

# Minutes

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Meeting: Local Pension Board for the Dorset County Pension Fund  
Time: 2.00 pm  
Date: **Wednesday 22 June 2022**  
Venue: Microsoft Teams

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**Present:**

Adam Richens	Vice Chairman – Employer Representative
James Stevens	Member Representative
Julie Strange	Employer Representative
Jon Bird	Member Representative
Mary O’Sullivan	Employer Representative

**Officer Attendance:**

David Wilkes	Service Manager for Treasury and Investments
Jim McManus	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:

- Cllr David Shortell                      Employer Representative
- John Jones                                Member Representative
- Karen Gibson                            Service Manager for Pensions

1.2. The Vice-Chair welcomed Jon Bird to the board as the new Membership Representative and introductions were made.

## 2. Declarations of interest

2.1. None

## 3. Minutes and matters arising from previous meeting

The minutes from the March 2022 meeting were read and agreed.

## 4. Papers from the Pension Fund Committee

Items on the agenda of the Pension Fund Committee meeting held on 14 June 2022 were reviewed: [Pension Fund Committee Meeting 14 June 2022](#)

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

#### **4.1. Brunel Pension Partnership**

The Committee received the quarterly report from Brunel Pension Partnership (Brunel), the Fund's investment pooling manager.

- 4.1.1. Negative returns on a number of investments had been seen in the quarter to the end of March, both in absolute terms and also in relative terms compared to the benchmark. The Russian invasion of Ukraine had adversely impacted the supply and price of many commodities which had led to significant inflationary pressure.
- 4.1.2. Brunel very much take a long-term responsible investment stance, and the kinds of sustainable long-term investments performed quite badly in the quarter, whereas 'value' stocks, such as energy providers, banks, and in particular oil and gas, performed well.
- 4.1.3. Underperformance had continued up to the end of May 2022, with Brunel's active equities portfolios behind their benchmarks by 2.5% for global equities and 1% for UK equities. Concerns were raised about how long this underperformance might continue, and it is expected that the quarter up to the end of June will see a similar kind of underperformance.
- 4.1.4. Brunel are to come to the September Committee meeting for a further update.

#### **4.2. Brunel Governance Update**

Cllr John Beesley, the Fund's representative on the Brunel Oversight Board (BOB) and member of the LGPS Scheme Advisory Board (SAB), updated the Committee on governance matters relating to investment pooling.

- 4.2.1. There will be a review of Brunel's longer-term strategy and an opportunity for the Pension Fund Committee to feed into that in terms of what they believe the priorities are for Dorset and what they want from Brunel. A questionnaire for members would be developed and circulated.
- 4.2.2. The Government is planning to issue a consultation on proposed changes to pooling regulations. It is likely that the government will want individual funds to ensure that more of their assets are under the management of pools. The consultation is planned to take place in the autumn.

#### **4.3. Independent Investment Adviser's Report**

The quarterly report by from Steve Tyson of MJ Hudson, the Pension Fund's independent investment adviser on the outlook for the Pension Fund's investments. The full report can be viewed here: [Independent Adviser's Report](#)

- 4.3.1. Key issues impacting investment markets were summarised. These included inflation, interest rate rises and the tightening of monetary policy. He felt it was going to be a very difficult environment for pension funds and that it is appearing likely that we are going to see some kind of recession in in the UK.

#### 4.4. Pension Fund Administrators Report

The quarterly report of the Fund Administrator including an update on the funding position and the value and performance of investments as of 31 March 2022. The full report can be viewed here: [Fund Administrators Report](#)

- 4.4.1. The value of the pension fund's assets ended the quarter at £3.694 billion compared to £3.340 billion at the start of the financial year.
- 4.4.2. The total return from the pension fund's investments over the quarter to 31 March 2022 was -2.6%, compared to the combined benchmark return of -0.3%. The total return for the 12 months to 31 March 2022 was 10.1% compared to the benchmark return of 11.3%. The main reason for that was the performance of the Brunel funds.
- 4.4.3. As the actuary is in the middle of the full triennial valuation, there was no quarterly estimation of the funding position.
- 4.4.4. The Service Manager for Treasury and Investments said the results of the triennial valuation will start coming through in September. Employers are likely to see the draft contribution rates in late October, which makes it a tight turnaround in respect of setting budgets for the forthcoming year.
- 4.4.5. An Employer Representative asked whether the fund had suffered by moving away from investing in fossil fuels, which are currently providing good returns. The Service Manager for Treasury and Investments said that there is some truth in that, but the ethos of Brunel is that there is no long-term future for fossil fuels. So over shorter periods, there will be times, like now, where there will be movements in markets where fossil fuel stocks will do well. But in the longer term, the direction is quite clear that is not going to be the case.
- 4.4.6. An Employer Representative asked how much events post 1 April 2022 are going to have an impact on the valuation. The Service Manager for Treasury and Investments said that Barnett Waddingham takes a smoothed approach in terms of valuing assets which will dampen down any fluctuations. Asset values can literally be changing every day, so taking a snapshot of asset values at the close of trading on 31 March can be misleading. Instead, they smooth the valuation of assets by looking at the preceding three months and the succeeding three – i.e. the six-month period around the valuation date.  
  
Ultimately, until we see the results, we don't know exactly how this is all going to pan out. But just because the value of the fund has gone down, it doesn't necessarily mean the funding ratio is going to get worse by that same percentage as there isn't that direct link due to the way Barnett Waddingham approach the exercise.
- 4.4.7. An Employer Representative asked whether the Fund Audit was now concluded and no outstanding issues remain. The Corporate Director Finance & Commercial said no matters had been brought to his attention either for the Dorset Council accounts or for the pension fund accounts. But the pension fund accounts can't be signed off until the main council accounts are signed off.
- 4.4.8. An Employer Representative asked how much of the Fund's investments have now transferred to Brunel. The Service Manager for Treasury and Investments said that approximately 60% of assets by value are under the management of Brunel and that compares to 80% on average across Brunel's

clients. The two main reasons this is a lower percentage is that we have a directly owned property portfolio, and our liability driven inflation hedging mandate with Insight.

## **5. LGPS Administration report**

In the absence of the Service Manager for Pensions, the Corporate Director Finance & Commercial gave an update on the [Pensions Administration Report](#) provided to the Pension Fund Committee on 14 June 2022.

### **5.1. Key Performance Indicators (KPIs)**

- 5.1.1. The KPI report for the period can be viewed here: [KPI report](#).
- 5.1.2. There continues to be a period of adjustment to the new system and catch up regarding KPIs. There had been an issue with the new system not capturing the correct start and end date so as to correctly measure the KPIs. This has been addressed so there is more confidence in their measurement accuracy and results are starting to improve. Due to this and staff shortages, it is anticipated to take some time to get back to where we were before the system change.
- 5.1.3. The team will start to measure and report on the number of processes undertaken and the number of phone calls received in addition to the tasks that are included in the KPI report. This will be shared once they have a reliable data set and this may help shape the business plan that will come forward to in due course

### **5.2. Systems Implementation**

- 5.2.1. The system continues to be developed with some excellent progress and new efficiencies for the Fund. Some issues remain, but most of these will be addressed in the next system release.
- 5.2.2. The particular issues regarding the recording and calculation of the annual allowance are now resolved, but with some manual data updates still to be done. The overall on-going processes for the annual allowance will be an improvement on the previous system, particularly regarding communications with employers, which is key to avoiding delays
- 5.2.3. In the autumn, it is planned to move as many employers as possible to monthly data submission. This will replace the current system, improve the provision of data, and result in a smoother and less onerous end of year process.

### **5.3. Pensions Dashboard Programme**

- 5.3.1. The Pensions Schemes Act 2021 introduced new regulations announcing a Pensions Dashboard that would be available in 2023, enabling individuals to access their pension information online, securely and in one place.
- 5.3.2. The Dorset County Pension Fund is currently investigating options regarding sourcing an internet service provider, looking carefully at service provision and costs. Civica can provide this service, other options are being considered before making a final decision as the costs and impact of this are likely to be substantial. They are also currently engaging with Dorset Council IT, who host

the IT service for the Fund, to ensure there is understanding about infrastructure requirements. This will be a substantial and challenging new requirement

#### **5.4. Staffing Update**

- 5.4.1. The administration section is still struggling with staff shortages; however, work is underway to revise and update job descriptions, whilst looking at the gradings for key posts within the section. This is being done via the Job Evaluation process within Dorset Council. Initial results for some posts have not been as hoped, so there may be the option to appeal, or if necessary, look at labour market increments.
- 5.4.2. They have been able to secure two temporary staff members to offer some additional support whilst the review and recruitment process is concluded.

#### **5.5. End of Year Update**

- 5.5.1. The End of Year process is the biggest and most important annual process completed by the administration team. This process reports the pensionable earnings for every scheme member each year, which enables us to calculate the earned pension for that year.
- 5.5.2. The End of Year processes also allow the team to check and update data, feeding back errors and issues to employers. It reconciles contributions paid by employers and identifies non notified scheme leavers and joiners. Information provided on this return also feeds into the calculation and data used for the annual benefit illustrations which are issued each August, and the yearly annual allowance check which identifies members who may have exceeded the annual allowance.
- 5.5.3. The 2022 year is especially important as this is a valuation year. It is critical that the End of year processes are completed within our planned timescales, and as accurately as possible, otherwise the impact will be felt in regard to meeting statutory deadlines for production of annual benefit illustrations and the annual allowance, and of course the deadlines agreed with our actuaries for this year's valuation process. Timescales are especially tight this year because of the valuation.
- 5.5.4. The new system deals well with the end of year processes and brings many improvements.
- 5.5.5. This is a particularly challenging process for employers, and it is usual to have some employers who struggle to provide data on time, and of an acceptable standard. This year is no exception, and we are working with the employers for whom we cannot finalise data due to outstanding errors or missing data. Where substantial issues arise, employers could receive a financial penalty under [Regulation 70 of the LGPS Regulations](#) or under the Fund's [administration strategy](#).
- 5.5.6. Employers are well supported in the Dorset County Pension Fund, with dedicated staff, regular training and communications, plus an excellent employer website with process guides and information. In addition, we have the Employer Portal which assists employers in meeting their responsibilities

in a supported and secure way.

- 5.5.7. In respect to employers having a problem supplying the Fund with accurate data, an Employer Representative asked whether this was a regular problem with specific employers and are we at the point where we need to report or fine them. The Corporate Director Finance & Commercial said that in some cases it is where academies have gone to new payroll providers without the required experience, and other employers are recurring problems. Some will be in a position where they are penalized and fined financially for noncompliance.

## 5.6. McCloud Update

- 5.6.1. On 22 March 2022, the LGA forwarded a [letter to administering authorities](#) from Teresa Clay, Head of Local Government Pensions at DLUHC. The letter sets out DLUHC's recommendations on how administering authorities should take the McCloud remedy into account in the 2022 triennial valuation.
- 5.6.2. This information has been shared with our Actuary, Barnett Waddingham.

## 6. Board Chair Vacancy

- 6.1. Following the resignation of the Local Pension Board Chair, the decision has been made to advertise for an independent Chair. This will be a paid position as it is felt that this is the only way to attract someone of the quality required. Also, having looked at the arrangements at several other funds, it is now commonplace to have a paid Chair.
- 6.2. Ahead of the meeting, the board were provided with a draft advert and person specification for review. It was commented that the draft may benefit by being a brief advert to draw attention to the role, which then links to the job description and person specification.
- 6.3. A question was asked as to whether there were any exclusions regarding who could become the Chair, for example where there could be perceived conflicts of interest. The Employer Relationship Manager said he would look into this and include any exclusions in the draft advert.
- 6.4. **Action:** Draft to be amended as requested. Any further comments to be sent to the Employer Relationship Manager by 27 June 2022
- 6.5. Because the position will be an independent chair, rather than elected from within the Board, changes will need to be made to the Board's Terms of Reference.
- 6.6. **Action:** Amended version of the Terms of Reference to be circulated via e-mail for approval by Board members.

## 7. Risk Register

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

- 7.1. It was noted that the majority of the risks had not been marked as being reviewed since September 2021. The Employer Relationship Manager said that the risks are reviewed on a regular basis, so it was that the spreadsheet itself that needs updating. However, he felt that the risk register could benefit from a more in-depth

review by the pension and investment team managers, and for the comments to be updated to indicate any recent developments.

- 7.2. **Action:** Pension staff to review and comment on risk register ahead on next board meeting.

## **8. Any other Business**

- 8.1. Board members were reminded of the schedule of training events that are taking place during 2022.

## **9. Meeting closed at 15.25**

## **10. Date of next meeting – September 2022 TBC**

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