

Minutes

Meeting: Local Pension Board for the Dorset County Pension Fund

Time: 2.00 pm

Date: **Wednesday 22 March 2023**

Venue: Microsoft Teams

Present:

James Stevens	Member Representative
Jon Bird	Member Representative
John Jones	Member Representative
Cllr David Shortell	Employer 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
Andy Canning	Chair of the Pension Fund Committee

Managers, Advisors and Others Attendance:

None

1. Apologies for Absence and Introductions

1.1. Advance apologies received from:

- Adam Richens Employer Representative
- Julie Strange Employer Representative
- Mary O'Sullivan Employer Representative

2. Declarations of interest

2.1. None

3. Minutes and matters arising from previous meeting

The minutes from the December 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 March 2023 were reviewed: [Pension Fund Committee Meeting 14 March 2023](#)

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 Quarterly Report

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

- 4.1.1. Many of Brunel's portfolios had outperformed their benchmark over the quarter, but not sufficiently to make up for the previous three quarters. Brunel have made assurances that this is continuing into the current quarter.
- 4.1.2. One of the things that hampered the performance of Brunel over the course of 2022 was the fact that it is underweight in the type of sectors that did well in that year. Primarily those sectors involved in energy supply, particularly fossil fuels.
- 4.1.3. Faith Ward, Brunel's Responsible Investment Officer, presented Brunel's revised Climate Change Policy which has been through a long period of review by the ten client funds. It was highlighted that 2022 saw governments look to improve energy security, but in the longer-term Brunel believed this would lead to an impetus to accelerate the transition away from fossil fuels to renewables.

4.2. Independent Annual Governance Review

The Committee considered the annual [report](#) on governance compliance by Peter Scales of MJ Hudson, the pension fund's Independent Governance Adviser.

- 4.2.1. A good standard of governance had been maintained despite the introduction of new pensions administration systems which were always extremely challenging to implement.
- 4.2.2. It was highlighted that Significant changes to the governance framework for LGPS funds were expected from bodies such as the Scheme Advisory Board, the Pensions Regulator and the Treasury. These changes were expected to lead to additional pressure on administering authorities.

4.3. Independent Investment Adviser's Report

The quarterly [report](#) from Steve Tyson of MJ Hudson, the pension fund's Independent Investment Adviser.

- 4.3.1. The last quarter of 2022 saw private market valuations follow the earlier decline in public markets due to lags in pricing of illiquid assets. The performance of private markets' investments was generally compared to public markets' indices which made comparison difficult on a quarterly basis, particularly at times of heightened volatility. This will be investigated to see if any improvements to reporting can be made.
- 4.3.2. The Chair of the Pension Fund Committee said that when you are valuing property or private equity all the advisers can do is make an estimate of what would be the case if they were to be sold. With market investments, you know the prices every day, but the reality with private markets is that you have to look over 10 or 20 years as they are long term investments.

4.4. Fund Administrator's Report

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

- 4.4.1. The value of the pension fund's assets at 31 December 2022 was £3.4 billion compared to £3.7 billion at the start of the financial year, with just under three quarters of assets now under the management of Brunel.
- 4.4.2. The pension fund's actuary, Barnett Waddingham, had now concluded the triennial valuation as at 31 March 2022 and the pension fund's Funding Strategy Statement had been updated. Compared to the last valuation as at 31 March 2019, the funding level had improved from 92% to 96%.
- 4.4.3. The draft Funding Strategy Statement has been sent out for consultation with employers and is planned to go to the Committee for approval in June.
- 4.4.4. A member representative asked whether the actuary included any form of sensitivity analysis in their report, looking at what the outcome was compared to what was forecast. The Service Manager for Treasury and Investments said that they do include sensitivities in the report, looking at a half percent difference on the discount rate, the expected return on investments, and sensitivities around inflation. But they don't really look back to the last valuation to see how good they were at predicting the next 3 years.

However, it is worth noting that across the fund as a whole, contribution rates have been broadly unchanged. The ongoing contribution rate has gone up, but the deficit contribution rate has gone down. There are variations due to the individual circumstances of each of the many employers that are in the fund, so some will have seen their overall rates go up by a relatively small amount and others would have seen them go down.

4.5. Treasury Management Strategy 2023/24

- 4.5.1. The committee approved the [Treasury Management Strategy](#) for 2023-24.

5. LGPS Administration report

The Service Manager for Pensions gave an update on the [Pensions Administration Report](#) provided to the Pension Fund Committee on 14 March 2023.

5.1. Key Performance Indicators (KPIs)

- 5.1.1. The KPI report for the period can be viewed here: [KPI report](#).
- 5.1.2. Performance against KPIs was generally good with two exceptions, retirement quotes and transfers out, which were primarily due to a lack of experienced technical staff. New staff have now been employed, but they will take time to become proficient, especially in complex areas such as retirement benefits and death benefits.
- 5.1.3. An issue had been identified the process map and the recording of the KPIs. A KPI records the progress from a certain point in time to the end point. In effect the clock will 'stop ticking' while waiting for a member or other party to provide information, for example, to return forms. It was discovered that in certain circumstances the clock did not stop. It is not known how many cases this affected, but this will be rectified.

5.2. LGPS Consultation on change to Revaluation Date

- 5.2.1. On 10 February 2023 the Department of Levelling Up, Housing and Communities (DLUHC) issued a consultation to seek views on the proposed change to the England and Wales LGPS annual revaluation date from 1 April to 6 April.
- 5.2.2. The proposed changes means that the LGPS revaluation will be aligned with the tax calculations. The current higher inflation rates would cause more people to be caught by the annual allowance calculation. Previously, lower inflation rates have mitigated any impact of this non-alignment.
- 5.2.3. The short notice of implementation will have significant impact on the administration service, meaning that additional bulk processes will have to be amended, tested and re-run across the entire membership. In addition, it means that the current processes and calculations of the annual allowance may be impacted. We are currently in discussions with our software providers to assess the impact and plan accordingly.

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. However, due to technical and security issues, this has been delayed.
- 5.3.2. Although this will affect the initial companies that were due to participate with the dashboard, it is not expected to affect the timescales for the LGPS.
- 5.3.3. We are currently in the process of committing to have our current software provider, Civica, be our provider for that service.

5.4. McCloud Update

- 5.4.1. The Fund is appointing AON, via the National LGPS Framework, to provide McCloud project management support services. AON will help get the project up and running and provide further support. They can't do the calculations, but they can help manage and assess it as we go forward.
- 5.4.2. In November 2022, HMRC launched a [consultation](#) on how pension tax will apply to members protected by the McCloud remedy, for example those that may have breached the lifetime allowance or the annual allowance in previous years. The consultation closed on 6 January 2023. The legislation is planned to take effect from 6 April 2023, with some provisions having a retrospective effect.

5.5. Consultation on SAB Cost Control Mechanism

- 5.5.1. In January the DLUHC launched a consultation regarding proposed changes to the LGPS Scheme Advisory Board (SAB) cost control mechanism. This is where SAB looks at the cost of the LGPS as a whole over the country to see whether the costs are reasonable and whether they breach limits that have been set. If so, this could lead to changes in member benefits.
- 5.5.2. The consultation proposes changes to the SAB cost control mechanism as follows:

- scheme-wide valuations are to be required every four years rather than every three.
- Introduction of additional flexibility, so that under the SAB cost control process recommendations may be made to bring the scheme back 'to or towards', rather than just 'to' the target costs.
- Abolition of the cost corridor under the SAB cost control process

5.5.3. The Service Manager for Pensions said that the changes appear reasonable in that they are less prescriptive and there is more flexibility to allow for unforeseen circumstances (such as McCloud). At the moment there are no changes to member benefits.

5.6. Overseas Existence Checks

5.6.1. A project carried out with Western Union is underway to complete existence checks on all overseas pensioners.

5.6.2. As of 22 March 2023, only 29 members living abroad were outstanding in completing the necessary checks. A final communication letter was sent in February 2023. Should any members remain outstanding by the end of March 2023, their pensions will be suspended.

5.7. Confirmation of Annual Revaluation and Pensions Increases (PI)

5.7.1. In February HM Treasury published a written ministerial statement confirming the rate of annual revaluation and pensions increases (PI) due to apply in April 2023 will be 10.1%. This is in line with the Consumer Price Index (CPI).

6. Board Chair Vacancy

6.1. The position of Board Chair had been advertised and several applications were received. Of these, three candidates were interviewed.

6.2. The successful candidate was Richard Bates. Richard has previous experience working with Dorset County Pension Fund and having him in the position of Independent Chair should be a good asset.

6.3. On a similar note, for a while there has been a vacancy for a Membership Representative on the board. It has been proving difficult to recruit a new member, mainly because the position is voluntary. Unison have been approached to see if they are able to nominate a representative and the position will also be re-advertised and, if still unfilled, may be included in the newsletter with the benefit statements.

7. Staffing Update

7.1. Six new staff members have recently joined the pension's technical team. They have started well and are currently working in the office to gain experience and support from other team members.

8. TPR Public Service Governance Survey

- 8.1. Each year the Pensions Regulator's (tPR) runs a public service governance and administration survey, which scheme managers are invited to complete. Although the survey is not mandatory, participation is strongly encouraged by both tPR and the Scheme Advisory Board, so that improvements in running the LGPS can be monitored and evidenced.
- 8.2. Dorset County Pension Fund had recently completed the (tPR) survey. A copy of the completed survey was sent out with the Pension Board agenda.
- 8.3. The survey focuses on matters relating to the board, such as number of meetings, board membership, etc. It also relates to administration of the fund and asks about matters such as data quality, provision of statements, policies etc.
- 8.4. In all areas Dorset County Pension Fund appear to be doing well and have met tPR requirements. The results of the survey, covering all LGPS funds that completed the survey will be released later in the year.

9. Risk Register

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

- 9.1. 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.
- 9.2. Two more risks have been added to the register, these being McCloud and the Pensions Dashboard. These have been added to highlight the risk that we might not be ready for these when action is required. Both are 'low' risks as planning is already taking place for these matters.
- 9.3. A Member Representative asked about the risk of fraud and mortality screening. The Employer Relations Manager said that the Fund runs mortality screening of UK resident pensioners on a monthly basis by way of a tracing service. They carry out checks against mortality records. We are unable to do this for overseas pensioners, which is why we carry out existence checks every three years.

10. Future Board Meetings

- 10.1. As Covid restrictions have eased, the Service Manager for Pensions asked the board how they would feel about having a future board meeting 'in person'.
- 10.2. The board agreed that although Teams meetings work well, it would be good to have at least one meeting each year in person. The June meeting would be the first with the new Chair, so it may be a good one to start with.
- 10.3. The possibility of holding the June meeting in person will be looked into.

11. LGPS Benefits - Presentation

The Service Manager for Pensions provided a presentation to the board on the basics of LGPS benefits and the challenges involved.

12. Any other Business

- 12.1. The Employer Relationship Manager said that he would be sending out a schedule of LGPS training events for the year. He is still waiting for confirmation of dates for most of the usual events but will send out details as soon as they are publicised. He also reminded board members to keep their training logs up to date and let him know of any training that they have taken part in.

13. Meeting closed at 15:50

14. Date of next meeting – 21 June 2023

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