4.5. The draft response to the consultation was amended to reflect the changes agreed and circulated for comment prior to submission. The Service Manager for Treasury and Investments circulated a copy to the board members.

5.5. Independent Investment Adviser's Report

- 5.5.1. The Committee considered the quarterly [report](#) from Steve Tyson of the Apex Group (formerly MJ Hudson), the pension fund's Independent Investment

Adviser. that gave his views on the economic and market background to the pension fund's investments, the outlook for different asset classes and key market risks

5.6. Fund Administrator's Report

The quarterly [report](#) on the pension fund's funding position, investment performance and other related issues.

- 5.6.1. The value of the pension fund's assets at 30 June 2023 was £3.6 billion compared to just over £3.5 billion at the start of the financial year, with just over three quarters of assets by value now under the management of Brunel.
- 5.6.2. The total return from the pension fund's investments over the quarter to 30 June was 1.4%, equal to the combined benchmark return. The total return for the 12 months to June was 4.3% compared to the benchmark return of 5.0%. Over the longer term, annualised returns for three years were 5.8% compared to the benchmark return of 6.2%, and for five years 4.0% compared to 4.7%

6. LGPS Administration report

The Service Manager for Pensions gave an update on the [Pensions Administration Report](#) provided to the Pension Fund Committee on 19 September 2023.

6.1. Key Performance Indicators (KPIs)

- 6.1.1. The KPI report for the period can be viewed here: [KPI report](#).
- 6.1.2. Transfers have been separated to show interfund transfers, (those between LGPS Funds) and non-interfund transfers. There have been good results for the non-interfund transfers. Priority is given these types of transfers as guarantee periods may apply that could have a negative impact to members.

Transfers between LGPS funds have built up over recent years following the system change, but delays in this category do not impact member benefits. A plan is in place to address the backlog of interfund transfers; however, this area remains a low priority given the regulatory changes soon to be in place with McCloud.

- 6.1.3. There was exceptional performance by the team in the total number of processes completed and worked on this month. They have been working to clear back logs and address data cleansing ahead of McCloud.

6.2. Annual Benefit Illustrations 2023 for Active and Deferred Members

- 6.2.1. 23,066 Annual Benefit Illustrations (ABIs), attached at Appendix 2, were issued on 17 August 2023 to active members. This is ahead of the statutory deadline.
- 6.2.2. Statements to 21,453 deferred members were issued on 7 July 2023. In addition, 28 ABIs were issued to deferred councillor members.
- 6.2.3. ABIs for deferred members cannot be issued where a current address is not held. We often lose contact with deferred members, but a trace will be made nearer to retirement in an attempt to locate them.

- 6.2.4. All scheme active and deferred members have ABI statements uploaded to the online Member Portal.

6.3. Scheme Annual Report 2022

- 6.3.1. In June the Scheme Advisory Board (SAB) published its tenth [Annual Report](#) for the LGPS in England and Wales. The LGPS is one of the largest defined benefit schemes in the world and is the largest in England and Wales with 14,992 active employers, 6.39m members and assets of £369bn.
- 6.3.2. Points to note were
- LGPS membership increased slightly (2.6%) to 6.39m members
 - Total assets in the LGPS increased to £369bn, an increase of 7.8%
 - Over 1.95m pensioners were paid over the year.

6.4. Pensions Gender Pensions Gap Report

- 6.4.1. In January 2023, the Government Actuary's Department (GAD) produced its [report](#) to the Scheme Advisory Board on the gender pensions gap.
- 6.4.2. This identified a substantial difference between the average level of pension benefit built up by male and female scheme members. The difference is 34.7% for benefits in the CARE scheme, and 46.4% in the final salary scheme. For benefits in payment, the difference is greater at 49%.
- 6.4.3. An Employer Representative asked if this gap was due to members investing in additional pension. The Service Manager for Pensions said that it was not, but in part due to more women working in lower paid and part-time jobs and due to lifestyle requirements such as childcare.
- 6.4.4. The SAB has decided to set up a working group to consider next steps which would include looking at, amongst other issues, any potential scheme changes and member communications.

6.5. McCloud Update

- 6.5.1. We are working closely with our software providers, Civica, to develop the necessary technical software for the McCloud implementation. Unfortunately, this will not be ready for the 1 October deadline. Civica have been asked to explain why there is a delay.
- 6.5.2. Current testing of underpin calculations has illustrated the importance of correct data, specifically a history of contractual hours and service breaks for the underpin period. This has to be provided by employers. In all, we require 299 reports from various employers and payroll providers to cover all members. Currently we have 85 that we know we will not be getting any data for. This could be for reasons such as payroll provider change or a now non-existent employer. In these cases, we apply a formula to the full time and part time pay to give estimated hours as set out in [SAB guidance](#).
- 6.5.3. An Employer Representative asked whether there would be any penalties issued to employers. The Service Manager for Pensions said there would not be, but any breach would be assessed to identify if it should be reported to the Pensions Regulator. However, these are unlikely to impact members to a significant extent.

6.5.4. At least two members of staff have been working continuously on updating data and clearing data errors for several months now, there were 17,100 members to update, of which 8,410 members have now been completed. Each of these members required amendments on multiple lines of service. Four additional members of staff will be moved onto the data cleansing project for a temporary period in September.

6.5.5. An Employer Representative asked whether there would be any financial contribution from the Government. The Service Manager for Pensions said that the additional cost of this work would be borne by the funds.

7. Performance Monitoring - Presentation

The Service Manager for Pensions provided a presentation to the board on how Dorset County Pension Fund monitor performance and success.

7.1. The presentation included:

- Workflow management
- KPIs
- Legal requirements
- Manager level team monitoring
- Member engagement
- Local and national requirements
- Data quality

7.2. A Membership Representative asked whether the IT security for the member portal is the responsibility of Dorset Council, or the pensions team. The Service Manager for Pensions said that the site is hosted by Dorset Council, so the general security is covered by them, but the responsibility of logins etc. is handled by the Pensions Systems team.

7.3. An Employer Representative asked about the data security of working from home. The Service Manager for Pensions said that staff use work issue laptops, rather than their own devices, and these have all the security features that they have while working in the office.

8. Risk Register

The Dorset County Pension Fund Risk Register was reviewed. Board members were provided with a copy ahead of the meeting.

8.1. Since the last board meeting, the risks on the register had been reviewed by the Team Managers in the pensions area and by the Fund Accountant but no new risks were identified.

9. Any other Business

9.1. The Employer Relationship Manager reminded the board about the opportunity to attend the LGA's LGPS Governance Conference 2024 and Fundamentals training programme. If anybody wishes to attend, they should let him know as soon as possible. He said that he would be sending out a schedule of 2024 LGPS training events as soon as they are publicised. He also reminded board members to keep their training logs up to date with any training that they have taken part in.

10. Meeting closed at 15:50

11. Date of next meeting – 6 December 2023

Details of the Local Pension Board and past meetings can be found [here](#).

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