Dorset County Pension Fund

administered by Dorset Council

Annual Report **2020-2021**

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Main image Sherborne

Bottom, left, Wareham Quay

Bottom, right, West Bay

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Introduction and Overview

Chairman's Statement

Introduction

This is the annual report for the Dorset County Pension Fund for the year ending 31 March 2021.

It has been a turbulent and uncertain year for economies and financial markets as the impacts of COVID-19 have been felt around the globe. Locally, officers supporting the pension fund have continued to work mainly from home and our pension fund committee meetings have all been held 'virtually', streamed live on You Tube. We hope for a safe return to face-to-face meetings at some point soon.

Following the actuarial review in 2019-20 at our meeting in September 2020 the Pension Fund Committee agreed a new investment strategy. As well as some changes to asset allocation, the new strategy includes a commitment to 'decarbonisation' that seeks to reduce investment in high carbon emitting companies. The decarbonisation approach was based on evidence that such an approach would deliver significantly greater reductions in the 'carbon footprint' of the pension fund's investments than blanket divestment, without negatively impacting returns.

Since agreement of the investment strategy significant decarbonisation has been achieved through the transition of assets to the management of Brunel Pension Partnership, the pension fund's LGPS investment pooling manager. 10% of the pension fund's assets are now invested in Brunel's global sustainable equities fund, which is 20% of our total equities and is the fund's largest single investment. All other actively managed Brunel funds are committed to a policy of a 7% year on year reduction in their carbon footprint.

Asset Valuation and Investment Performance

The value of the pension fund's assets has risen from £2.7bn at the end of March 2020 to £3.3bn at the end of March 2021. This has been driven by rises across all listed markets after the falls in March 2020 in reaction to the impact of COVID 19. The success of the vaccination rollout has boosted sentiment as evidence shows a significant economy recovery in 2021-22.

The pension fund's return on investments for the year was 23.8%, above the combined benchmark return of 20.6%. Over the longer term, the pension fund returned an annualised 5.8% over the three years to March 2021, compared to the benchmark of 6.0% and an annualised 8.6% against the benchmark of 8.8% over five years.

Investment Pooling

In response to the government's requirement for Local Government Pension Scheme (LGPS) funds to pool investments, in order to improve efficiency and to reduce costs, Dorset is one of the ten pension funds which formed the Brunel Pension Partnership, which itself is one of eight such pools across England and Wales. As at 31 March 2021 approximately 56% of the pension fund's total assets had transitioned to Brunel's management.

Pension Fund Committee Member Changes

There has been one change to the membership of the Committee during 2020-21, with Councillor Bobbie Dove replacing Councillor Felicity Rice as one of Bournemouth, Christchurch and Poole Council's three representatives on the Committee. I would like to thank Councillor Rice for her hard work and contribution during her time as a member of the Committee and I welcome Councillor Dove to the Committee.

Thank You

The success of the pension fund depends on the combined efforts of all those involved in its administration. I would like to thank the Vice-Chairman, Councillor Peter Wharf, my fellow Committee members, local pension board members and external advisers for all their support over the past year. My thanks extend also to the staff who support the pension fund for all their hard work throughout a very challenging year.

Yours sincerely,

Cllr Andy Canning
Chairman
Pension Fund Committee

Introduction

Dorset Council (DC, the Council) is the statutory administering authority for the Dorset County Pension Fund (DCPF, the Fund), which is part of the Local Government Pension Scheme (LGPS). All aspects of the Fund's management and administration, including investment matters, are overseen by the Pension Fund Committee (PFC), which is a committee of the Council. It is a contributory defined benefit pension scheme established under statute, which provides for the payment of benefits to employees and former employees of Dorset County Council and the admitted and scheduled bodies in the Fund. Separate arrangements are made for teachers, fire-fighters and police officers.

The purpose of the Fund is to provide retirement benefits specified by the LGPS regulations for staff working for local authority employers, and other employers admitted by agreement, in the Dorset area. 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 in order to pay retirement benefits.

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 PFC. Supporting him is a team of staff split into two sections. The Pension Administration Team administers all aspects of member records, pension benefits etc. and the Treasury and Investments 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.

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 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.

Key Financial Information

- The value of the pension fund's assets at 31 March 2021 was £3.3 billion which rose £644.0 million (19.3%) over the year, compared to the previous year of £2.7 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 £0.6 million (22.1%).
- As at 31 March 2021, approximately £1,860M (56%) of the pension fund's assets were under the management of Brunel Pension Partnership.
- The Fund achieved a return on investments for the 2020-21 financial year of 23.8%, 3.2% above the benchmark return of 20.6%.
- The Fund underperformed its benchmark over three years with a performance of 5.8% against its benchmark of 6.0%. Over five years the performance was 8.6% against a benchmark of 8.8%.
- As at 31 March 2021, approximately 29% of the pension fund's liabilities were hedged against inflation sensitivity through the Liability Driven Investment (LDI) mandate with Insight Investment.
- The pension fund's estimated funding position at 31 March 2021 was approximately 85% - that is, assets were estimated to be 85% 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 fell from an adjusted 24,819 in 2019-20 to 24,511 in 2020-21, a decrease of 1.2%, whilst the number of pensioners rose during 2020-21 by 3.7% to 24,387 (23,523 in 2019-20).
- Income from contributions has been gradually increasing over the past five years from £109.1M as at 31 March 2017 to £134.5M as at 31 March 2021, a rise of 18.9%, although there was a slight decrease of £2.2M from 31 March 2020 to 31 March 2021. The pension benefit payments have been steadily rising over the same period from £108.1M as at 31 March 2017 to £131.4M as at 31 March 2021, a rise of 17.8%.

Developments in the Fund in 2020-21

- In July/August 2020 there was a full redemption from Barings, the Diversified Growth Funds Manager. All the proceeds of c £160M were invested in Brunel's Diversifying Returns Fund.
- £180M was taken out of the LGIM UK Passive Fund in November 2020 and invested in Brunel's Global Sustainable Equity Fund in December 2020.
- The following redemptions occurred in February 2021:
  - LGIM Global Passive partial redemption of £60M;
  - LGIM Smart Beta partial redemption of £60M; and
  - Wellington full redemption of approximately £235M.
- The following proceeds were invested as follows:
  - Smaller Companies subscription of

£165M which was a new investment;
  - Global Sustainable subscription of £140M which was an additional investment; and
  - Emerging Markets subscription of £50M which was an additional investment.
- In March 2021, the property sale of Dunbeath Court in Swindon was sold with proceeds received of approximately £6.0M.

The Annual Report

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. The Pension Fund Annual report compiles many of the reports and statements which the Fund produces into a single, annual document.

In 2019 CIPFA created a "Guidance for Local Government Pension Scheme Funds" showing 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. Dorset County Pension Fund has disclosed all information that must be provided.

- *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.

Overall Fund Management

Overall Fund Management

The Fund's Managers

Administering Authority
Dorset Council, County Hall
Dorchester, Dorset DT1 1XJ

The Fund is invested in Equities (UK and Overseas), Corporate Bonds, Private Equity, Property, Diversified Growth Funds, Multi Asset Credit, Infrastructure, Liability Driven Investments and Cash and Cash Equivalents. The Fund does not currently manage any fund's internally but used eleven external fund managers in 2020-21 and has eighteen portfolios currently managed by the Brunel Pension Partnership of which the details are provided below.

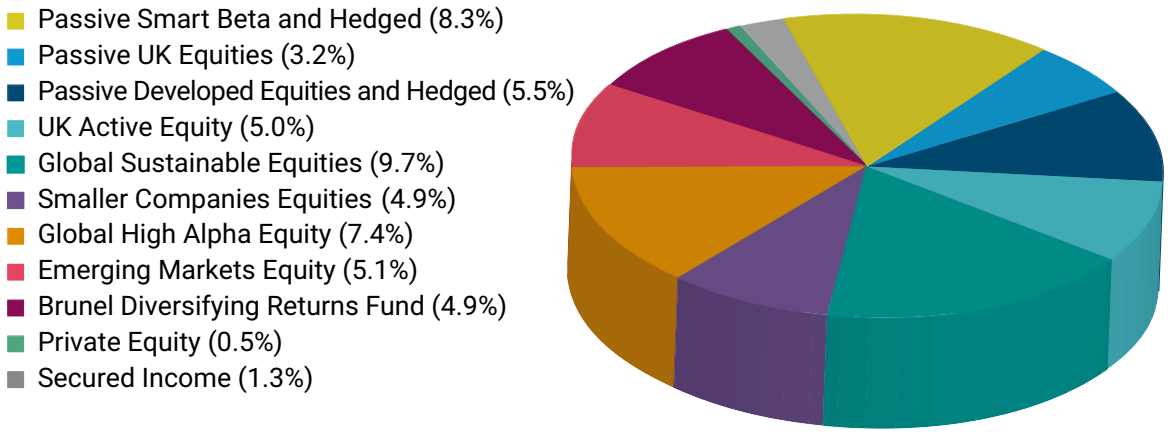
Fund Managers	Asset Class	Address
Schroders	UK Equities	1 London Wall Place, London EC2Y 5AU
Royal London Asset Management	Bonds	55 Gracechurch Street, London EC3V 0RL
Wellington Asset Management	Overseas Equities	80 Victoria Street, London SW1E 5JL
HarbourVest Partners, LLC	Private Equity	One Financial Center Boston, MA 02111
Aberdeen Standard Investments	Private Equity	6 St Andrew Square, Edinburgh EH2 2AH
CBRE Global Investors	Property	Third Floor, One New Change, London EC4M 9AF
Baring Asset Management Limited	Diversified Growth Funds	20 Old Bailey, London EC4M 7BF
CQS	Multi Asset Credit	4th Floor, One Strand, London WC2N 5HR
Hermes GPE LLP	Infrastructure	33 Gutter Lane, London EC2V 8AS
IFM Investors	Infrastructure	2 London Wall Place, London EC2Y 5AU
Insight Investment Management Limited	Liability Driven Investments	160 Queen Victoria Street, London EC4V 4LA

Brunel Valuation and Fund Asset Allocation

The Brunel Pension Partnership manages the following funds with the Valuation shown below and the Asset Allocation split shown opposite in brackets.

Fund	£M
Passive Smart Beta and Hedged	275.1
Passive UK Equities	107.3
Passive Developed Equities and Hedged	183.4
UK Active Equity	166.5
Global Sustainable Equities	325.3
Smaller Companies Equities	164.7
Global High Alpha Equity	247.1
Emerging Markets Equity	169.3
Brunel Diversifying Returns Fund	164.3
Private Equity	15.2
Secured Income	42.0

Fund Asset Allocation



Other Organisations/Individuals

Service	Address
Actuary	
Barnett Waddingham LLP	163 West 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	49 South Street, Dorchester, Dorset DT1 1DW
State Street - Banker	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, Redcliffe, Bristol BS1 6EG
Governance Adviser	
Mr Peter Scales	1 Frederick's Place, London EC2R 8AE
MJ Hudson	
Independent Adviser	
Mr Alan Saunders	1 Frederick's Place, London EC2R 8AE
MJ Hudson	
Investment Consultants	
Mercer Limited	Belvedere, 12 Booth Street, Manchester, M2 4AW
Local Government Pension Fund Pool	
Brunel Pension Partnership Limited	101 Victoria Street, Redcliffe, 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 of MJ Hudson) 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.

Investment Consultants

Dorset County Pension Fund use Mercer as their investment consultants. They provide customised advice supported by forward-looking research to help clients make and implement better decisions for their investment strategies.

Every three years the actuary sets contribution rates for employers based on assumptions about the pension fund's assets and liabilities and expected investment returns. Following the results of the latest triennial actuarial valuation, investment consultants, Mercer, were engaged to review the current investment strategy and strategic asset allocation

Mercer's concluded that the discount rate of 5.0% used would be challenging to achieve with the current target allocation. Some changes to the strategic allocation were therefore recommended in order to improve the chances of achieving this target rate of return without unduly increasing risk. Members of the committee had attended a training session where Mercer explained the reasons for these proposed changes.

The main recommended changes were to increase overall equity exposure from 45% to 50% of total assets, reduce the proportion of UK specific equity holdings, increase the proportion of actively managed equity holdings and reduce the allocation to corporate bonds.

Mercer also considered two potential approaches to enable the pension fund to move towards a low carbon future - divestment, which meant completely divesting from companies involved in the sourcing and refining of fossil fuels, and decarbonisation, which meant a reduction in allocations to companies which are high carbon emitters and looked to influence the demand for fossil fuels and their financing, not just their supply.

Mercer's favoured approach was decarbonisation as opposed to divestment from all fossil fuel companies. Decarbonisation could deliver significantly greater reductions in the 'carbon footprint' of investments, it allowed for continued influence with companies, and would be more straightforward to implement.

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:

Telephone:
(01305) 224845

Email:
pensionshelpline@dorsetcouncil.gov.uk

Pensioner members should email:
pensionspayroll@dorsetcouncil.gov.uk

Address:
Dorset County Pension Fund
County Hall, Dorchester, Dorset DT1 1XJ

Our website:
Contains further information relating to the LGPS. The address is as follows:
www.dorsetpensionfund.org

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 and
Fund Administrator
aidan.dunn@dorsetcouncil.gov.uk

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

Queries regarding Benefits
Mrs Karen Gibson
Service Manager for Pensions
(01305) 228524
karen.gibson@dorsetcouncil.gov.uk

Financial Performance

Financial Performance

Late Contributions

In 2020-21 there were no employers who regularly paid their contributions late.

Analysis of Pension Overpayments

There was a total of £87,205.12 pension overpayments in 2020-21. As at 31 March 2021, £10,146.11 of this had been recovered and £77,059.01 remained outstanding.

No amounts had been written off during the year.

Investment Performance

Investment Performance

This year's Fund Information

£644M

Fund value increase

£3.3Bn

Total fund value

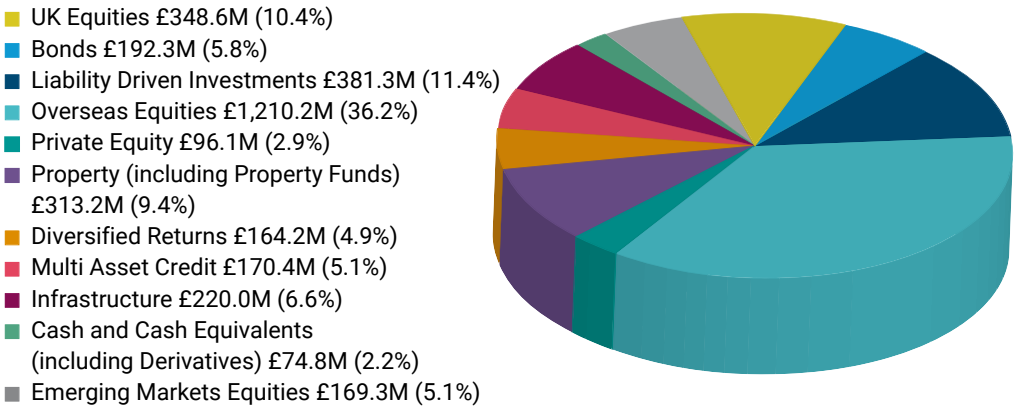
19.3%

Fund value increase

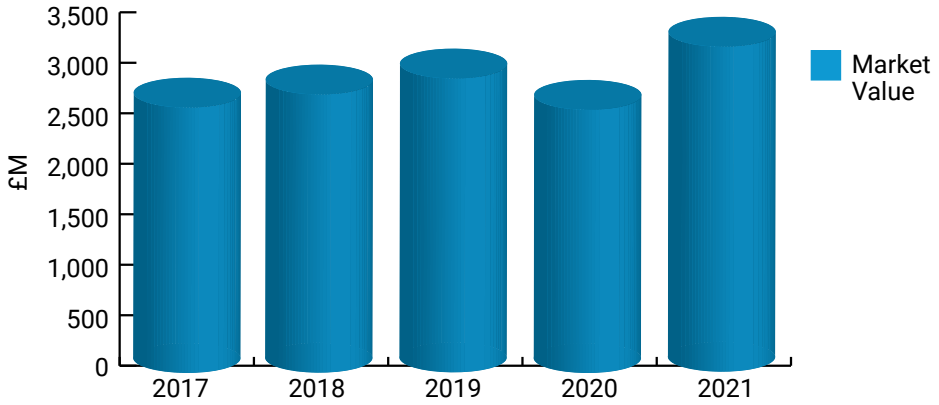
3.2%

Outperformed benchmark

Total Asset Distribution as at 31 March 2021 - The total asset distribution of the Dorset County Pension Fund as at 31 March 2021 is shown in the chart below. These allocations are within the agreed ranges.



Fund Valuation (year ended 31 March 2021)- The diagram below shows the change in value of the Fund over the last five years as at 31 March.



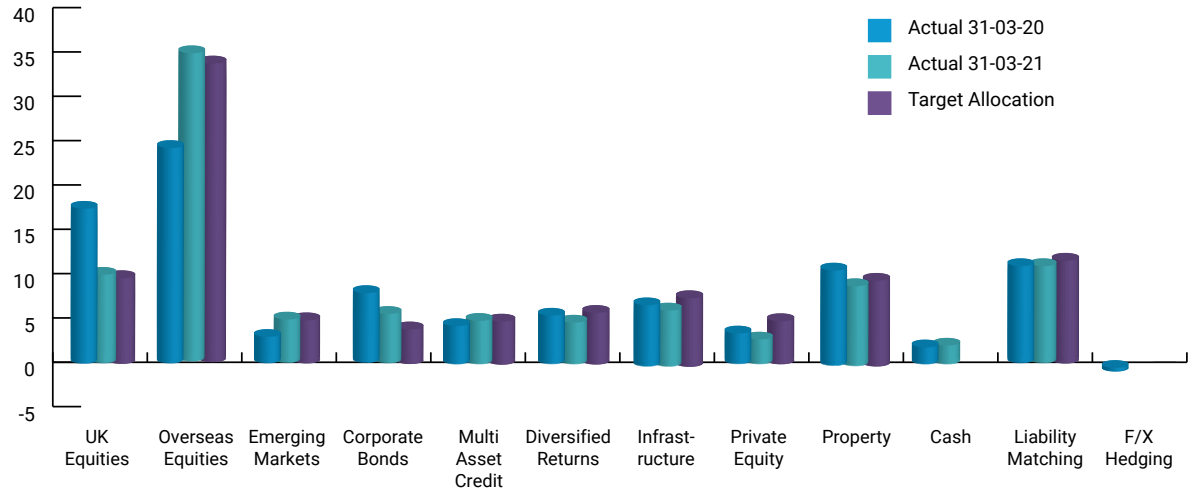
Asset Allocation

The Dorset County Pension Fund Committee is responsible for deciding the asset allocation of the fund. The table opposite 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.

	31-Mar-20		31-Mar-21		Target Allocation	
Asset Class	**£M**	**%**	**£M**	**%**	**£M**	**%**
UK Equities	491.0	18.2	348.6	10.4	334.1	10.0
Overseas Equities	682.8	25.3	1,210.2	36.2	1,169.1	35.0
Emerging Markets Equities	83.8	3.1	169.3	5.1	167.0	5.0
Total Listed Equities	**1,257.6**	**46.6**	**1,728.1**	**51.7**	**1,670.2**	**50.0**
Corporate Bonds	220.6	8.2	192.3	5.8	133.7	4.0
Multi Asset Credit	120.4	4.5	170.4	5.1	167.0	5.0
Diversified Returns	152.8	5.7	164.2	4.9	200.4	6.0
Infrastructure	195.3	7.2	220.0	6.6	267.3	8.0
Private Equity	98.1	3.6	96.1	2.9	167.0	5.0
Property	301.0	11.2	313.2	9.4	334.0	10.0
Cash	53.4	2.0	74.1	2.2	-	0.0
F/X Hedging	-9.7	-0.4	0.7	0.0	-	0.0
Total Return Seeking Assets	**2,389.5**	**88.6**	**2,959.1**	**88.6**	**2,939.6**	**88.0**
Liability Matching Assets	306.8	11.4	381.3	11.4	400.8	12.0
Total Asset Valuation	**2,696.3**	**100.0**	**3,340.4**	**100.0**	**3,340.4**	**100.0**

Asset mix of the portfolio %



Investment Managers

The investment managers and their appointed portfolios are shown below, with the figures showing the percentage of the Fund's assets for each manager based on market values as at 31 March 2021.

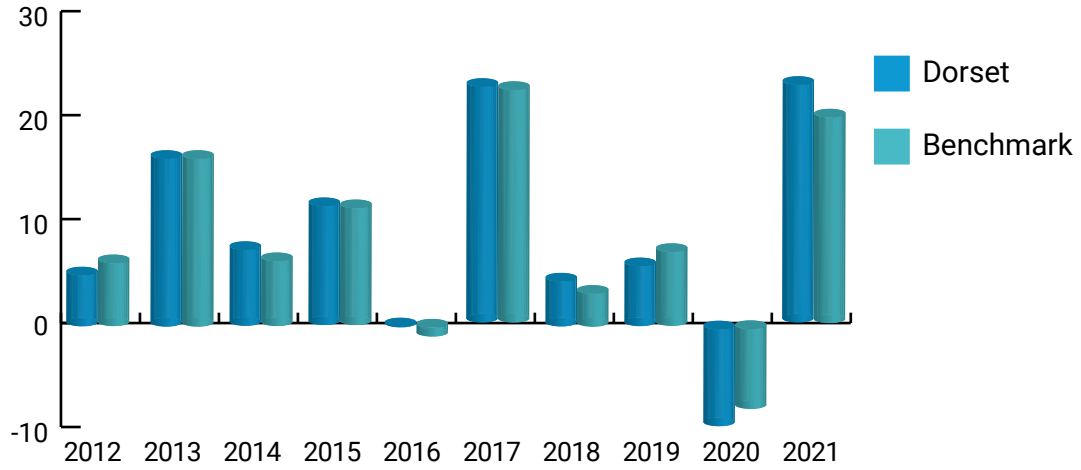
		2020-2021	
Investment Manager	**Asset Class**	**£M**	**%**
Brunel	Overseas Equities	691.6	20.7
Brunel	Global Equities	673.3	20.2
Insight	Liabilty Driven Investment	381.3	11.4
CBRE Global Investors	Property/Property Funds	287.6	8.6
Brunel	UK Equities	273.7	8.2
Royal London	Bonds	192.3	5.8
CQS	Multi Asset Credit	170.5	5.1
Brunel	Diversified Returns	164.3	4.9
IFM	Infrastructure	107.4	3.2
Hermes	Infrastructure	96.3	2.9
Cash & Cash Equivalents	Cash & Cash Equivalents/Interest Receivables	88.5	2.6
Schroders	UK Equities	74.8	2.2
HarbourVest	Private Equity	53.0	1.6
Aberdeen Standard	Private Equity	27.8	0.8
Brunel	Property Funds	25.6	0.8
Brunel	Infrastructure	16.4	0.5
Brunel	Private Equity	15.3	0.5
Derivatives	Derivatives	0.7	0.0
Total Assets		**3,340.4**	**100.0**

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

The table opposite sets out the returns for one, three, five years in each of the investment categories and enables comparison against their specific benchmarks.

	Dorset	Benchmark	Dorset	Benchmark	Dorset	Benchmark
	1 year		3 year		5 year	
	%	%	%	%	%	%
UK Equities						
Schroders	78.6	72.7	10.7	8.2	14.4	9.1
Passive UK Equities	27.1	26.7	N/A	N/A	N/A	N/A
Brunel UK Active Equity	27.5	24.9	N/A	N/A	N/A	N/A
Overseas Equities						
Global High Alpha Equity	50.0	39.1	N/A	N/A	N/A	N/A
Passive Smart Beta	34.3	34.4	N/A	N/A	N/A	N/A
Passive Smart Beta Hedged	45.3	45.1	N/A	N/A	N/A	N/A
Emerging Market Equity	46.1	42.8	N/A	N/A	N/A	N/A
Global Equities						
Passive Developed Equities	39.4	39.4	N/A	N/A	N/A	N/A
Passive Developed Equities Hedged	50.2	50.4	N/A	N/A	N/A	N/A
Bonds						
Royal London Asset Management	9.7	8.3	5.8	4.9	6.7	5.6
Multi Asset Credit						
CQS	25.0	4.2	3.4	4.6	N/A	N/A
Private Equity						
HarbourVest	6.1	26.7	19.1	3.2	16.1	6.3
Aberdeen Standard	-6.5	26.7	10.2	3.2	8.7	6.3
Brunel Private Equity (cycle 1)	0.1	39.6	N/A	N/A	N/A	N/A
Property						
CBRE Global Investors	2.8	-2.0	2.4	1.7	4.5	3.9
Property Funds						
Brunel Secured Income (cycle 1)	4.7	0.7	N/A	N/A	N/A	N/A
Inflation Hedging Bonds						
Insight	24.3	23.4	0.1	0.2	7.5	7.3
Infrastructure						
Hermes Fund	-2.5	10.0	2.7	10.0	6.0	10.0
IFM Fund	2.8	10.0	9.4	10.0	12.0	10.0
Overall Fund Return	**23.8**	**20.6**	**5.8**	**6.0**	**8.6**	**8.8**

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.



Rates of Return One Year Summary

During the year, the Fund outperformed its bespoke benchmark with a return of 23.8% compared to a benchmark of 20.6%. Positives to performance have been attributable to the Multi Asset manager CQS and the Brunel Global High Alpha Fund which outperformed their benchmarks by 20.8% and 10.9% respectively.

The main detractors to performance was the Private Equity managers HarbourVest, Aberdeen Standard and the Brunel Private Equity Fund which underperformed their benchmarks by 20.6%, 33.2% and 39.5% respectively.

Rates of Return Three Year Summary

Over the three-year period, the Fund returned 5.8% against its bespoke benchmark of 6.0%. Positives to performance have been attributable to the Private Equity managers, HarbourVest and Aberdeen Standard which outperformed their benchmark by 15.9% and 7.0% respectively, whilst Schroders returned 10.7% against its benchmark of 8.2%.

The main detractor to performance was the Infrastructure manager Hermes who underperformed their index by 7.3%.

Rates of Return-Five Year Summary

Over the five-year period, the Fund underperformed its benchmark with a return of 8.6% compared to a benchmark of 8.8%. Positives to performance were HarbourVest and Schroders who outperformed their benchmarks by 9.8% and 5.3% respectively.

Infrastructure Manager Hermes underperformed their benchmark by 4.0% 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 opposite 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
Baring Asset Management	Diversified Growth Fund	3 Month LIBOR +4%	2012
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	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
CQS	Multi Asset Credit	1 month LIBOR +4%	2017
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
SSGa	Currency Overlay	-	
Wellington Investment Management	Global Equity	MSCI World Net	2015

Scheme Administration

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 Administration Service cost was measured as £19.32 per member in 2020-21. With data quality scores very high, and staff turnover very low, this represents good value for money.

The Local Government Pension Scheme (LGPS)

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 75,000 members. A breakdown of the scheme membership can be found on page 43.

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

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 31. 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 Report is included in Appendix 3.

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**

Our employers are all required to use our Your Fund employer portal, which enables notifications and data to be exchanged securely. This system links directly into our work-flow system. From the end of July 2021 employers will be moving to a new employer portal, which will help create a more integrated process.

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

Further detail about the performance of the Fund's administration functions during 2020-21 is included on page 45. The DCPF has subscribed to the CIPFA Pensions Administration Benchmarking Club to assess its performance and costs against other LGPS Funds. However, this was not possible for the 2020-21 year due to the restricted working resulting from the health crisis and lockdown. The DCPF will consider resuming this next year, but with less than 25% of LGPS Funds contributing data to the benchmarking club, the findings are of less value than in previous years. The DCPF administration service remains at an average cost to other funds nationally. With data quality scores very high, and staff turnover and complaints very low, this represents good value for money.

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.

Using the scoring mechanism as set out by the Pensions Regulator, the DCPF reported that 99.4% of its common data (e.g. NI Number, address etc.) was present and accurate and the scheme specific conditional data (e.g. employment details, contribution history etc.) was scored as being 98.9% present and accurate

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. The total number of individual work cases completed for the year was 188,899.

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	682	88.12%
Estimates - Letter notifying estimate of retirement benefits	15 days	2 months	1,031	98.63%
Retirements - Process and pay lump sum retirement grant (including all retirement types)	5 Days	2 months	3,102	96.39%
Deferment - Calculate and notify deferred benefits	40 Days	2 months	1,820	97.25%
Transfers in - Letter detailing transfer in quote	15 Days	2 months	743	98.52%
Transfers out - Letter detailing transfer out quote	10 Days	2 months	570	96.14%
Refund - Process and pay a refund	15 Days	2 months	2,342	98.46%
Joiners - Send notification of joining the LGPS to scheme member	30 Days	2 months	4,374	94.47%
Divorce - estimates for divorce purposes processed	30 Days or 21 Days for Court Ordered Requests	3 months	185	93.51%
General Correspondence	30		3,265	98.99%

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. This has been very successful, with approximately 25% of members signed up to this service. In August 2021 the member portal will be changing and will have a new web address, all members will be notified of this change in their Annual Benefit Illustration or their pensioner newsletter.

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 5.

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/about-the-scheme/about-the-pension-fund/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

Changes to the Local Government Pension Scheme. 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 1/49th.
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	Trade £1 of pension for £12 lump sum
Death in Service Lump Sum	3 x Pensionable Pay	3 x Pensionable Pay
Death in Service Survivor Benefits	1/160th accrual based on Tier 1 ill health pension enhancement	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	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

The scheme includes a 50/50 option which allows a member to contribute half of their normal contribution rate into the scheme in return for half of their normal pension. Under this option full life assurance and ill health cover is retained.

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 35.

Employees Contributions Table 2020-21

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 2020-21

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 £22,800	5.80	2.90
3	£22,801 to £37,100	6.50	3.25
4	£37,101 to £46,900	6.80	3.40
5	£46,901 to £65,600	8.50	4.25
6	£65,601 to £93,000	9.90	4.95
7	£93,001 to £109,500	10.50	5.25
8	£109,501 to £164,200	11.40	5.70
9	£164,201 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

Mandatory increases in pensions and deferred benefits are made in accordance with annual statutory Pension Increase (Review) Orders to help protect pensions against inflation. As the September 2020 Consumer Prices Index (CPI) rate was 0.5%, the annual pension will increase by 0.5%.

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 below show the rate of increases that have applied for the last ten years.

Year Beginning April	Rate of Increase %	Index
2021	**0.5**	**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
2012	5.2	CPI

Participating Employers of the Fund

At 31 March 2021 there were 320 employers in the Pension Fund. Participating employers can be scheduled bodies or admitted bodies, as defined below:

- **Scheduled Bodies.** Employers such as unitary local councils (including maintained school) 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 2020 there were 56 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 Your Fund employer portal, which enables notifications and data to be exchanged securely. This system links directly into our own work flow 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 employer website containing a full list of discretions, policy guidance and a template document at **https://dcpfemployers.org**

Employer Contribution Rates - Year Ended 31 March 2021

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 2021. The contribution rates shown are the percentage of its employees' pensionable pay that each employer paid into the fund during 2020-21. 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.

Schedule Bodies	Number of Active Members	Number of Pensioners	Contribution Rate Paid %	Employer Contributions	Employee Contribution Rate Paid %	Employee Contributions
Principal Councils						
BCP Council	4,820	6,679	16.2	26,631,873.29	6.2	7,844,885.29
Dorset Council	6,316	11,249	18.8	30,307,681.73	6.4	8,138,304.71
Parish and Town Councils						
Alderholt Parish Council	2	1	22.0	7,313.96	5.9	1,992.94
Arne Parish Council	1	0	22.0	1,491.91	5.5	372.98
Bere Regis Parish Council	1	0	22.0	2,386.56	5.5	596.64
Blandford Town Council	14	13	22.0	66,072.31	6.3	18,960.51
Bothenhampton And Walditch Parish Council	1	0	22.0	2,031.00	5.5	507.75
Bridport Town Council	18	9	22.0	98,115.90	6.3	28,198.89
Caterlink Southern	3	0	22.0	5,524.34	5.6	1,808.70
Chickerell Town Council	2	0	22.0	10,000.16	6.2	2,807.95
Christchurch Town Council	1	0	22.0	4,518.67	5.8	1,201.93
Colehill Parish Council	1	2	22.0	6,635.16	6.5	1,960.37
Corfe Mullen Parish Council	9	4	22.0	35,287.76	6.1	10,202.77
Crossways Parish Council	1	0	22.0	3,639.00	5.5	909.72
Dorchester Town Council	26	25	22.0	113,459.00	6.3	32,575.51
East Stoke Parish Council	1	0	22.0	570.51	5.5	142.63
Ferndown Town Council	4	8	22.0	19,218.00	6.4	5,624.83

Schedule Bodies	Number of Active Members	Number of Pensioners	Contribution Rate Paid %	Employer Contributions	Employee Contribution Rate Paid %	Employee Contributions
Frome Valley Parish Council	1	0	22.0	573.05	5.5	143.25
Gillingham Town Council	13	9	22.0	76,646.37	6.2	21,763.45
Knightsford Parish Council	1	0	22.0	1,868.40	5.5	467.04
Lower Winterborne Parish Council	1	0	22.0	1,190.87	5.5	297.74
Lyme Regis Town Council	17	13	22.0	93,488.29	6.3	26,027.05
Lytchett Matravers Parish Council	1	0	22.0	3,640.71	5.8	959.85
Lytchett Minster & Upton Town Council	5	1	22.0	25,861.76	6.1	7,153.84
Milborne St Andrew Parish Council	0	1	N/A	0.00	N/A	0.00
Portland Town Council	10	3	22.0	26,929.13	5.8	7,097.38
Puddletown Parish Council	1	1	22.0	1,137.71	5.5	284.43
Shaftesbury Town Council	8	4	22.0	44,111.88	6.2	12,478.88
Sherborne Town Council	16	18	22.0	80,357.76	6.3	23,154.73
St Leonard's Parish Council	2	0	22.0	6,867.46	5.9	1,841.02
Stalbridge Town Council	1	0	22.0	5,329.33	5.8	1,405.00
Sturminster Marshall Parish Council	1	0	22.0	2,923.01	5.4	722.74
Sturminster Newton Parish Council	0	2	N/A	0.00	N/A	0.00
Swanage Town Council	27	65	22.0	141,148.49	5.7	36,329.87
Toller Porcorum Parish Council	1	0	22.0	451.26	5.5	112.77
Verwood Town Council	4	1	22.0	13,965.51	6.1	3,895.34
Wareham St Martin Parish Council	0	1	N/A	0.00	N/A	0.00
Wareham Town Council	7	10	22.0	39,197.09	6.6	11,721.95
West Moors Parish Council	2	1	22.0	10,251.06	6.3	2,921.67
West Parley Parish Council	1	1	22.0	3,987.82	5.8	1,057.38
Weymouth Town Council	48	3	22.0	269,191.26	6.4	78,380.24
Wimborne Minster Town Council	9	2	22.0	41,577.98	6.1	11,530.86
Wool Parish Council	1	1	22.0	1,350.13	5.8	355.92

Schedule Bodies	Number of Active Members	Number of Pensioners	Contribution Rate Paid %	Employer Contributions	Employee Contribution Rate Paid %	Employee Contributions
Further and Higher Education Establishments						
Arts Institute At Bournemouth	243	80	14.1	1,038,726.57	6.6	462,285.33
Bournemouth and Poole Adult Learning	117	34	21.3	343,351.28	6.2	68,979.47
Bournemouth and Poole College	354	443	18.1	1,478,790.46	6.3	387,893.69
Bournemouth University	1,604	598	16.2	5,472,703.43	7.0	2,122,900.15
Kingston Maurward College	174	121	15.1	376,799.69	5.9	136,306.65
Weymouth College	213	238	18.0	712,093.57	6.1	207,750.15

Schedule Bodies	Number of Active Members	Number of Pensioners	Contribution Rate Paid %	Employer Contributions	Employee Contribution Rate Paid %	Employee Contributions
Academies and Schools						
Acorn Academy Trust	28	5	20.0	24,862.83	5.5	6,837.22
Ambitions Academies Trust	565	103	20.0	1,625,666.70	5.9	476,716.39
Atlantic Academy	50	47	20.0	201,202.05	6.3	60,331.89
Avonbourne Academy	122	77	20.0	321,789.57	5.9	98,832.37
Bishop Of Winchester Academy	63	15	20.0	183,064.37	5.8	52,667.12
Bourne Academy	48	10	20.0	203,271.72	6.2	63,455.00
Bournemouth School Academy	41	23	20.0	136,373.41	6.2	42,390.00
Bournemouth School For Girls Academy	58	32	20.0	174,396.21	6.3	55,320.12
Bovington Academy	38	1	20.0	74,098.28	5.6	20,921.56
Budmouth Academy	112	75	20.0	362,003.28	6.0	99,315.80
Burton C Of E Primary School	28	2	20.0	62,637.31	5.6	15,187.22
Carter Community School	51	8	20.0	121,056.78	6.0	36,102.27
Castleman Academy Trust	201	10	20.0	222,308.74	6.0	63,657.52
Chickerell Primary Academy	37	11	20.0	77,576.05	5.6	21,919.31
Christchurch Infant School	43	3	20.0	88,848.53	5.7	21,949.23
Coastal Learning Partnership	647	63	20.0	1,194,023.75	5.8	347,717.42
Corfe Hills School	51	71	20.0	152,522.05	6.0	45,968.68
Delta Education Trust	44	4	20.0	152,568.89	5.9	45,315.88
Diocese Salisbury Academy Trust	392	39	20.0	517,963.97	5.6	145,906.99
Dorchester Middle School	41	12	20.0	97,716.19	5.8	28,480.17
Dorset Studio School	7	1	20.0	32,463.38	6.1	9,948.17

Schedule Bodies	Number of Active Members	Number of Pensioners	Contribution Rate Paid %	Employer Contributions	Employee Contribution Rate Paid %	Employee Contributions
Epiphany Academy	45	13	20.0	76,174.73	5.7	21,620.12
Glenmoor School	7	6	20.0	26,640.08	6.1	8,186.79
Greenwood Tree Academy Trust	142	14	20.0	231,697.05	5.7	65,669.57
Hamwic Education Trust	506	34	20.0	879,850.57	5.7	250,559.38
Heath Academy Trust	113	13	20.0	228,759.27	5.6	64,342.82
Highcliffe Academy	67	39	20.0	229,060.35	6.1	69,698.47
Highcliffe St Mark Primary School	79	12	20.0	140,365.45	5.5	33,639.96
Hill View Primary Academy (Reach)	47	10	20.0	90,049.52	5.6	25,159.83
Jewell Academy	34	0	20.0	79,108.04	5.6	22,140.67
Kingsleigh Primary School	86	9	20.0	228,439.77	5.8	66,311.70
Lytchett Minster School	89	25	20.0	284,647.23	6.0	74,416.50
Magna Academy	39	11	20.0	104,733.41	6.2	32,119.81
Malmesbury Park Primary School (Reach)	65	10	20.0	136,934.72	5.8	39,176.21
Montacute Academy	77	38	20.0	193,894.18	5.7	54,946.66
Moordown St Johns Primary School	45	9	20.0	84,108.89	5.6	23,557.78
Mudeford Infants School	26	2	20.0	46,192.37	5.7	11,383.14
Mudeford Junior	26	1	20.0	52,441.46	5.6	12,707.33
Muscliff Primary School	68	9	20.0	148,981.48	5.8	42,838.92
Ocean Academy Poole	25	2	20.0	60,474.46	5.7	17,241.13
Parkfield Academy (Reach)	22	3	20.0	61,627.92	5.5	17,549.00
Parkstone Grammar School	68	30	20.0	180,699.13	6.1	54,858.58
Plymouth Cast	286	49	20.0	491,834.31	5.6	137,877.00
Pokesdown Academy	53	11	20.0	103,337.88	5.7	29,102.30
Poole Grammar Academy	71	47	20.0	200,698.10	6.1	61,520.32
Poole High School	112	41	20.0	398,465.38	6.0	102,304.37
Sherborne Area School's Trust	467	104	20.0	1,116,649.78	5.9	322,459.26
Somerford Primary Community School	37	3	20.0	87,296.57	5.8	22,183.06
St James' Academy	48	6	20.0	97,015.10	6.0	28,917.19

Schedule Bodies	Number of Active Members	Number of Pensioners	Contribution Rate Paid %	Employer Contributions	Employee Contribution Rate Paid %	Employee Contributions
St Joseph's Primary School	32	0	20.0	48,001.12	5.5	11,514.56
St Mark's C of E Primary School (Septenary)	60	12	20.0	99,341.21	5.6	27,920.02
St Michael's C Of E Primary (Septenary)	58	12	20.0	146,056.51	5.6	41,082.58
St Peter RC School	143	66	20.0	355,394.07	5.8	103,025.46
Stanley Green Academy	31	2	20.0	51,246.28	5.8	14,800.77
Teach Trust	153	32	20.0	342,223.83	5.8	98,018.05
The Minerva Learning Trust	166	18	20.0	277,680.67	5.7	79,603.68
The Priory C Of E Primary School	23	1	20.0	46,564.80	5.8	11,838.31
The Swanage School	32	0	20.0	80,510.49	6.2	24,736.76
Twynham School	308	59	20.0	710,874.27	6.1	216,216.63
Wessex Multi Academy Trust	243	74	20.0	610,585.24	5.9	179,284.40
Westfield School	105	51	20.0	333,922.37	5.8	85,289.60
Wimborne Multi Academy Trust	444	71	20.0	908,182.75	5.8	265,518.33
Winton Academy	69	8	20.0	181,432.70	6.2	55,637.80
Winton Primary School	62	3	20.0	151,302.25	5.7	43,256.66
Woodroffe School	47	49	20.0	191,528.58	6.0	50,380.65
Wyvern Academy	97	15	20.0	255,790.77	5.7	72,453.60

Schedule Bodies	Number of Active Members	Number of Pensioners	Contribution Rate Paid %	Employer Contributions	Employee Contribution Rate Paid %	Employee Contributions
Other						
Bournemouth Hurn Airport	0	41	N/A	0.00	N/A	0.00
Bournemouth Transport	1	194	25.0	204,927.18	6.2	1,215.39
Care Quality Commission (Cessation Amount Paid)	0	0	22.4	2,334,088.51	6.8	2,427.51
Caterlink Ltd (Wimborne At)	5	0	19.4	3,035.75	5.5	860.65
Christchurch Learning Centre	4	0	23.0	16,697.02	5.8	4,210.50
Churchill	9	16	20.4	4,684.30	5.5	1,262.91
Churchill (Harbourside)	3	0	14.6	2,132.47	5.5	1,052.59
Churchill Bourne	3	0	23.4	6,945.31	5.5	1,618.61
Churchill St Joseph's (Cessation Amount Paid)	0	0	N/A	400.00	N/A	0.00
Compass Contact Services Ltd	5	1	20.0	8,980.99	5.5	2,444.26

Schedule Bodies	Number of Active Members	Number of Pensioners	Contribution Rate Paid %	Employer Contributions	Employee Contribution Rate Paid %	Employee Contributions
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 Magistrates' Court	0	93	N/A	0.00	N/A	0.00
Dorset Police Authority	0	500	N/A	0.00	N/A	0.00
Dorset Valuation Panel	0	1	N/A	0.00	N/A	0.00
Energy Kidz Limited	4	0	17.7	6,185.66	5.5	1,832.69
Harrison Catering	2	0	23.8	5,179.18	5.5	1,196.87
Millbrook Healthcare	5	4	22.1	31,105.20	6.4	9,008.77
Police & Crime Commissioner	1,498	144	17.2	7,255,282.03	6.5	2,605,950.05
Police & Crime Commissioner for Dorset	18	167	17.4	136,313.17	7.5	59,090.46
Poole Housing Partnership	104	71	15.0	463,820.60	7.0	204,157.14
Rapid Cleaning	5	0	22.6	10,692.90	5.5	2,602.37
Stour Valley Poole Partnership	103	40	17.9	529,391.66	6.4	178,340.78
The Colliton Club	1	0	25.4	2,563.66	5.5	555.14
Two Counties (St.Michael's)	1	0	10.0	686.64	5.5	377.63
Wareham Joint Burial Committee	0	2	N/A	0.00	N/A	0.00
Wessex Education Shared Services	19	8	21.6	100,958.34	6.5	31,099.04
Wimborne Cemetery JMC	0	1	N/A	0.00	N/A	0.00
Total Scheduled Bodies	**23,384**	**22,562**		**95,631,630.33**		**27,688,581.38**

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	2,476.24	5.7	999.29
A Q S Homecare	0	12	N/A	0.00	N/A	0.00
Action For Children (Exit Credit 31/03/21)	1	0	23.0	-14,888.24	6.5	2,010.12
Addaction Ltd	0	1	N/A	0.00	N/A	0.00
Age Concern Bournemouth	1	5	24.0	1,594.57	5.5	365.53
Anglo-European College	30	35	21.0	215,968.27	6.6	45,013.92
Ansbury	34	85	16.0	326,331.58	6.2	49,171.54
AP Chant Plumbing & Heating	0	2	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
Barnardo's	0	1	N/A	0.00	N/A	0.00
BH Live	75	70	16.5	374,917.33	6.5	103,827.99
Bournemouth Citizens Advice Bureau	0	6	N/A	0.00	N/A	0.00
Bournemouth Health	0	1	N/A	0.00	N/A	0.00
Bridport Museum Trust	0	1	N/A	0.00	N/A	0.00
Care South	0	373	N/A	0.00	N/A	0.00
Care UK	5	45	18.0	9,913.94	5.7	3,137.21
Churchill Cleaning	0	2	N/A	0.00	N/A	0.00
Churchill Contract Services	0	1	N/A	0.00	N/A	0.00
Churchills Bearwood	0	2	N/A	0.00	N/A	0.00
Churchills Poole	0	1	N/A	0.00	N/A	0.00
Convex Leisure Ltd	0	2	N/A	0.00	N/A	0.00
CSCI	0	16	N/A	0.00	N/A	0.00
DC Leisure Management Ltd	0	6	N/A	0.00	N/A	0.00
Dorset Association of Town & Parish Councils	3	6	24.0	16,561.76	6.1	4,192.53
Dorset Community Action	1	34	24.0	10,408.15	6.4	2,747.86
Dorset County Museum	5	16	24.0	25,941.62	6.6	7,089.16
Dorset Lighting	0	1	N/A	0.00	N/A	0.00
East Boro Housing Trust	0	8	N/A	0.00	N/A	0.00
East Dorset Housing Association	0	45	N/A	0.00	N/A	0.00
Healthy Living Wessex	0	1	N/A	0.00	N/A	0.00
Interclean	0	1	N/A	0.00	N/A	0.00
Jurassic Coast Trust	2	0	17.9	7,719.42	6.7	2,857.01
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 (First and Final Dividend Payment from Liquidators)	0	3	N/A	14,164.70	N/A	0.00
Magna Housing Association Ltd	56	244	21.8	530,476.84	6.8	115,239.53
Magna Housing Group	8	31	21.2	133,170.16	7.3	20,809.60
Mouchel	0	71	N/A	0.00	N/A	0.00
Places For People	10	2	18.0	24,643.46	6.2	8,464.20
Poole Harbour Commissioners	0	6	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
Purbeck Housing Trust	0	15	N/A	0.00	N/A	0.00
Sequal Solutions Ltd	0	2	N/A	0.00	N/A	0.00
Signpost Care Partnership	0	2	N/A	0.00	N/A	0.00
Signpost Housing Association LTD	0	46	N/A	0.00	N/A	0.00
Signpost Services Ltd	0	8	N/A	0.00	N/A	0.00
SLM (Weymouth) Charitable Trust	5	3	14.0	13,189.21	6.0	5,607.75
SLM Comm Leisure Charitable Trust	21	6	18.0	87,557.26	6.3	19,283.35
SLM Community & Leisure Blandford	11	4	13.0	20,163.53	6.7	10,316.25
South Dorset Community Sports Trust	1	1	29.0	3,963.23	6.5	881.67
Sovereign Housing Group	3	49	18.1	198,514.58	10.6	21,918.28
Spectrum Housing Group	11	15	18.4	347,460.59	6.9	38,980.19
Stonewater Ltd	2	32	15.3	129,534.38	9.3	14,284.28
Synergy Housing Group (Additional Lump Sum payments to Fund totalling £4M)	35	41	25.5	4,296,683.71	6.9	80,028.03
The Arts Development Company	4	2	22.9	18,818.97	6.0	4,591.67
Tricuro	754	380	20.8	2,864,971.71	5.9	810,534.73
Tricuro Supported Living	42	3	22.0	125,471.81	5.7	32,573.86
Wessex Water Authority	0	6	N/A	0.00	N/A	0.00
Weyco Services Ltd	6	0	18.0	29,174.48	5.9	8,222.60
Weymouth And Portland Housing Association	0	52	N/A	0.00	N/A	0.00
Weymouth Port Health	0	15	N/A	0.00	N/A	0.00
Total Admitted Bodies	**1,127**	**1,825**		9,814,903.26		1,413,148.15
Overall Total	**24,511**	**24,387**		105,446,533.59		29,101,729.53

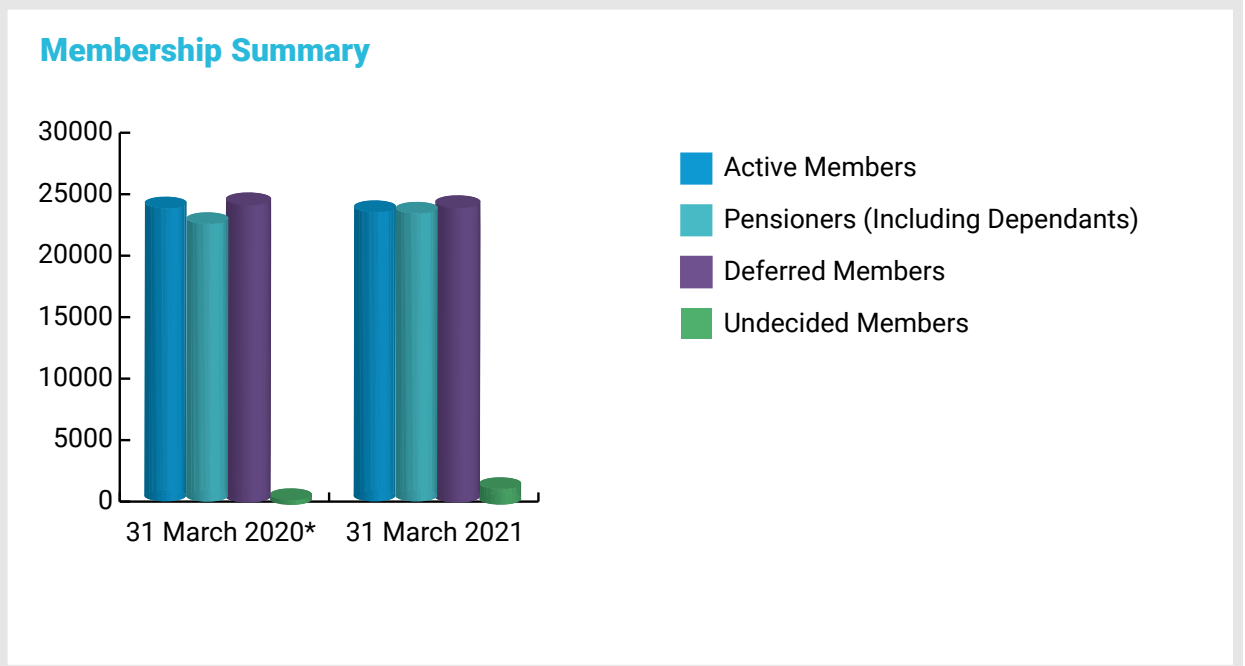
Other Scheme Administration Information

Scheme Membership

The table below shows the Membership in the Fund over the last two financial years.

Membership Summary	31 March 2020*	31 March 2021	Change	Change %
Active Members	24,819	24,511	-308	-1.2
Pensioners (including Dependants)	23,523	24,387	864	3.7
Deferred Members	25,064	24,825	-239	-1.0
Undecided Members	424	1,340	916	216.0
Total	**73,830**	**75,063**		

* Adjusted figures.



Age Profile of Fund Membership as at 31 March 2021

As at 31 March 2021 the Fund had a total membership of 75,063 split into 24,511 active members, 24,825 deferred members, 24,387 pensioners (including dependants) and 1,340 undecided members. The fund membership is split 74.1% female and 25.9% male, with forty six pensioners/ dependents over 100 years old (24 females and 22 males), the oldest being 108 years old as at 31 March 2021.

The chart opposite shows the Fund Age profile as at 31 March 2021.

Starters and Leavers During 2020-21

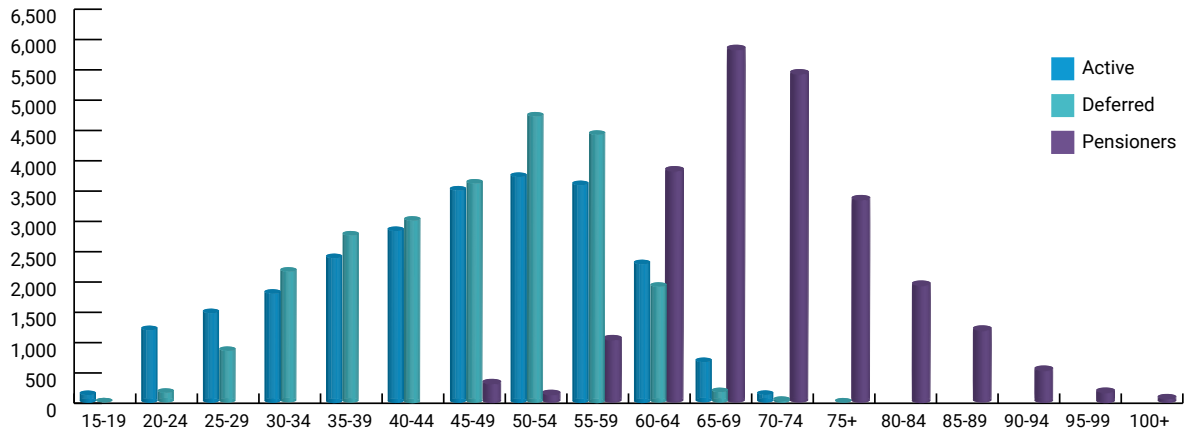
During 2020-21 there were 3,264 new starters in the Pension Fund and 2,885 that have left the scheme.

Contributions and Benefits

The table below show the history of Contributions Received and Benefits Paid over the last five financial years.

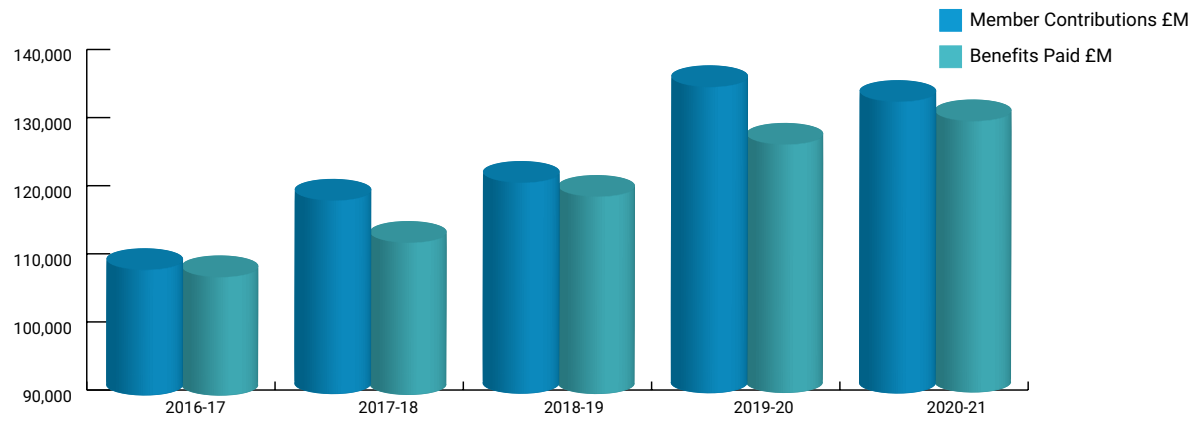
Year	Member Contributions £M	Benefits Paid £M
2016-17	109,146	108,075
2017-18	119,537	113,223
2018-19	122,212	120,112
2019-20	136,769	127,919
2020-21	134,548	131,431

Fund Age Distribution as at 31 March 2021



* This does not include the dependants

Contributions Received and Benefits Paid 2016-17 to 2020-21



New Pensioners Details

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

New Pensioners	
Title	**Total Members**
Actuarial Reduction	1
Early Retirement	803
Flexible Retirement	27
Ill-health Retirement	34
Late Retirement	154
Normal Retirement	137
Redundancy/Efficiency	98
Total	**1,254**

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 Treasury and Investments Teams; 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 34 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;
- 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 5 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;
- 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;
- preparation of Pension Fund Committee reports relating to investments and accounting issues.

The Pensions Regulator (TPR)

Following the continuing expansion of its statutory duties in respect of Public Sector Pension Schemes (PSPS) the TPR priorities for 2018 to 2021 are:

a) developing an approach to regulation that focuses on more proactive and targeted work and uses a wider range of regulatory interventions;

b) effective regulation of defined benefit schemes;

c) effective regulation of master trusts;

d) enhancing and executing effective regulatory approaches across all schemes;

e) equipping our staff to meet the challenges that TPR faces;

f) ensuring employers meet their ongoing automatic enrolment duties;

g) preparing for the impact of Brexit;

h) promoting good trusteeship through improving governance and administration.

Minister for Regional Growth and Local Government

Luke Hall was appointed Minister for Regional Growth and Local Government at the Ministry of Housing, Communities and Local Government on 8 September 2020.

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.dorsetpensionfund.org** and is reproduced in full on page 148.

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 IDRP 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 IDRP. 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 LGPS Internal Dispute Resolution Procedure (IDRP – Employee's Guide and the IDRP – Employer's Wording) for correspondence can be found at:
https://dcpfemployers.org/internal-dispute-resolution-procedure-idrp/

Pensions Ombudsman

In cases where a complaint or dispute has not been satisfactorily resolved through the IDRP, 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
or they can be contacted on
0800 917 4487.

The Pensions Advisory Service (TPAS)

TPAS 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 TPAS Website:
www.pensionsadvisoryservice.org.uk
Telephone No: **0800 011 3797**

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. The Dorset Council's privacy notices are available to view online at:
https://www.dorsetcouncil.gov.uk/your-council/about-your-council/data-protection/data-protection.aspx

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

The Pensions Team main administration system is Altair, provided under licence by Aquilla Heywood. This licence provides for regular upgrades to keep up to date with changes in regulations and developments in best practice. This system is used for holding membership data, the calculation of pension benefits, the generation of scheme documents and the data extracts required at each actuarial valuation.

This license is due for renewal on 15th August 2021 and the fund signed up to the Norfolk National LGPS Framework in April 2020 to commence the tender process for the Pensions Administration System. Working closely with Dorset Council's Procurement Section during the tender process, the contract license was awarded to CIVICA in October 2020.

Since October 2020 the Pensions Team have been working closely to a Project Plan with a Go Live date of 28th July 2021 with an initial contract license of 7 years with the option to extend by a further 3 years.The Pension Administration System is UPM with fully integrated functions, Pensions Administration, Case Management, Information Management and Payroll.

The Pensions Team use CMS for Case Management, provided under license by London Pension Fund Authority. This license provides the ability to track the lifecycle of an LGPS member, monitor the volume of work, ensure any member requests are responded to and automation of new starter records. It also provides 'Your Fund' a site for employers with secure access where they can submit online forms and data to the Pensions Team.

Formal notification from London Pension Fund Authority was received in April 2020 advising the Case Management system would be decommissioned in March 2021. An agreement was made to extend the license until 31st July 2021 and UPM will delivery this function from 28th July 2021. Historical and current cases will be 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.

The Fund formally advised Hugh Symons UPM will be maintaining this from 28th July 2021. Document images for LGPS members will be 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 a number of different payroll providers and collated on the County Council's SAP system. This system is maintained in-house by the Council's IT 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 from April 2023. The project will commence in October 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 that are managed by its own officers. The web address for the member website is **www.dorsetpensionfund.org** and the web address for the employer website is **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 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 25% of members signed up for this service.

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, at least 30 days prior to the date benefits become payable.

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

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

Actuarial Information

Statement of the Actuary

IAS26 Report

Pension accounting disclosure as at 31 March 2021

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 2021. 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.

This report supersedes Version 1 dated 2 June 2021 and uses a revised 31 March 2021 Fund asset statement.

These figures are prepared in accordance with our understanding of IAS26. In calculating the disclosed numbers we have adopted methods and assumptions that are consistent with IAS19.

This advice complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100).

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.

An allowance was made for the potential impact of the McCloud & Sargeant judgement in the results provided to the Fund at the last accounting date and therefore is already included in the starting position for this report. This allowance is therefore incorporated in the roll forward approach and is remeasured at the accounting date along with the normal LGPS liabilities.

Valuation data

Data sources

In completing our calculations for pension accounting purposes we have used the following items of data, which we received from Dorset Council:

- The results of the valuation as at 31 March 2019 which was carried out for funding purposes and the results of the 31 March 2020 IAS26 report which was prepared for accounting purposes;
- Estimated whole Fund income and expenditure items for the period to 31 March 2021;
- Estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2019, 31 March 2020 and 31 March 2021; and
- Details of any new early retirements for the period to 31 March 2021 that have been paid out on an unreduced basis, which are not anticipated in the normal service cost.

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. Further, we are not aware of any material changes or events since we received the data. The data has been checked for reasonableness and we are happy that the data is sufficient for the purposes of this advice.

Fund membership statistics

The table below summarises the membership data, as at 31 March 2019.

Member data summary	Number	Salaries/ Pensions	Average age
		£000s	
Actives	24,516	427,351	46
Deferred pensioners	32,946	40,142	45
Pensioners	22,466	104,902	71

Early retirements

We requested data on any early retirements in respect of the Fund from the administering authority for the year ending 31 March 2021.

We have been notified of 89 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 £943,300.

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2021 is estimated to be 24.20%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Dorset County Pension Fund as at 31 March 2021 is as follows:

Asset breakdown	31 Mar 2021		31 Mar 2020	
	£000s	%	£000s	%
Equities	1,809,703	54	1,343,676	50
Liability Driven Investment	381,311	11	306,823	11
Cash	99,563	3	81,992	3
Other Bonds	192,357	6	220,608	8
Diversified Growth Fund	164,281	5	152,783	6
Property	313,249	9	301,015	11
Infrastructure	220,057	7	186,305	7
Multi Asset Credit	170,469	5	120,399	4
Total	**3,350,990**	**100**	**2,713,601**	**100**

We have estimated the bid values where necessary. The final asset allocation of the Fund assets as at 31 March 2021 may be different from that shown due to estimation techniques.

Unfunded benefits

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

Actuarial methods and assumptions

Valuation approach

To assess the value of the Fund's liabilities at 31 March 2021, we have rolled forward the value of Fund's liabilities calculated for the funding valuation as at 31 March 2019, using financial assumptions that comply with IAS19.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Fund as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2021 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2021 should not introduce any material distortions in the results provided that the actual experience of the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

Experience items allowed for since the previous accounting date

Experience items arise due to differences between the assumptions made as part of the roll forward approach and actual experience. This includes (but is not limited to) assumptions made in respect of salary increases, pension increases, mortality, and member transfers. We have allowed for actual pension increase experience for the period from 2019-2021. This assumes that pension increases are in line with the annual pension increases set by HM Treasury Revaluation Order.

As a result of allowing for actual experience, an experience item is observed in the reconciliation to 31 March 2021, as shown in Appendix 2.

Guaranteed Minimum Pension (GMP) Equalisation

As a result of the High Court's recent Lloyds ruling on the equalisation of GMPs between genders, a number of pension schemes have made adjustments to accounting disclosures to reflect the effect this ruling has on the value of pension liabilities. It is our understanding that HM Treasury have confirmed that the judgement "does not impact on the current method used to achieve equalisation and indexation in public service pension schemes". More information on the current method of equalisation of public service pension schemes can be found here: **https://www.gov.uk/government/consultations/indexation-and-equalisation-of-gmp-in-public-service-pension-schemes/consultation-on-indexation-and-equalisation-of-gmp-in-public-service-pension-schemes.**

On 23 March 2021, the Government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016. Details of the consultation outcome can be found here: **https://www.gov.uk/government/consultations/public-service-pensions-guaranteed-minimum-pension-indexation-consultation**.

Our 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, we have assumed that the Fund will be required to pay the entire inflationary increase. Therefore, our assumption is consistent with the consultation outcome and we do not believe we need to make any adjustments to the value placed on the liabilities as a result of the above outcome.

Demographic/Statistical assumptions

We have adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2019, except for the CMI projection model. The post retirement mortality tables adopted are the S3PA tables with a multiplier of 90% for males and 100% for females. These base tables are then projected using the CMI_2020 Model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.5, an initial addition parameter of 0.5% p.a. and a 2020 weighting of 25%.

Although the post retirement mortality tables adopted are consistent with the previous accounting date, the mortality improvement projection has been updated to use the latest version of the Continuous Mortality Investigation's model, CMI_2020, which was released in March 2021. This update has been made in light of the coronavirus pandemic and reflects the latest information available from the CMI. The new CMI_2020 Model introduces a "2020 weight parameter" for the mortality data in 2020 so that the exceptional mortality experienced due to the coronavirus pandemic can be incorporated without having a disproportionate impact on results. Our view is that placing too much weight on the 2020 mortality experience would not be appropriate given the abnormality of the 2020 data, however, the overall outlook for best-estimate future mortality improvements looks less positive as a result of the pandemic. Therefore we have updated to use the CMI_2020 Model with a 2020 weight parameter of 25%. At the last accounting date, the CMI_2018 Model was adopted. The effect on the Fund's liabilities of updating to the most recent model is reflected in the Change in demographic assumptions figure in Appendix 2, and the effect on the assumed life expectancies is demonstrated in the table below.

The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)				
		31 Mar 2021*	31 Mar 2021**	31 Mar 2020
Retiring today	Males	23.1	23.4	23.3
	Females	24.6	24.8	24.7
Retiring in 20 years	Males	24.4	24.8	24.7
	Females	26.0	26.2	26.2

* after CMI_2020 update
** before CMI_2020 update

We have also assumed that:

- Members will exchange pension to get 50% of the maximum available cash on retirement. For every £1 of pension that members commute, they will receive a cash payment of £12 as set out in the Regulations;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

Financial assumptions

The financial assumptions used to calculate the results in the Appendices are as follows:

Assumptions as at	31 Mar 2021	31 Mar 2020	31 Mar 2019
	% p.a	% p.a	% p.a
Discount rate	2.00	2.35	2.40
Pension increases	2.85	1.90	2.40
Salary increases	3.85	2.90	3.90

These assumptions are set with reference to market conditions at 31 March 2021.

Our estimate of the Fund's past service liability duration is 21 years.

An estimate of the Fund's future cashflows is made using notional cashflows based on the estimated duration above. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). This is consistent with the approach used at the previous accounting date.

Similar to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cashflows described above. The single inflation rate derived is that which gives the same net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the BoE implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40 year point. This is consistent with the approach used at the previous accounting date.

The BoE implied inflation curve may suggest a higher rate of inflation, over longer terms, than actually expected by market participants due to a willingness to accept a lower return on investments to ensure inflation linked returns. To reflect this, we include an Inflation Risk Premium (IRP) adjustment such that our assumed level of future annual RPI increase is 0.25% p.a. lower than the SEIR calculated using the BoE inflation curve alone. This differs from the previous accounting date. The impact of this change in derivation on the liability value is shown in Appendix 2.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made a further assumption about CPI which is that it will be 0.35% p.a. below RPI i.e. 2.85% p.a. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods, recent independent forecasts and the duration of the Fund's liabilities. The difference between RPI and CPI is less than assumed at the previous accounting date. This reflects the movement in market implied RPI inflation that occurred following the UK Statistics Authority's proposal to change how RPI is calculated and subsequent announcements from the Chancellor on the issue. The impact of this change in derivation on the liability value is shown in Appendix 2

Salaries are assumed to increase at 1.0% p.a. above CPI. This is consistent with the approach at the previous accounting date.

Results and disclosures

We estimate that the net liability as at 31 March 2021 is a liability of £2,930,648,000.

The results of our calculations for the year ended 31 March 2021 are set out in the appendices below:

- Appendix 1 sets out the Statement of financial position as at 31 March 2021;
- Appendix 2 details a reconciliation of assets and liabilities during the year; and
- Appendix 3 shows a sensitivity analysis on the major assumptions

The figures presented in this report are prepared only for the purposes of IAS19. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

We would be pleased to answer any questions arising from this report.

Graeme Muir FFA - Partner

Appendix 1 Statement of financial position as at 31 March 2021

Net pension asset as at	31 Mar 2021	31 Mar 2020	31 Mar 2019
	£000s	£000s	£000s
Present value of the defined benefit obligation	6,281,638	4,786,543	5,058,643
Fair value of Fund assets (bid value)	3,350,990	2,713,601	3,030,486
Net liability in balance sheet	**2,930,648**	**2,072,942**	**2,028,157**

*Present value of funded obligation consists of £6,158,591,000 in respect of vested obligation and £123,047,000 in respect of non-vested obligation.

Appendix 2 Asset and benefit obligation reconciliation for the year to 31 March 2021

Reconciliation of opening and closing balances of the present value of the defined benefit obligation	Year to 31 Mar 2021	Year to 31 Mar 2020
	£000s	£000s
Opening defined benefit obligation	**4,786,543**	**5,058,643**
Current service cost	162,424	168,392
Interest cost	111,379	120,097
Change in financial assumptions	1,431,794	(508,903)
Change in demographic assumptions	(51,824)	(92,309)
Experience loss/(gain) on defined benefit obligation	(62,322)	116,048
Liabilities assumed / (extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	(130,306)	(151,558)
Past service costs, including curtailments	4,922	48,074
Contributions by Scheme participants and other employers	29,028	28,059
Unfunded pension payments	-	-
Closing defined benefit obligation	**6,281,638**	**4,786,543**

The change in financial assumptions item includes the change in derivation of future assumed RPI and CPI inflation as noted on page 8. These changes have resulted in a loss of £242,270,000 on the defined benefit obligation; comprising a gain of £288,798,000 from the change in assumed IRP and a loss of £531,068,000 from the change in the assumed gap between RPI and CPI inflation.

The change in demographic assumptions figure in the table above reflects the update to use the CMI_2020 Model as set out in the Demographic/Statistical assumptions section of this report.

Reconciliation of opening and closing balances of the fair value of Fund assets	Year to 31 Mar 2021	Year to 31 Mar 2020
	£000s	£000s
Opening fair value of Fund assets	**2,713,601**	**3,030,486**
Interest on assets	63,817	72,464
Return on assets less interest	571,523	(365,922)
Other actuarial gains/(losses)	-	1,387
Administration expenses	(2,040)	(2,354)
Contributions by employer including unfunded	105,367	101,039
Contributions by Scheme participants and other employers	29,028	28,059
Estimated benefits paid plus unfunded net of transfers in	(130,306)	(151,558)
Settlement prices received / (paid)	-	-
Closing Fair value of Fund assets	**3,350,990**	**2,713,601**

The total return on the Fund's assets for the year to 31 March 2021 is £635,340,000.

Appendix 3 Sensitivity analysis

Sensitivity analysis	£000s	£000s
Present value of total obligation	6,281,638	
Sensitivity to	**+0.1%**	**-0.1%**
Discount rate	6,153,910	6,412,146
Long term salary increase	6,294,521	6,286,862
Pension increases and deferred revaluation	6,398,046	6,167,608
Sensitivity to	**+1 Year**	**- 1 Year**
Life expectancy assumptions	6,564,962	6,011,113

Governance

Governance

Pension Fund Committee

The Dorset County Pension Fund Committee Members as at 31 March 2021.

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

Councillor Andy Canning
Dorset Council
Chairman

Councillor Peter Wharf
Dorset Council
Vice-Chairman

Councillor John Beesley
BCP

Councillor David Brown
BCP

Councillor Ray Bryan
Dorset Council

Bobbie Dove
BCP

Mr Adrian Felgate
Scheme Member Representative

Councillor Howard Legg
Dorset Council

Councillor Mark Roberts
Dorset Council

Committee Members Attendance

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

Committee Member	15 Jun 2020	10 Sep 2020	26 Nov 2020	11 March 2021	Total	Voting rights
Andy Canning (Chairman)	✓	✓	✓	✓	4	✓
Peter Wharf (Vice Chairman)	✓	✓	✓	✓	4	✓
John Beesley	✓	✓	✓	✓	4	✓
Ray Bryan	✓	✓	✓	✓	4	✓
David Brown	✓	✓	✓	✓	4	✓
Bobbie Dove*	N/A	N/A	N/A	✓	1	✓
Adrian Felgate	✓	✓	✓	✓	4	✓
Howard Legg	✓	✓	✓	✓	4	✓
Felicity Rice	✓	✓	✓	N/A	3	✓
Mark Roberts	✓	✓	✓	✓	4	✓

*Bobbie Dove replaced Felicity Rice as the Scheme Member with effect from the March 2021 Pension Fund Committee.

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

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 statement:
  - 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.

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/mgcommitteedetails.aspx?ID=434**

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

With effect from 1 April 2015 Dorset County Pension Fund created a Local Pension Board.

The current membership of the Local Pension Board as at 31 March 2021.

The Local Pension Board Current Membership

Board Member	Representing
Paul Kent (Chairman)	Member Representative Retired Scheme member
Adam Richens (Vice Chairman)	Employer Representative (BCP Council)
John Jones	Member Representative (Retired Scheme Member)
Jeff Morley	Member Representative (Unison)
Mary O' Sullivan	Employer Representative (Arts University Bournemouth)
Councillor David Shortell	Employer Representative (Dorset Council)
James Stevens	Member Representative
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	9 July 2020	24 Sep 2020	10 Dec 2020	18 Mar 2021	Total
Paul Kent (Chairman)	✓	✓	✓	✓	4
Adam Richens (Vice Chairman)	✓	✓	✓	×	3
John Jones	N/A	N/A	✓	✓	2
Jeff Morley	×	✓	✓	✓	3
Mary O' Sullivan	✓	×	✓	✓	3
Councillor David Shortell	×	✓	✓	✓	3
James Stevens	×	✓	✓	✓	3
Julie Strange	✓	✓	✓	×	3

Function of the Local Pension Board

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

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;
- in such other matters as the LGPS regulations may specify;
- to secure the effective and efficient governance and administration of the LGPS for the DCPF; 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.

The Local Pension Board consists of 4 member representatives and 4 employer representatives and meets 4 times a year.

The Local Pension Board will ensure it complies effectively and efficiently with the code of practice on the governance and administration of local government pension schemes issued by the Pension Regulator.

In accordance with Governance Regulation 106 (6), the Local Pension Board has the power to do anything which is calculated to facilitate, or is conducive to, the discharge of any of its functions.
Assisting the Scheme Manager is interpreted as helping the Scheme Manager, including doing work requested by the Scheme Manager. However, the Local Pension Board does not replace the Scheme Manager nor make decisions which are the responsibility of the Scheme Manager.

The remit of the Local Pension Board is interpreted as covering all aspects of governance and administration of the DCPF, including funding and investments. For the avoidance of doubt, this does not extend to the operational investment of the Fund's assets.

The Local Pension Board is entitled to request information from the Scheme Manager in order to carry out its function.

Membership of the Local Pension Board

The Local Pension Board shall consist of six members and be constituted as follows:

- three employer representatives; and
- three scheme member representatives.

Scheme employer and member representatives shall be appointed in equal number, with a minimum of four in total, and shall together form the majority of the Local Pension Board's membership. Scheme employer representatives shall comprise of Dorset Council and Bournemouth, Christchurch and Poole Council.

Scheme member representatives shall include at least one member nominated by the Unions, with Unison as lead union.

No officer or elected member of the administering authority (Dorset Council) who is responsible for the discharge of any function under the Local Government Pension Scheme regulations may be a member of the Local Pension Board. This is a specific requirement of the regulations.

As part of the process for selecting members of the Local Pension Board, Dorset Council, via the Standards and Governance Committee, will be asked to nominate their member, and DCPF will contact:

- Bournemouth, Christchurch and Poole Council to seek their nominations;
- Unison, as lead union, to nominate member representatives;
- all Scheme members to canvass interest. Active, pensioner and deferred pensioner members will be eligible to stand as scheme member representatives.

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 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;
- 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.

Accountability and Transparency

Pension Board agendas, minutes and additional reports are published on the Dorset County Pension Fund website at **https://www.dorsetpensionfund.org/dorset-pension-fund/about-us/local-pension-board/**

Pension Fund Accounts

Pension Fund Accounts

Independent Auditors Statement to the Members of the Dorset County Pension Fund Committee on the Pension Fund Financial Statements.

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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.

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 County Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

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 my 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[s] on those financial statements.

Opinion

In our opinion, the pension fund financial statements included in the pension fund annual report are consistent with the full annual statement of accounts of Dorset County Council for the year ended 31 March 2019 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/9.

We have not considered the effects of any events between the date we signed our report on the full annual statement of accounts (31 July 2019) and the date of this statement.

I C Howse

Ian Howse (Appointed auditor)
For and on behalf of
Deloitte LLP Cardiff, UK

22 October 2019

Fund Accounts

Fund Account for the Year Ended 31 March 2021

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					
2019-20				2020-21	
£'000	£'000		Note	£'000	£'000
Dealings with members, employers and others directly involved in the Fund					
	136,769	**Contributions**	*7*		**134,548**
108,553		Employer contributions		105,446	
28,216		Member contributions		29,102	
	10,793	**Transfers in from other pension funds**	*8*		**8,612**
	147,562	**Total additions from dealing with members etc**			**143,160**
	(127,919)	**Benefits**	*9*		**(131,431)**
(104,933)		Pensions		(110,372)	
(19,875)		Commutations and lump sum retirement benefits		(17,342)	
(3,111)		Lump Sum Death Benefits		(3,717)	
	(35,202)	**Payments to and on account of leavers**	*10*		**(7,773)**
(347)		Refunds of contributions		(325)	
(34,855)		Transfers to other pension funds		(7,448)	
	(15,559)	**Net additions/(withdrawals) from dealings with members and others**			**3,956**
	(14,009)	**Management expenses**	*11*		**(13,085)**
	(29,568)	**Net additions/(withdrawals) including Fund management expenses**			**(9,129)**
	24,666	**Investment Income**	*12*		**17,419**
	(135)	Taxes on income			**(56)**
	(311,314)	**Profit/(loss) on disposal of investments and changes in the value of investments**			**629,155**
	(286,783)	**Net return on investments**			**646,518**
	(316,351)	**Net increase/(decrease) in assets available for benefits during the year**			**637,389**
	3,029,952	**Opening net assets of the fund 1 April**			**2,713,601**
	2,713,601	**Closing net assets of the fund 31 March**			**3,350,990**

Net Assets Statement

31 March 2020 £'000	31 March 2020 £'000		Note	31 March 2021 £'000	31 March 2021 £'000
	427	**Long term investments**	*13*		**768**
427		Brunel Pension Partnership Ltd		768	
	2,698,426	**Investment assets**	*14*		**3,339,773**
11,251		UK equities (quoted)		-	
160,536		Overseas equities (quoted)		52	
2,115,368		Pooled investment vehicles		2,894,459	
98,085		Private equity		96,102	
264,665		Property		260,716	
54,925		Cash & cash equivalents		87,696	
(9,757)		Derivative contracts	*16*	(670)	
3,353		Other investment assets		1,418	
	(2,316)	**Investment liabilities**			**-**
(2,316)		Other investment liabilities		-	
	2,696,537	**Total net investments**			**3,340,541**
	965	**Long term debtors**			**-**
965		Other long term debtors		-	
	22,803	**Current assets**			**16,030**
17,612		Contributions due from employers		8,766	
5,191		Other current assets		7,264	
	(6,704)	**Current liabilities**			**(5,581)**
(787)		Unpaid benefits		(550)	
(5,917)		Other current liabilities		(5,031)	
-		Deferred income		-	
	2,713,601	**Net assets available to fund benefits**			**3,350,990**

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 Dorset County 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 2020		31 March 2021
317	**Total Employers**	**320**
	Employees	
6,547	Administering Authority	6,316
16,988	Other Scheduled Bodies	17,068
1,284	Admitted Bodies	1,127
24,819	**Total Employees**	**24,511**
	Pensioners	
9,044	Administering Authority	9,268
12,763	Other Scheduled Bodies	13,295
1,716	Admitted Bodies	1,824
23,523	**Total Pensioners**	**24,387**
	Deferred Pensioners	
9,046	Administering Authority	8,935
14,472	Other Scheduled Bodies	14,355
1,546	Admitted Bodies	1,535
25,064	**Total Deferred Pensioners**	**24,825**
424	'Undecided' members	1,340
73,830	**Total Members**	**75,063**

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 2021. 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.

Note 2. Basis of Preparation

The statement of accounts summarise the Fund's transactions for the 2020-21 financial year and its financial position at 31 March 2021. The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("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. No such accounting standards have been identified for 2020-21. IFRS 16, introduced on 1 January 2019, is due to be adopted by the Code for accounting periods commencing on or after 1 April 2022. 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 21.

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 23).

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 19. 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 20)

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 investments (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:

2019-20		2020-21
£'000	Employer contributions	£'000
71,672	Contributions re future service costs	77,954
26,648	Contributions re past service costs (deficit recovery)	17,617
1,138	Voluntary additional contributions	4,020
9,095	Augmentation cost of early retirements	3,544
-	Exit payments from employers	2,333
-	Exit credits to employers	(22)
108,553	**Total employer contributions**	**105,446**
28,216	**Member contributions**	**29,102**
136,769	**Total contributions receivable**	**134,548**

By type of employer:

2019-20		2020-21
£'000		£'000
45,023	Administering authority	39,473
83,803	Other scheduled bodies	81,909
7,943	Admitted bodies	13,166
136,769	**Total contributions receivable**	**134,548**

Note 8. Transfers in from other pension funds

All transfers in from other pension funds were individual transfers, there were no group transfers to the Fund in 2020-21.

Note 9. Benefits payable

By type of employer:

2019-20		2020-21
£'000		£'000
44,791	Administering authority	44,394
75,227	Other scheduled bodies	76,131
7,901	Admitted bodies	10,906
127,919	**Total benefits payable**	**131,431**

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.

2019-20 £'000		2020-21 £'000
1,538	Administrative expenses	2,149
502	Oversight and governance costs	543
11,969	Investment management expenses	10,393
14,009	**Total management expenses**	**13,085**

Investment management expenses consisted of:

2019-20 £'000		2020-21 £'000
9,525	Investment management fees	8,027
429	Performance related fees	480
144	Custody fees	121
245	Transaction costs	505
677	Transition costs	873
949	Other fees and costs	387
11,969	**Total investment management expenses**	**10,393**

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

2019-20 £'000		2020-21 £'000
6,926	Equities	2,938
396	Pooled Investments	386
1,176	Pooled Property Investments	283
12,025	Direct Property	12,125
2,640	Private Equity	1,344
565	Interest from Cash Deposits	117
55	Other Income	11
39	Stock Lending Commission Income	-
6	Class Action Income	-
838	Fee Rebate Income	215
24,666	**Total Investment Income**	**17,419**

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 £768k (£427k at 31 March 2020).

Note 14. Investments assets

31 March 2020 Market Value %	£'000	Description/Investment Manager	31 March 2021 Market Value £'000	%
0.40	**11,251**	**UK Equities - Quoted**	**-**	**0.00**
	11,251	Wellington	-	
5.90	**160,536**	**Overseas Equities - Quoted**	**52**	**0.00**
	39	Investec	52	
	160,497	Wellington	-	
3.60	**98,085**	**Private Equity**	**96,102**	**2.90**
	55,016	HarbourVest	52,998	
	34,001	Aberdeen Standard	27,849	
	4,509	Capital Dynamics Global Secondary Fund V	5,656	
	2,851	Neuberger Berman Private Equity Impact Fund	6,050	
	420	Neuberger Berman SCIOP IV	1,524	
	1,288	Ardian LBO Fund	1,948	
	-	Summit Eur Growth EQ III SCSP LP	78	
9.80	**264,665**	**Property (directly owned)**	**260,716**	**7.80**
	264,665	CBRE Global Investors	260,716	

		Pooled Investment Vehicles:		
8.20	**220,608**	**Bonds**	**192,357**	**5.80**
	220,608	RLAM Corporate Bond Fund	192,357	
17.70	**477,121**	**UK Equities - Quoted**	**348,550**	**10.40**
	41,864	Schroder UK Smaller Companies Equity Fund	74,779	
	304,674	LGIM UK Equity Index (passive)	107,290	
	130,583	Brunel UK Equities	166,481	
22.50	**606,013**	**Global Equities - Quoted**	**1,364,900**	**40.90**
	241,856	LGIM Smart Beta Fund (passive)	275,104	
	168,225	LGIM World Developed Equities (passive)	183,350	
	112,158	Brunel Global High Alpha Equities	247,102	
	83,774	Brunel Emerging Markets Equities	169,360	
	-	Brunel Global Sustainable Equities	325,313	
	-	Brunel Smaller Companies Equities	164,670	
4.50	**120,399**	**Multi Asset Credit (MAC)**	**170,469**	**5.10**
	120,399	CQS Credit Multi Asset Fund	170,469	

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 £1,860M at 31 March 2021 (£1,062M at 31 March 2020).

31 March 2020 Market Value		Description	31 March 2021 Market Value	
%	£'000		£'000	%
1.30	**36,350**	**Property Funds**	**52,533**	**1.60**
	6,655	Lend Lease Retail Partnership	4,155	
	10,333	Standard Life UK Shopping Centre Trust	6,282	
	16,265	CBRE UK Long Income Property Fund	16,451	
	3,097	Aberdeen Standard Long Lease Property Fund	22,359	
	-	M&G Secured Income Property Fund	3,286	
5.70	**152,783**	**Diversified Returns Funds**	**164,281**	**4.90**
	152,783	Barings Dynamic Asset Allocation Fund	-	
	-	Brunel Diversifying Returns Fund	164,281	
7.20	**195,271**	**Infrastructure**	**220,057**	**6.60**
	81,835	Hermes GPE Infrastructure Funds	96,252	
	104,470	IFM Global Infrastucture Fund	107,419	
	8,966	Greencoats Renewable Income Infrastructure Fund	16,386	
11.50	**306,823**	**Liability Driven Investment**	**381,311**	**11.40**
	306,823	Insight LDI Fund	381,311	
78.60	**2,115,368**	**Total - Pooled Investments**	**2,894,459**	**86.70**
2.00	54,925	Cash & Cash Equivalents	87,696	2.60
-0.40	(9,757)	Derivatives	(670)	0.00
0.10	3,353	Investment Receivables	1,418	0.00
100.00	**2,698,426**	**Total Investment Assets**	**3,339,774**	**100.00**

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.

2020-21

	Value 1 April 2020 £'000	Purch's & Derivative payments £'000	Sales & Derivative receipts £'000	Change in market value £'000	Value 31 March 2021 £'000
Long Term Investments	427	-	-	341	768
Equities - Quoted	171,787	811,429	(1,040,909)	57,745	52
Pooled Investment Vehicles	2,115,368	843,583	(616,578)	552,086	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
Total Securities	**2,650,332**	**1,672,006**	**(1,682,341)**	**612,100**	**3,252,097**
Forward Foreign Exchange	(9,757)	-	-	9,087	(670)
Futures	-	865	(2,121)	1,256	-
Total Securities and Derivatives	**2,640,575**	**1,672,871**	**(1,684,462)**	**622,443**	**3,251,427**
Other Investment Balances:					
Cash & cash equivalents	54,925	-	-	6,712	**87,696**
Other investment assets	3,353	-	-	-	**1,418**
Other investment liabilities	(2,316)	-	-	-	-
Total Net Investments	**2,696,537**	**1,672,871**	**(1,684,462)**	**629,155**	**3,340,541**

2019-20

	Value 1 April 2019 £'000	Purch's & Derivative payments £'000	Sales & Derivative receipts £'000	Change in market value £'000	Value 31 March 2020 £'000
Long Term Investments	395	-	-	32	427
Equities - Quoted	451,382	229,848	(527,731)	18,288	171,787
Pooled Investment Vehicles	2,104,713	961,051	(622,210)	(328,186)	2,115,368
Private Equity	80,275	19,309	(21,249)	19,750	98,085
Property	281,480	2,716	(8,823)	(10,708)	264,665
Total Securities	**2,918,245**	**1,212,924**	**(1,180,013)**	**(300,824)**	**2,650,332**
Forward Foreign Exchange	733	-	-	(10,490)	(9,757)
Total Securities and Derivatives	**2,918,978**	**1,212,924**	**(1,180,013)**	**(311,314)**	**2,640,575**
Other Investment Balances:					
Cash & cash equivalents	103,022	-	-	(792)	**54,925**
Other investment assets	3,781	-	-	-	**3,353**
Other investment liabilities	(1,686)	-	-	-	(2,316)
Net Investment Assets	**3,024,095**	**1,212,924**	**(1,180,013)**	**(312,106)**	**2,696,537**

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 significanct 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 equties investments. As at 31 March 2021, the Fund held the following open forward currency contracts.

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

Settlement	Currency Bought	Local Value 000s	Currency Sold	Local Value 000s	Asset Value £'000	Liability Value £'000
1-6 months	GBP	163,770	USD	215,085	-	(9,458)
	GBP	28,150	EUR	32,222	-	(409)
	GBP	19,868	JPY	2,661,433	-	(52)
	USD	86,900	GBP	69,829	160	0
	JPY	947,427	GBP	7,093	-	(1)
	EUR	10,921	GBP	9,676	4	0
Open Forward Currency Contracts at 31 March 2020					**164**	**(9,920)**
Net Forward Currency Contracts at 31 March 2020						**(9,757)**

Note 17. Fair value of investment assets

All investment assets have been valued using fair value techniques which represent the highest and best price available at the reporting date. 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 form 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 valuation of the asset is not based on observable market data.

The following tables summarise the Fund's investment assets by class at 31 March 2021 and at 31 March 2020 measured at fair value according to the above fair value hierarchy.

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

31 March 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
UK Equities - Quoted	11,251	-	-	11,251
Overseas equities - Quoted	160,536	-	-	160,536
Pooled Investment Vehicles	-	1,883,747	231,621	2,115,368
Private Equity	-	-	98,085	98,085
Property	-	-	264,665	264,665
Cash & Cash Equivalents	46,027	8,898	-	54,925
Derivatives	-	(9,757)	-	(9,757)
Other investment assets	3,353	-	-	3,353
Total	**221,167**	**1,882,888**	**594,371**	**2,698,426**

During the year ended 31 March 2021 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
Level 1:			
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.
Level 2:			
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.
Level 3:			
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.

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 2021.

	Valuation range % (+/-)	Value at 31 March 2021 £'000	Value on Increase £'000	Value on Decrease £'000
Pooled Investment Vehicles	15.00	272,590	313,479	231,702
Private Equity	15.00	96,102	110,517	81,687
Property	15.00	260,716	299,823	221,609
Total		**629,408**	**723,819**	**534,998**

Note 18. 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 2021	Value £'000	Change %	Increase £'000	Decrease £'000
UK equities - quoted	-	15.00	-	-
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	-	-
Derivatives	(670)	15.00	(100)	100
Other investment assets	1,418	0.00	-	-
Total	**3,339,773**	**14.60**	**487,599**	**(487,599)**

As at 31 March 2020	Value £'000	Change %	Increase £'000	Decrease £'000
UK equities - quoted	11,251	15.00	1,688	(1,688)
Overseas equities - quoted	160,536	15.00	24,080	(24,080)
Pooled Investment Vehicles	2,115,368	15.00	317,305	(317,305)
Private Equity	98,085	15.00	14,713	(14,713)
Property	264,665	15.00	39,700	(39,700)
Cash & cash equivalents	54,925	0.00	-	-
Derivatives	(9,757)	15.00	(1,464)	1,464
Other investment assets	3,353	0.00	-	-
Total	**2,698,426**	**14.68**	**396,022**	**(396,022)**

(a) (ii) Interest Rate Risk

Interest rates can vary and can affect both income 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 2021 and 2020 are provided below, based on underlying financial assets at fair value.

This analysis assumes that all other variables, in particular foreign currency exchnage 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 2021	Market Value	Change in net assets	
		+1%	-1%
	£'000	£'000	£'000
Cash & cash equivalents	87,696	-	-
Assets held in pooled investment vehicles:			
Bonds	192,357	1,924	(1,924)
Multi Asset Credit (MAC)	170,469	1,705	(1,705)
Liability Driven Investment (LDI)	381,311	3,813	(3,813)
Total	**831,833**	**7,441**	**(7,441)**

As at 31 March 2020	Market Value	Change in net assets	
		+1%	-1%
	£'000	£'000	£'000
Cash & cash equivalents	54,925	549	(549)
Assets held in pooled investment vehicles:			
Bonds	220,608	2,206	(2,206)
Multi Asset Credit (MAC)	120,399	1,204	(1,204
Liability Driven Investment (LDI)	306,823	3,068	(3,068)
Total	**702,755**	**7,028**	**(7,028)**

(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 Equites and Smart Beta funds are in hedged units.

Following analysis of historical data, the Fund considers the likely volatility associated with foreign exhange 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 2021	Total Exposure	Unhedged Exposure	Potential Movement
	£'000	£'000	£'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
Total	**1,903,224**	**1,305,428**	**195,814**

As at 31 March 2020	Total Exposure	Unhedged Exposure	Potential Movement
	£'000	£'000	£'000
Overseas equities - quoted	160,536	80,268	12,040
Pooled Investment Vehicles	983,665	722,546	108,382
Private Equity	98,085	98,085	14,713
Total	**1,242,286**	**900,899**	**135,135**

(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 2021 and 31 March 2020.

Investment	31 March 2021 £'000	31 March 2020 £'000
Bank Account Deposits	33,796	35,225
Money Market Funds	53,900	19,700
Assets held in pooled investment vehicles:		
Bonds	192,357	220,608
Multi Asset Credit (MAC)	170,469	120,399
Liability Driven Investment (LDI)	381,311	306,823
Total	**831,833**	**702,755**

(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 2021, liquid assets were £2,711M representing 81% of total net assets (£2,173m at 31 March 2020 representing 80% of total net assets at that date).

Note 19. 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 2019, setting employer contribution rates for the period 1 April 2020 to 31 March 2023. The next valuation is due to take place as at 31 March 2022.

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 determing 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 2021 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%
Total employer contributions	**21.70%**	**21.80%**	**22.10%**

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 2019 actuarial valuation, the Fund was assessed as 92% funded (83% at the 2016 valuation) with a deficit recovery period of no more than 19 years (22 years at the 2016 valuation). The key assumptions applied by the actuary for the 2019 and 2016 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 2019	Valuation 2016
Annual rate of return on investments (discount rate)	5.00%	5.40%
Annual rate of increases in pay (long term)	3.60%	3.90%
Annual rate of inflation (CPI)	2.60%	2.40%

Note 20. 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 2021 is set out in the appendix to these financial statements 2020-21.

Note 21. 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 £549k in 2020-21 (£418k in 2019-20).

Note 22. 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 2021 contributions of £2.7M were accrued as at 31 March 2021. Management and administration costs of £2.4M were incurred by the Council and recharged to the Fund in 2020-21. 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 2021, one member of the

Committee was a contributing member of the Fund and one member of the Committee was a deferred 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 £2.4M recharge from the Council includes a charge of £20k for the Deputy Chief Financial Officer's time spent working for the Fund.

Note 23. 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 2021 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.

Asset Pools

Asset Pools

Background

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 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.

This has led to the creation of eight asset pools which have significantly changed the previous approach to investing, although it should be stressed that the responsibility for determining asset allocations and the investment strategy remains with individual pension funds.

As a result of the investment pooling agenda, the Dorset Fund joined with nine other LGPS administering authorities (Avon, Buckinghamshire, Cornwall, Devon, Environmental Agency, Gloucestershire, Oxfordshire, Somerset and Wiltshire) to form the Brunel Pension Partnership.

In summary:

- Brunel has ten shareholders, each with a ten percent share in the business.
- Brunel's shareholders are Brunel's client funds.
- Brunel is one of eight national Local Government Pension Scheme (LGPS) pools in England and Wales.

Dorset County Council approved the business case for Brunel in January 2017, based on estimated potential fee savings of £550 million over a 20 year period across the ten funds, of which Dorset's share was £74 million. The project would see initial costs, but in Dorset's case was expected to break even by 2021-22.

The expected costs and savings for the Dorset, as per 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)

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2036	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Set up costs	117	1,066	-	-	-	-	-	-	-	-	-	1,183
Ongoing Brunel Costs	-	-	487	637	657	679	701	724	747	772	9,247	14,650
Dorset Fund Savings	-	-	(125)	(129)	(133)	(137)	(141)	(145)	(149)	(154)	(1,818)	(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)	(4,527)	(66,788)	(90,058)
Net costs / (savings)	**117**	**1,066**	**1,586**	**905**	**(1,915)**	**(2,444)**	**(2,893)**	**(3,374)**	**(3,634)**	**(3,909)**	**(59,359)**	**(73,855)**

Following approval of the business case, the Brunel Pension Partnership Ltd was established in July 2017, as a company wholly owned by the Administering Authorities (in equal shares) that participate in the pool. The company is authorised by the Financial Conduct Authority (FCA). It is responsible for implementing the detailed Strategic Asset Allocations of the participating funds by investing Funds' 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.

Now that Brunel is operational, the financial performance of the pool will be 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

	2020/21			Cumulative
	Direct	Indirect	Total	to date
	£'000	£'000	£'000	£'000
Set Up Costs				
Recruitment	-	-	-	18
Legal	-	-	-	133
Consulting, Advisory & Procurement	-	-	-	82
Other support costs e.g. IT, accommodation	-	-	-	0
Share purchase / subscription costs	-	-	-	840
Total Set Up Costs	**-**	**-**	**-**	**1,072**
Transition Costs				
Transition fees	-	210	210	276
Taxation	-	119	119	552
Other transition costs	-	1,414	1,414	2,997
Total Transition Costs	**-**	**1,743**	**1,743**	**3,825**

The Dorset Fund transitioned its first assets to Brunel in July 2018 and the savings achieved to date are set out in the following table.

Table 3: Investment Fee Savings from Pooling

	Value OBC 31-Mar-16	Value 31-Mar-21	Price Variance	Quantity Variance	Total Saving / (Cost)
	£'000	£'000	£'000	£'000	£'000
UK Passive Equities	365,654	107,290	-44	0	-44
UK Active Equities	218,539	166,481	1,793	888	2,681
Global Passive Equities	0	183,350	54	-106	-52
Smart Beta Passive Equities	227,083	275,104	231	442	673
Emerging Market Equities	65,186	169,360	139	-394	-255
High Alpha Global Equities	0	247,102	683	-1,561	-878
Global Smaller Companies Equities	0	164,670	15	-98	-83
Global Sustainable Equities	0	325,313	212	-447	-235
Core Global Equities	333,306	0	0	349	349
Diversifying Return Funds	107,588	164,281	268	-178	90
Private Markets			251	190	441
Total	**1,317,356**	**1,802,953**	**3,602**	**-915**	**2,687**

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. The price variance shows the savings or costs arising from changes in fees if asset values had remained unchanged, and the quantity variance shows the additional savings or costs from changes in asset values.

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

	2019-20				2020-21			
	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	637	1,124	1,006	1,813	657	1,781	942	2,755
Clients Savings	(129)	(254)	(129)	(254)	(133)	(387)	(133)	(387)
Transition costs	1,896	3,179	964	2,082	123	3,301	1,743	3,825
Fee savings	(1,499)	(1,558)	(1,261)	(1,620)	(2,562)	(4,120)	(1,982)	(3,602)
Net costs / (savings)	**905**	**3,673**	**579**	**3,092**	**(1,915)**	**1,758**	**570**	**3,663**

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.

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.

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.

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.

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.

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.

Myner's review

Review carried out by Paul Myners on behalf of the Chancellor of the UK government. The review published in March 2001, investigated the challenges facing institutional investment decision making.

Passive Management

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

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

Appendices

Appendix 1
Governance Policy and Compliance Statement

1. Background

1.1 All Local Government Pension Scheme (LGPS) Funds in England and Wales are required to publish a Statement by 1 April 2006, under the LGPS (Amendment) (No. 2) Regulations 2005 which came into force on 14 December 2005.

1.2 The statement reflects the current governance position for the Fund and as such has been prepared by the administering authority in consultation with appropriate interested persons.

2. Requirement for the Governance Policy Statement

2.1 The regulations on governance policy statements require an administering authority, after consultation with such persons as they consider appropriate, to prepare, maintain and publish a written statement setting out;

(a) whether it delegates its functions in relation to maintaining a pension fund to a committee, sub-committee or officer of the authority;

(b) and, if so, it must state:

- the frequency of any committee/sub-committee meetings;
- the terms of reference, structure and operational procedures of the delegation;
- whether the committee/sub committee includes representatives of:
  - employing authorities (including non-scheme employers)
  - scheme members
- and, if there are such representatives, whether they have voting rights.

2.2 Thus, the policy statement should include information about all of the administering authority's pension fund governance arrangements. Information about the representation of employers should cover any arrangements for representing admitted body employers (non-scheme employers).

2.3 The requirement was updated in 2008 by Regulation 31 of the Local Government Pension Scheme (Administration) Regulations with the additional requirement for administering authorities to state *"the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying"*.

2.4 The guidance was issued by the Department for Communities and Local Government (CLG) in final form in November 2008. The Schedule to this statement describes the extent of compliance as required by, and in the format recommended in, the guidance.

2.5 The statement must be revised and published by the administering authority following a material change in policy on any of the matters set out above.

2.6 In 2013 the Public Service Pensions Act required that each public sector scheme establish a Pension Board. The subsequent Local Government Pension Scheme Governance regulations 2015 specify the role of the Board for LGPS funds. The regulations require the creation of a Local Board to assist the scheme manager (in Dorset's case, The Pension Fund Committee) in securing compliance with regulations, legislation relating to governance and administration of the Scheme, and any requirements imposed by the Pensions Regulator.

3. Governance of the Dorset County Pension Fund

3.1 Under the cabinet structure in local government, management of the pension fund is a non-executive function and this is reflected in the governance structure that is set out below. Under this system the Council has delegated all aspects of the management of the Pension scheme to the Pension Fund Committee. The day to day administration of the Fund is delegated to the Fund Administrator working within the policy decisions made by the Committees and any relevant regulations set by the CLG.

Pension Fund Committee

3.2 The formal terms of reference of the Pension Fund Committee as set by the Council are:

- To exercise all functions of the Council as administering authority under Local Government Superannuation Act and Regulations and deal with all matters relating thereto.

3.3 In broader terms this means that the Committee has responsibility for:

- Determining the overall investment strategy and strategic asset allocation of the Fund, and in doing so taking proper professional advice;
- Overseeing the preparation of and regularly reviewing the Fund's key policy documents including the Investment Strategy Statement (ISS), Funding Strategy Statement, Governance Policy and Compliance Statement, Business Plan and Communications Strategy;
- Appointing and reviewing the performance of all Fund Managers and other professional service providers;
- Reviewing all aspects of performance across the Pension Fund service;
- Deciding upon requests for admission of qualifying organisations wishing to join the Fund;
- Deciding upon key pension policy and discretions that are the responsibility of the Administering Authority;
- Ensuring that at all times that these responsibilities are discharged in the best interests of the Fund;
- Making appointments to the Pension Board of the Dorset County Pension Fund.

3.4 The Committee meets at least quarterly and at alternate meetings generally requires all main managers to be present. Other meetings are occasionally held to deal with other business which for example might require urgent discussion, more time for consideration than that normally available, or be inappropriate for the larger audience. Business of the Committee will not be transacted unless a quorum of three members is present.

Fiduciary duty

3.5 In considering matters before each committee and in reaching their decisions, members are aware that the fiduciary duty to employers, taxpayers, and scheme beneficiaries must always be put before the interests of individuals, individual groups or sectors represented on the committees.

4. Representation

4.1 The current membership of the Pension Fund Committee is as set out below:

- Five County Council members – appointed by the County Council (not more than two being members of the Council's Cabinet);
- Two Unitary Authority members – one appointed by Bournemouth Borough Council and one nominated by the Borough of Poole;
- One District Council representative;
- One Scheme Member representative.

4.2 The nomination process for each Committee member is:

i The five County Council members are nominated by their political parties, maintaining the political balance of the Council. No more than one will be a member of the Council's Cabinet;

ii The members from Bournemouth and Poole are nominated by their Council;

iii The member representing the District Councils is nominated by the Dorset Leaders and Chief Executives group;

iv The Scheme Member representative is nominated by the Unions, with Unison as lead union.

4.3 Formal statutory responsibility for the LGPS in Dorset remains with the administering authority (Dorset County Council) which is answerable for the effective and prudent management of the scheme. It was decided to invite other interested bodies to be represented on the Committee.

4.4 The representation set out above gives direct representation to about 78% of the membership (contributors plus pensioners) and is considered to be the optimal mix of committee size with representation achieved. These arrangements were reviewed in September 2005 when the union representative was added to the Committee. Also at this time the practicalities of increasing representation by having more representatives was considered. The arrangements were also reviewed in September 2009, and on balance it was decided that a meaningful increase in proportional representation could not be achieved without at least doubling the size of the Committee and this was considered unworkable given the specialist role of the Committee. Officers review this on a regular basis and currently, the above still applies.

4.5 Committee papers are publicly available on the Council's website and all employers have been informed of this. A hard copy is provided if requested. The Fund's Communication Strategy explains in more detail engagement with all stakeholders. However, in the case of employers, annual meetings are held to facilitate an exchange of information and ideas which has helped to keep fund management issues transparent and has brought accountability to the fore. This helps support the formal governance set out above.

4.6 Under the Public Service Pensions Act 2013 and the LGPS Governance regulations the Pension Fund Committee is now referred to as the Scheme Manager. The Department for Communities and Local Government being the body that makes the regulations for the LGPS is referred to as the Responsible Authority. The Regulations also refer to the Scheme Advisory Board which assists the Responsible Authority. The Shadow Board has been operating at a national level since 2013. The regulations also refer to Local Pension Boards, and this is described below.

5. Local Pension Board

5.1 As referred to in paragraph 2.6 the Fund was required to establish a Local Pension Board. The regulations require that the Local Board will be responsible for assisting it:

a) to secure compliance with-

1) the LGPS regulations;

2) any other legislation relating to the governance and administration of the Scheme and any connected scheme; and

3) any requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme; and

b) to ensure the effective and efficient governance and administration of the Scheme and any connected scheme.

5.2 The regulations require that the Board is established by no later than 1 April 2015, and that the board holds its first meeting within four months of this date. The regulations also specify that the Board's membership should have equal numbers of employer and member representatives, and that in total should be no less than four.

5.3 The Dorset County Pension Fund established a Local Pension Board, with the County Council's formal agreement of its terms of reference at their meeting on 12 February 2015.

5.4 The Board consists of three members representing Employers and three representing scheme members. The three Employers representatives are to be nominated by the Fund's three largest employers; Dorset County Council, Bournemouth Borough Council, and the Borough of Poole. The Fund invited all scheme members to nominate themselves as representatives, and also asked Unison, as the largest union to nominate members. The unions are guaranteed at least one of the three scheme member positions.

5.5 The first meeting of the Board will be on 24 June 2015.

Schedule of compliance with guidance issued by CLG

Principle A – Structure

(a) The management of the administration of benefits and strategic management of fund assets clearly rest with the main committee established by the appointing Council.

(b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.

(c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.

(d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.

	Not Compliant				Fully Compliant	Not applicable
(a)					✓	
(b)				✓		
(c)						✓
(d)						✓

Reason for non-compliance (Regulation 73A(1) (c) 1997 Regulations):
(c) and (d) We have only one Committee and therefore these are not applicable.

Comments on ratings given above:
(b) The appointed trade union representative has been given the formal role of representing scheme members.

Principle B – Representation

(a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:
   i) employing authorities (including non-scheme employers, eg admitted bodies);
   ii) scheme members (including deferred and pensioner scheme members);
   iii) independent professional observers; and
   iv) expert advisers (on and ad-hoc basis).

(b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision-making process, with or without voting rights.

	Not Compliant				Fully Compliant	Not applicable
(a)					✓	
(b)					✓	

Reason for non-compliance (Regulation 73A (1) (c) 1997 Regulations):

Comments on ratings given above:
The appointed trade union representative has been given the formal role of representing scheme members.

The Fund has appointed an independent investment adviser and an independent professional observer from Allenbridge EPIC Investment Advisers.

Principle C - Selection and role of lay members

(a) That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.

(b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.

	Not Compliant				Fully Compliant	Not applicable
(a)					✓	
(b)					✓	

Reason for non-compliance (Regulation 73A (1) (c) 1997 Regulations):

Comments on ratings given above:

(a) The Committee's responsibilities are formally documented as set out in Section 3 of this Statement.

(b) The agenda for each meeting has a standing item on "Code of Conduct" to receive declarations by members of (a) personal interests (including their nature) and (b) prejudicial interests under the Code of Conduct. Members who have an interest to declare are asked to complete a Declaration of Interests form (a copy is attached to the agenda) and hand it to the Democratic Services Officer prior to the meeting. Any member who has a query on a particular matter is asked to contact the officer named at the top of the agenda in advance of the meeting.

Principle D – Voting

(a) The policy of individual administering authorities on voting rights is clear and transparent, including justification for not extending voting rights to each body or group represented on main LGPS committees.

	Not Compliant				Fully Compliant	Not applicable
(a)					✓	

Reason for non-compliance (Regulation 73A (1) (c) 1997 Regulations):

Comments on ratings given above:

The County Council's constitution contains details of voting rights of committee members. This was formally reviewed in a report to the Committee in February 2006. All members of the Committee have voting rights.

Principle E - Training/Facility time/ Expenses

(a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.

b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.

(c) That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.

	Not Compliant				Fully Compliant	Not applicable
(a)					✓	
(b)					✓	
(c)					✓	

Reason for non-compliance (Regulation 73A (1) (c) 1997 Regulations):

Comments on ratings given above:
Training, both internally and externally, is made available to members of the committees on a regular basis.

Principle F - Meetings (frequency/quorum)

(a) That an administering authority's main committee or committees meet at least quarterly.

(b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.

(c) That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.

	Not Compliant				Fully Compliant	Not applicable
(a)					✓	
(b)						✓
(c)					✓	

Reason for non-compliance (Regulation 73A (1) (c) 1997 Regulations):

Comments on ratings given above:

(c) The Fund holds annual employers meetings, enabling employer bodies to hear from and question those running the scheme.

(c) From 1 April 2015, Dorset County Council in its role of Administering Authority has established a Local Pension Board. This will consist of 6 voting members (3 employer and 3 member representatives). The purpose of this Board is to review and ensure the Dorset Pension Fund secures compliance with the Scheme regulations and all other relevant legislations.

Principle G – Access

(a) That subject to any rules in the Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that fails to be considered at meetings of the main committee.

	Not Compliant				Fully Compliant	Not applicable
(a)					✓	

Reason for non-compliance (Regulation 73A (1) (c) 1997 Regulations):

Comments on ratings given above:

Committee papers are publicly available on the website.

Principle H – Scope

(a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.

	Not Compliant				Fully Compliant	Not applicable
(a)					✓	

Reason for non-compliance (Regulation 73A (1) (c) 1997 Regulations):

Comments on ratings given above:
The change to the Committee structure in 2012 gives the Pension Fund Committee the wider role of exercising all functions of the Council as administering authority under Local Government Superannuation Act and Regulations and deal with all matters relating thereto.

Principle I – Publicity

(a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.

	Not Compliant				Fully Compliant	Not applicable
(a)					✓	

Reason for non-compliance (Regulation 73A (1) (c) 1997 Regulations):

Comments on ratings given above:
This document is published in the Annual Report and made available to all stakeholders of the scheme.

Appendix 2

Investment Strategy Statement (ISS) March 2018

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.

This statement replaces the previous version of the Investment Strategy Statement (ISS) first published March 2017, and has been amended to reflect the results of the strategic allocation review agreed by the Pension Fund Committee 13 September 2017.

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

All functions of Dorset County 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 primary investment objective of the Fund is to ensure that over the long term the Fund will have sufficient assets to meet all pension liabilities as they fall due. 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 2017, advised by Mercer, an investment consultancy firm, with considerable LGPS experience and expertise, and Alan Saunders, Allenbridge Epic Investment Advisers, the Fund's independent adviser. The Committee will also consider asset allocation at each of its quarterly meetings.

The Fund allocates across a variety of different asset classes in order to prudently diversify sources of investment return and risk. To be judged suitable for investment, asset classes must be consistent with the Fund's risk and return objectives, improve diversification and be fully understood by officers and the Committee. The Fund's current target strategic asset allocation 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 Equities	20.0%	+/- 4.0%
Global Equities	22.0%	+/- 4.0%
Emerging Markets Equities	3.0%	+/- 0.5%
Bonds	6.0%	+/- 1.5%
Multi Asset Credit (MAC)	5.0%	+/- 1.0%
Property	12.0%	+/- 2.0%
Diversified Growth Funds (DGF)	8.0%	+/- 1.0%
Private Equity	5.0%	+/- 1.0%
Infrastructure	5.0%	+/- 1.0%
Total Return Seeking Assets	**86.0%**	**-**
Liability Driven Investment (LDI)	14.0%	+/- 3.0%
Total Assets	**100.0%**	**-**

The appointment of more than one manager, with differing investment approaches, in a number of the asset classes, adds a further level of diversification. All managers are required to report on portfolio management on a quarterly basis, they must comply with all instructions given to them by the Fund (in accordance with the mandates agreed) and contracts can be terminated at one month's notice.

UK Equities (20.0%)

Approximately two thirds of the allocation to UK Equities is managed internally by officers in the Chief Executive's Department on a passive basis. The target is to track the FTSE 350 index, with an annual deviation allowed of +/- 0.5%, and no derivatives or financial gearing are permitted. The constituents of the FTSE 350 index are fully replicated by the in-house team. Exposure to the remaining 3% of the FTSE All Share index not included in the FTSE 350 index is captured by an external active allocation to a pooled fund specialising in 'small cap' investments managed by Schroders (effective April 2006), with a target to outperform the FTSE Small Cap index by 2.5% per annum. The remaining allocation to UK Equities is managed on an active basis by AXA Framlington (effective April 2006) in a pooled vehicle with a target of outperforming the FTSE All Share Index by 3.5% per annum.

Global Equities – Developed Markets (22.0%)

Equities in developed markets are managed by three external investment managers; Allianz Global Investors, Investec Asset Management and Wellington Management. The management agreements were effective from December 2015, and each manager has a target to outperform the MSCI Global Index. All three are managed on an active basis but each has a different investment approach, thus adding a further degree of diversification.

Global Equities – Emerging Markets (3.0%)

The Fund has exposure to Emerging Markets equities through JP Morgan Asset Management who have managed an active mandate since April 2012. The investment is in a pooled fund, which has a diversified strategy, and the target is to outperform the MSCI Emerging Markets Index by 2% per annum.

Bonds (6.0%)

The Fund's Bonds' manager is Royal London Asset Management (rlam), appointed with effect from July 2007, with a target to outperform the iBoxx Non-Gilt Over 5 Year Index by 0.75%. The allocation is invested in the RLPPC Core Bond Fund, which holds a diversified portfolio of mainly UK Bonds with an emphasis on the corporate sector.

Multi Asset Credit (MAC) (5.0%)

The Fund is invested in the CQS Credit Multi Asset Fund with effect from 1 December 2017, with a target to outperform LIBOR by 4.0-5.0%, net of fees. The fund holds a diversified portfolio of corporate loans, bonds and asset backed securities in the US and Europe.

Property (12.0%)

CBRE Global Investors is the Fund's property adviser and manager. Approximately 90% of the Fund's investment is in directly owned commercial property in the UK, with a wide diversification both geographically and across sectors. The remaining 10% is invested in indirect property funds, the Lend Lease Retail Partnership (Jersey) Unit Trust, and the Standard Life Shopping Centre Trust Fund, which give exposure to the shopping centre sector not covered by the direct investments. The manager's target is to achieve a return on assets at least equal to the average IPD Quarterly Universe Portfolio Return, the industry standard benchmark, over a rolling five year period. Over time the mandate with CBRE will be amended to allow for a gradual transition to a portfolio more evenly split between core and high lease value (HLV) holdings.

Diversified Growth Funds (DGF) (8.0%)

The Fund has invested with Baring Asset Management in their Dynamic Asset Allocation Fund since April 2012. This pooled fund seeks to achieve equity like returns but with lower risk, by investing in a range of asset classes and focussing on asset allocation. The target return is cash plus 4%, with 70% of equity risk.

Private Equity (5.0%)

Since April 2006 the Fund has invested in Private Equity 'fund of funds' products managed by HarbourVest and Standard Life. HarbourVest specialise in the US, whereas Standard Life focus mainly on Europe, and both managers aim to outperform public equity markets by between 4-6% per annum over the life of the Fund (generally 10-15 years).

Infrastructure (5.0%)

Two Infrastructure managers, Hermes Investment Management and International Fund Management (IFM), were appointed in 2014. Hermes focus mainly on UK opportunities, whereas IFM have a wider global reach. Like Private Equity, it will take some time for all of the committed capital to be completely drawndown, but once invested these are intended to remain as long-term holdings.

Liability Driven Investment (LDI) (14.0%)

Insight Investments were appointed in April 2012 with the objective to reduce the Fund's exposure to inflation risk by putting together a portfolio that moves in a similar way to the liabilities. The Fund is invested in a bespoke Qualifying Investor Fund (QIF) set up by Insight which enables them to use a range of derivative instruments in addition to index linked or conventional gilts.

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, not eliminate it.

Investment risk can be measured and managed in a number of ways:

The absolute risk of a reduction in the value of assets through negative returns: Whilst this cannot be avoided entirely, it can be mitigated by positioning the assets of the Fund across a number of different types of assets and markets.

The risk of underperforming the benchmarks or relative risk: 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: 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 social, environmental and corporate governance issues are required to be considered and managed by the Fund's investment managers in relation to all

asset classes. The Fund's approach 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. Following a strategic review of the Fund undertaken by JLT in June 2011, the Committee began a process to address this risk, leading to the current asset allocation of 14.0% to Liability Driven Investment (LDI), and the appointment of Insight Investments.

4. Approach to asset pooling

The Fund is working with nine other LGPS funds to pool investment assets through the Brunel Pension Partnership Ltd (Brunel Ltd). This is currently work in progress with the intention of meeting the Government's requirement for the pool to become operational and for the first assets to transition to the pool from April 2018.

Following the establishment of Brunel Ltd, the Fund, through the Committee, will retain the responsibility for setting the detailed strategic asset allocation for the Fund and allocating investment assets to the portfolios provided by Brunel Ltd.

Brunel Ltd is a new company wholly owned by the administering authorities. The company is seeking authorisation from the Financial Conduct Authority (FCA) to act as the operator of an unregulated Collective Investment Scheme (CIV). It will be responsible for implementing the detailed strategic asset allocations of the participating funds by investing funds' assets within defined outcome focused investment portfolios. In particular it will research and select the Manager Operated Funds (MOFs) needed to meet the requirements of the detailed strategic asset allocations. These MOFs will be operated by professional external investment managers.

The Fund will be a client of Brunel Ltd and as a client will have the right to expect certain standards and quality of service. A detailed service agreement will set out the duties and responsibilities of Brunel Ltd, and the rights of the Fund as a client, including a duty of care for Brunel Ltd to act in its clients' interests.

An Oversight Board has been established, comprised of representatives from each of the administering authorities, set up according to an agreed constitution and terms of reference. Acting for the administering authorities, it will have ultimate responsibility for ensuring that Brunel Ltd delivers the services required to achieve investment pooling. It will therefore have a monitoring and oversight function and consider relevant matters on behalf of the administering authorities, but will not have delegated powers to take decisions requiring shareholder approval. These will be remitted back to each administering authority individually.

The Oversight Board will be supported by the Client Group, comprised primarily of pension investment officers drawn from each of the administering authorities but will also draw on administering authorities' finance and legal officers from time to time. It will have a primary role in reviewing the implementation of pooling by Brunel Ltd, and provide a forum for discussing technical and practical matters, confirming priorities, and resolving differences. It will be responsible for providing practical support to enable the Oversight Board to fulfil its monitoring and oversight function.

The proposed arrangements for asset pooling for the Brunel Pension Partnership pool have been formulated to meet the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and Government guidance. Regular reports have been made to Government on progress towards the pooling of investment assets, and the Minister for Local Government has confirmed that the pool should proceed as set out in the proposals made.

The Council has approved the full business case for the Brunel Pension Partnership. It is anticipated that investment assets will be transitioned across from the Fund's existing investment managers to the portfolios managed by Brunel Ltd between April 2018 and March 2020 in accordance with a timetable that will be agreed with Brunel Ltd. Until such time as transitions take place, the Fund will continue to maintain the relationship with its current investment managers and oversee their investment performance, working in partnership with Brunel Ltd where appropriate.

Following the completion of the transition plan outlined above, it is envisaged that all of the Fund's assets will be invested through Brunel Ltd. However, the Fund has certain commitments to long term illiquid investment funds which will take longer to transition across to the new portfolios to be set up by Brunel Ltd. These assets will be managed in partnership with Brunel Ltd until such time as they are liquidated, and capital is returned.

5. Social, environmental and corporate governance policy

The primary aim of the Committee is to maximise the value of investments made for the benefit of the many stakeholders, including council tax payers, employer bodies, the current employee contributors and pensioners. The Committee does not place restrictions on investment managers in choosing individual investments in companies or sectors in either the UK or overseas markets. It is noted that emerging markets investments, are made in a wide range of developing countries where conditions of employment and standards of environmental protection are not the same as they are in the developed countries.

However the Committee expects that the boards of companies in which the Fund invests should pay due regard to social environmental matters and thereby further the long-term financial interests of the shareholders. Social and environmental issues arise not only in board policy decisions but also in daily operations, and the Committee therefore looks to the directors of a company to manage that company's affairs taking proper account of the shareholders' long-term interests.

The Fund is 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.

Please follow the link below to view the Fund's policies relating to responsible investment:
www.dorsetpensionfund.org/dorset-pension-fund/about-us/forms-and-publications/

6. Policy of the exercise of rights (including voting rights) attaching to investments

The Fund has a voting issues policy for UK and overseas equity investments. Advice on such issues is taken from the National Association of Pension Funds (NAPF) and the Fund's voting rights are used according to this advice and the agreed policy. LAPFF also advise the Fund on any contentious areas where voting differently to the agreed policy may be considered.

The Fund has outsourced proxy voting to Institutional Shareholder Services (ISS). ISS's core business is the provision of proxy research, vote recommendations and related governance research services, including an end-to-end proxy voting platform and leading compliance and risk management solutions, to institutional investors worldwide. ISS has close to 30 years of experience and is a recognised industry leader in the field of corporate governance and proxy voting.

Appendix 3
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**

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 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:

New Appointments	
Employers' Responsibility	**Fund's Responsibility**
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.

New Starters	
Employers' Responsibility	**Fund's Responsibility**
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.

Valuation and Annual Benefit Illustrations	
Employers' Responsibility	**Fund's Responsibility**
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. The changes include: **Status:** • Change of Name • Marital Status • National Insurance Number • Address **Conditions of Service:** • Contractual Hours • Employee Number and/or Post Number • Date Joined Scheme (if adjusted) Each employer must ensure that the relevant contributions are deducted, if required. **End of Year** End of Year contribution return to be sent to the Fund by the 30th April. Employer to respond to End of Year queries within 10 working days of request.	To provide forms for recording any key change in circumstances and/or to provide a template for the secure submission of data electronically. 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. 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. 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.

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

Actual Retirement	
Employers' Responsibility	**Fund's Responsibility**
To submit the pre-retirement information via YourFund form to the Fund at least one month before retirement where possible. To submit leaver form no later than 15 working days after retirement date. Further information can be found in the Employers Guide: **https://dcpfemployers.org/employers-guide-2/**	To issue the member with a pre-retirement letter and information within 15 working days of notification from employer. 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. To pay any pension payment on the last working day of each month, following retirement.

Ill Health Retirements	
Employers' Responsibility	**Fund's Responsibility**
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. 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.	To calculate and pay required benefits inline with actual retirement timescales.
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. To inform the Administering Authority if and when the pension should cease.	To calculate and recover any overpayment of pension benefits.
To review all Tier 3 ill health retirement cases prior to discontinuance at three years and notify member of cessation if applicable. Further information on ill health retirements can be found in the Employers Guide; **https://dcpfemployers.org/employers-guide-2/**	Update the member records as becoming a *"pensioner member with deferred benefits from the date of the suspension"*.

Members Leaving Employment Before Retirement	
Employers' Responsibility	**Fund's Responsibility**
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. To supply member with a Leaver Election Form.	To accurately record and update member records on the pension administration system. 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.

Former Members with Deferred Benefits	
Employers' Responsibility	**Fund's Responsibility**
To keep adequate records of the following for members who leave the Scheme with deferred benefits as early payment of benefits may be required: • Name and Last known address • National Insurance Number • Payroll Number • Date of Birth • Last job including job description • Salary details • Date and reason for leaving 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 (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.	To record and update member records on pension administration system. Issue deferred benefit notification within 2 months of notification by employer. To provide former members, where possible, an annual benefit illustration of their deferred benefits updated by accrued annual pensions increase award. To provide estimates of benefits that may be payable and any resulting employer costs within 15 working days of request.

Death In Service and Terminal Illness	
Employers' Responsibility	**Fund's Responsibility**
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. Further information can be found in the Employers Guide; **https://dcpfemployers.org/employers-guide-2/**	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.

Financial Obligations	
Employers' Responsibility	**Fund's Responsibility**
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. 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. To ensure that all payments made to the Fund are supported by a completed Monthly Financial Return form which is available at **https://dcpfemployers.org/employers-information-and-forms/** Further information can be found in the Employer Guide: **https://dcpfemployers.org/employers-guide-2/**	To allocate the received contributions to each employers record. To monitor employer contribution payover as detailed in the Fund's Payment of Employee and Employer Pension Contributions Policy. Interest will be charged for late payment as detailed in Regulation 71(4) of the LGPS Regulations 2013.
To apply the correct employer and employee contribution rate. To alter employee contribution rates at all other times in line with the employers' discretionary policy on adjusting employee contribution rates.	Inform each employer of any new contribution banding.
To pay all rechargeable items to the Fund within four weeks of the invoice.	The Fund will inform employers of any recharge items as they become due.
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.	To record and update member records on pension administration system to show membership of AVC scheme.

Additional Benefits (ARCS and ASBCS)	
Employers' Responsibility	**Fund's Responsibility**
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. More information can be found in the Employers Guide, **https://dcpfemployers.org/employers-guide-2/**	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.

Discretions Policy	
Employers' Responsibility	**Fund's 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, **https://dcpfemployers.org/employers-guide-2/** 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	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: **https://www.dorsetpensionfund.org/forms-and-publications/communications-policy**

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.dorsetpensionfund.org/forms-and-publications/privacy-policy/**

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.dorsetpensionfund.org/forms-and-publications/data-retention-policy/**

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://dcpfemployers.org/employer-discretions/**

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.dorsetpensionfund.org/forms-and-publications/payment-of-employee-and-employer-pension-contributions-policy**

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**
- 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

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Appendix 4

Funding Strategy Statement - 12 March 2020

Introduction

This is the Funding Strategy Statement for the Dorset County Pension Fund (the Fund). It has been prepared 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 has been prepared with the assistance of the Fund's Actuary, Barnett Waddingham LLP and was approved for publication by the Dorset Council Pension Fund Committee on 12 March 2020.

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 purposes 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:

2019 valuation results	
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 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.

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. A deduction of 1.0% p.a. is therefore made to the RPI assumption to derive the CPI assumption.

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:

Financial assumptions as at 31 March 2019	
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.

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.

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 opposite:

Pool	Type of pooling	Notes
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 should 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 should be sought from the Fund Actuary.

Funding pools should 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. 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.

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 exiting employer will be due to the Fund as a single lump sum payment, unless it is agreed by the administering authority and the other parties involved that an alternative approach is permissible. For example:

- It may be agreed with the administering authority that the exit payment can be spread over some agreed period;

- The assets and liabilities relating to the employer may transfer within the Fund to another participating employer; or
- The employer's exit may be deferred subject to agreement with the administering authority, for example if it intends to offer Scheme membership to a new employee within the following three years.

Similarly, 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.

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.

Regulatory factors

At the date of drafting this FSS, the government is currently consulting on potential changes to the Regulations, some which may affect the regulations surrounding an employer's exit from the Fund. This is set out in the Local government pension scheme: changes to the local valuation cycle and the management of employer risk *consultation document*.

Further details of this can be found in the Regulatory risks section below.

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 meets 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.

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. This FSS will be revisited once the outcome is known and reviewed where appropriate.

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.

Managing employer exits from the Fund

The consultation covers:

- Proposals for flexibility on exit payments. This includes:
  - Formally introducing into the Regulations the ability for the administering authority to allow an exiting employer to spread the required exit payment over a fixed period.
  - Allowing employers with no active employers to defer payment of an exit payment in return for an ongoing commitment to meeting their existing liabilities (deferred employer status).
- Proposals for further policy changes to exit credits. The proposed change would require the exiting employer's exposure to risk to be taken into account in calculating any exit credit due (for example a pass through employer who is not responsible for any pensions risk would likely not be due an exit credit if the amendments are made to the Regulations).

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 5
Communication Policy Statement

Introduction

The Dorset County Pension Fund currently has 298 scheme employers and 24,415 active members as at 31 March 2016. We are continuously looking at ways to improve communications with the various stakeholders in the Local Government Pension Scheme administered by Dorset County 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

To communicate Pensions Legislation and policies in a clear informative style to ensure that key stakeholders are well informed about current and future changes to the Local Government Pension Scheme.

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.

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

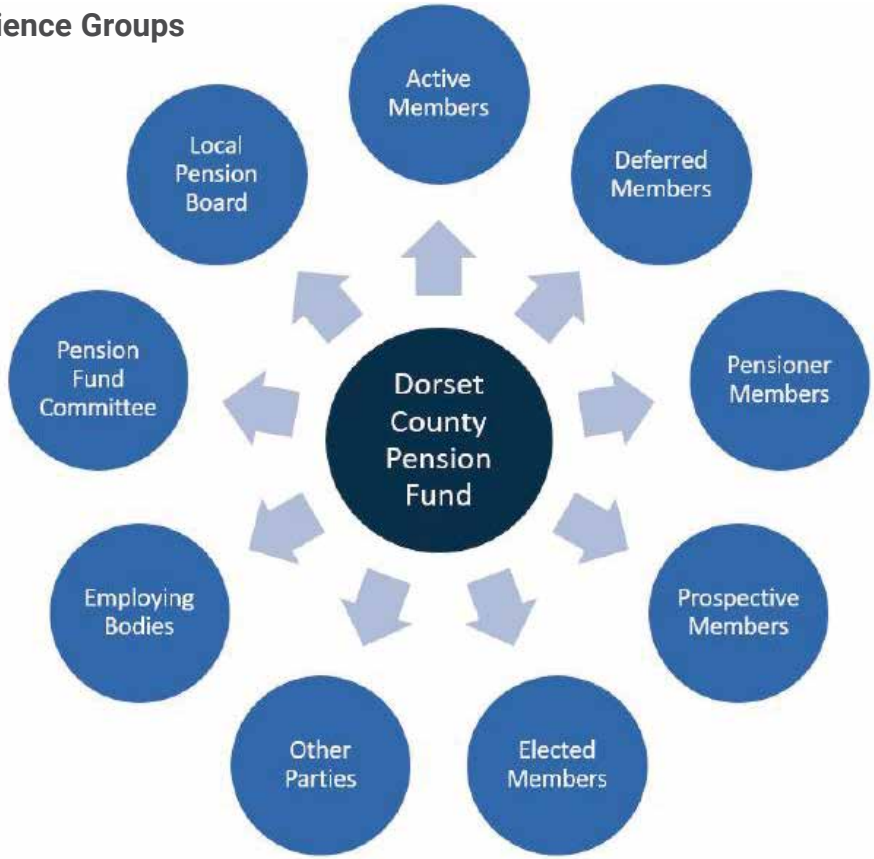
These are issued to our members by 31 August. Feedback from our members about our statements has helped us improve our procedures for this process.

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.

Our Key Audience Groups



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
Our pension fund website can be found at **https://www.dorsetpensionfund.org/** and is available to view at all times. It is regularly updated and revised.

My Pension Online
Active 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/**

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 and by fax.
Tel: 01305 224845
Email:
pensionshelpline@dorsetcouncil.gov.uk

Presentations and roadshows
We are available for presentations throughout the county 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 **https://www.dorsetpensionfund.org/** and is available to view at all times. It is regularly updated and revised.

My Pension Online
Active members are able to check their pension account 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 **https://www.dorsetpensionfund.org/** and is available to view at all times. It is regularly updated and revised.

My Pension Online
Active 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 Scheme short guide, membership form, death grant expression of wish forms, transfer forms, nomination of cohabiting partner form and contact details for further information.

Pension Fund Website
Our pension fund website can be found at **https://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 section of their 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.

Employers Section:
https://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 around the county.

There is a dedicated email address **(lgpsemployers@dorsetcouncil.gov.uk)** for employers to use when contacting the Employer Relationship and Communications Team.

Your Fund
This is Dorset County Pension Fund's secure internet portal which allows employers to upload files and submit pension forms on-line.

Your Fund Home Page:
https://www.dorsetpensionfund.org/

Employer's Newsletters
A newsletter is sent to all employers, at least once a year, 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.

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 a 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 Pensions Manager is a member of the Financial Services Management Team and attends regular meetings convened by the Executive Director of Corporate Management. The Pensions Manager is able to bring any matters of concern / importance to the attention of the Executive Director of Corporate Management 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 MCHLG 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 Pensions Manager 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.yourpension.org.uk/Dorset/Investments/Strategy-Valuation**

The current membership of the Pension Fund Committee is as set out below:

- Five County Council members - appointed by the County Council (not more than one being a member of the Council's Cabinet);
- Two Unitary Authority members - one appointed by Bournemouth Borough Council and one nominated by the Borough of Poole;
- One District Council representative;
- One Scheme Member representative.

Pension Board

With effect from 1 April 2015 Dorset County Pension Fund (DCPF) has 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 3 member representatives and 3 employer representatives and meets at least 2 times a year.

Publications Matrix

Communication Material	Paper- based	Electronic Form	Website	When Published	When Reviewed
Scheme Guide	✓	✓	✓	Constantly available	Annually
New Starter Pack	✓	✗	✓	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	✓	✗	✓	Annually	Annually
Deferred Member's Annual Benefit Statement	✓	✗	✓	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	✓	✓	✓	3 per year	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;
- paper based feedback form provided at presentations;
- tear out form in all Annual Benefit Illustrations.

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: **https://www.dorsetpensionfund.org/**

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

Web: www.lppapensions.co.uk

Appendix 6

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 publicy 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.

Appendix 7

Brunel Climate Change Policy - A five-point plan to build a financial system which is fit for a low carbon future

Brunel aims to deliver stronger investment returns over the long term, protecting our Clients' interests through contributing to a more sustainable and resilient financial system which supports sustainable economic growth and a thriving society.

Brunel was formed in July 2017 and manages the investment of the pension assets (around £30bn/$40bn) of ten Local Government Pension Scheme funds in the UK. We use the name 'Brunel' to refer to the FCA-authorised and regulated company.

Our Clients retain responsibility for their asset allocation and investment strategy, and ultimately their exposure to climate risk. We see our role as helping them to understand and manage these risks, while also helping to address the climate challenge.

There are three areas where we have a particular contribution to make:

(a) significant direct influence over the investment managers we appoint,

(b) broader influence in the investment industry and with policy makers, and

(c) ability to influence company practice and performance, in particular in conjunction with our Client funds and others.

We would like to acknowledge the significant support and contribution of our Clients in the development of this policy. Our mutual commitment to building a financial system which is fit for a low carbon future is pivotal to driving change together.

Approved by the Board of Brunel Pension Partnership Ltd. 20-01-2020

Climate change is an issue for us and for our Clients

Climate change presents an immediate systemic and material risk to the ecological, societal and financial stability of every economy and country on the planet. It has direct implications for our Clients and their beneficiaries. It is therefore a strategic investment priority for us.

Scientific evidence suggests that our climate is changing faster than at almost any point in history. The world is already at approximately 1°C of warming above pre-industrial levels. This is causing more frequent and more extreme weather events and significantly affecting rainfall and sea levels, among other changes. It is impacting agriculture and food supply, infrastructure, flooding and water supply, in turn leading to increased migration from climate-affected regions and greater conflict over natural resources such as water and agricultural land.

World governments have started to respond. The signatories to the 2015 Paris Agreement committed to keeping global temperature rise this century to well below 2°C compared to pre-industrial levels and to aim to limit the increase to 1.5°C. The signatories

agreed to adopt and implement nationally determined contributions (NDCs) that set out the actions they would take to reduce greenhouse gas emissions, and to strengthen these efforts in the years ahead. Despite progress, we are currently heading towards a world of 4°C of warming compared to pre-industrial levels. This has potentially catastrophic implications for society and the environment.

Governments and all sectors of society (individuals, companies and investors, among others), will need to do much more if the global temperature rise this century is to be kept to well below 2°C. The transition to the low carbon economy calls for significant change in the shape and structure of our economy and requires us to eliminate most or all fossil fuel use and achieve a net zero carbon economy by 2050.

What is the role of investors?

Investors are exposed to the risks and opportunities presented by climate change adaptation and mitigation. They have a critical role to play if we are to successfully transition to the low carbon economy and to ensure that we adapt effectively to the physical impacts of climate change. We are a key source of the capital required for mitigation and for adaptation. We can ensure that the companies we invest in are resilient to the regulatory and other changes that will result from climate change. We can support policy makers in taking action to enable the low carbon transition and effective adaptation.

Our role in driving change

The state of play in the financial system.
The case for urgent action on climate change is clear. Global average temperatures are already 1°C above pre-industrial levels, the rate at which capital is being invested in low carbon infrastructure is approximately half of that required, and the pace at which regulators and policy makers are acting is far too slow.

The nature of the investment system, and financial markets more generally contributes to the challenge of addressing climate change rather than supporting change.

Some of the specific challenges we see are:

- An emphasis on short-term rather than long-term performance which drives short-term thinking by investors and companies.
- An unwillingness to invest in areas that support the transition to the low carbon economy, in particular where the areas depend on public policy support or where the technologies are perceived to be relatively unproven.
- A general absence of investable investment products that make a substantive contribution to climate change mitigation or adaptation.
- Instances of perverse incentives and conflicts of interest through the system, not least, the use of conventional market weighted benchmarks to measure performance, when climate risk is not priced by the market.
- Backward looking investment risk models that are inherently flawed at taking account of climate risk.

The state of play in the finance sector means our focus must be on shaping and influencing the investment system.

Brunel's experience and expertise in managing climate change-related risks and opportunities, our scale, our influence and the strength and support of our Clients provides us with a unique position in the investment industry.

If we do not have a financial system that is fit for purpose, we will not be able to respond effectively to climate change. We can take some specific actions, mitigating risk at the margin, but the impact will be limited without wider change. However, given our position, the opportunity for us is to shape and influence the investment system and that should be the focus of our Climate Policy.

Our priority must be to catalyse change in the financial system at scale, not only through our own efforts but in partnership with others, and through enabling our Clients to be agents of change in their own right.

Working with investment managers

One area of focus will be on driving real and substantial change in how investment managers invest. We expect them to think deeply about all aspects of how they invest and how they engage with the companies and other entities in which they invest. We will challenge them to provide investment products that deliver on both our investment and climate change objectives. We will press them to think carefully and critically about the companies and other entities they invest in, and to justify their investments in companies with higher greenhouse gas emissions. We will not issue exclusion lists because we need to drive change in the way investment managers work. Simply stating exclusions or requiring divestment from specific stocks or sectors will not compel investment managers to develop their capacity on climate change or to drive change in the companies in which they are invested – climate becomes a technical operational matter not an investment priority.

However, while **we will not instruct managers to exclude certain stocks, this does not mean we do not expect managers to have portfolios with materially reduced climate exposures and to be able to justify any climate controversial holding.** If investment managers are not able to robustly and credibly explain their investment strategies and how they have integrated climate risk, we will look to replace them with investment managers that do. If we find that our investment managers' engagement with companies is ineffective (i.e. these efforts do not deliver real change in corporate strategies on climate change so that these companies are on a trajectory to be aligned with the transition to a 2°C or below economy), we will consider whether we should remove certain investment managers and/ or introduce specific exclusion criteria to be applied to companies.

Taking stock

Our Climate Change Policy will guide our work on climate change over the next three years. We will regularly monitor and report on its implementation and effectiveness and the policy itself will be reviewed annually.

In late 2022, we will conduct a full stocktake of this policy. This stocktake will provide us and our Clients with the opportunity to reflect on our progress and to ramp up our ambitions. It will also, ahead of our Clients' triennial valuation and investment reviews, help us prepare for what we see as the tightening of regulation and escalation of government action on climate change.

We will develop the framework for the stocktake with Clients during 2020. We expect that the stocktake will consider:

- How have we performed against the objectives and targets we have set for ourselves?
- What outcomes – in terms of mitigation and adaptation – have we delivered?
- Have we been able to link carbon and financial performance, and if so, what does it tell us?
- Is this policy still fit for purpose or does it need to be substantially revised?
- How effective have the key elements of our strategy been? In particular, has our decision to engage with our investment managers been effective or do we need to change our investment managers and/or introduce selective divestment requirements for companies?
- Are there companies or managers who have not responded effectively to robust stewardship and present climate-related financial risks?

Our climate change beliefs and our Investment Principles

We set out our core beliefs on climate change below. In Appendix 1, we describe how these align with our Investment Principles.

Our Investment Principles are designed to capture the ambitions of how the Partnership will operate on a day to day basis, clearly demonstrate compliance with relevant regulations and policies, support our investment strategy and be commensurate with the expectations of an organisation of our size. In turn, they enable each of our Clients to deliver on their fiduciary duty to act in the best long-term interests of their members. They also recognise that our Clients (as administering authorities) retain responsibility for strategic asset allocation and setting their investment strategies, and ultimately their exposure to climate risk.

We believe that:

- Climate change presents a **systemic and material** risk to the ecological, societal and financial stability of every economy and country on the planet, and therefore will impact our Clients, their beneficiaries and **all portfolios**.
- Investing to support the **Paris goals that deliver a below 2°C temperature increase** is entirely consistent with **securing long-term financial returns** and is aligned with the best long-term interests of our Clients.
- For society to achieve a net zero carbon future by 2050 (or before) requires **systemic change in the investment industry, and equipping and empowering our Clients** (and other investors) is central to this change.

Given our strengths and our position in the market, we therefore believe that **the key objective of our climate policy is to systematically change the investment industry so that it is fit for purpose for a world where temperature rise needs to be kept to well below 2°C compared to pre-industrial levels.**

A five-point plan to build a financial system which is fit for a low carbon future

We have made significant progress on integrating climate change into our own practices and processes. However, the urgency of climate change means that we need to do much more. We believe that we need to focus on delivering change across the investment industry. We also believe that our circumstances: Clients with a strong commitment to action on climate change; our relative scale within the UK market; our track record of action; our own skills, capacities, resources and networks, mean that we are well positioned to take on this leadership role.

Our analysis of the investment market and of the investment system, and of our role within that market and that system, has led us to identify five areas where we believe there is a critical need for action and where we believe we can make a significant difference. These are:

- Policy
- Products
- Portfolios
- Positive Impact
- Persuasion

Policy

We want policy makers to establish comprehensive and robust climate change policy frameworks. These need to deliver significant reductions in greenhouse gas emissions, accelerate progress towards the low carbon economy, and enable effective adaptation to the unavoidable impacts of climate change.

Why: Our analysis

Public policy – regulation, economic incentives, disclosure expectations – establishes the rules of engagement for companies and for investors. We have seen significant progress in many areas over the past decade. Examples include emissions trading in the electricity sector, vehicle emission standards in the transport sector, efficiency standards for electrical equipment, and incentives for the deployment of renewable energy. Investors have been an important voice in encouraging governments to establish comprehensive climate change policy frameworks, in particular in relation to emissions mitigation and enabling

the low carbon transition. We need policies which have the ability to shift investments at scale. These include policies that change the economics of particular investments, and policies which draw out and make explicit the climate risks in such investments.

Our analysis of the policy landscape is that, despite progress, much more is needed before we can consider there to be a comprehensive climate change policy framework in place. In the short to medium term, we believe that there are three priority areas for action:

- Establishing a meaningful price on carbon (and equivalents e.g. methane) across the global economy. This price needs to be sufficiently high – or reach a sufficiently high level over time – to deliver the emissions reductions we need if we are to meet the goals of the Paris Agreement.
- Introducing mandatory climate change disclosure requirements for companies. Our ability to fully integrate climate change into our investment research and decision-making and our engagement with companies is limited by the consistency, comparability and quality of the data they provide and by the lack of attention paid to climate change-related risks and opportunities in discussions around strategy and capital investment.
- Addressing regulatory barriers to progress. These are barriers that emerge from elsewhere in the regulatory landscape. Examples include bank provisioning requirements which make it more expensive for renewable energy project developers to borrow money, barriers to renewable energy accessing the electricity grid and fossil fuel subsidies.

Across all of these areas, we need to ensure that policy interventions take account of the impacts on society, including the impacts on employment, on access to energy and on the affordability of energy, in particular for vulnerable groups. We are committed to supporting a **Just Transition**[1].

We recognise that changing or influencing public policy requires us to work with our Clients and others. We therefore expect to deliver our objectives through direct communication with policy makers. This includes our continued commitment to directly participate in technical advisory and working groups. We will also encourage other investors to get involved where policy makers are actively seeking investor expertise. We will also take advantage of speaking and educational opportunities to raise awareness and demand for these issues to be addressed.

We will also actively participate and, where appropriate provide leadership, of investor collaborative initiatives, in particular the Transition Pathway Initiative (TPI), Institutional Investors Group on Climate Change (IIGCC), the Principles for Responsible Investment (PRI) and, in the UK, Green Finance Institute, the Sustainable Finance and Investment Forum (UKSIF) and the Local Authority Pension Fund Forum (LAPFF).

Our Policy Advocacy objectives: 2020-2022

We will play an active and leading role in encouraging policy makers to establish comprehensive and robust climate change policy frameworks. Within this, we will focus particular attention on:

- The adoption of a meaningful price on carbon, which is material (i.e. sufficient to drive change at the scale and rate required), progressive over time and widespread (i.e. applies to all major sectors of the economy).

- The removal of fossil fuel subsidies.
- The introduction of policy measures – for example, product standards, limitations on high carbon technologies, support for low carbon technologies – that accelerate the move away from high impact activities and sectors.
- The removal or correction of regulatory barriers to progress and support financial policy makers and regulators in being ambitious and effective in implementation of plans to mitigate climate risk and under the Adaptation Reporting Power2.
- The integration of climate change into the mandates and into the oversight and control processes of prudential regulators and other regulatory bodies.
- Ensuring that climate change policy is socially sustainable and takes due account of workers' rights and community interests (the 'Just Transition') when taking action to reduce greenhouse gas emissions and adapt to a changing climate.

We will play an active leading role in encouraging policy makers to integrate climate change into multilateral and bilateral trading frameworks, with a particular focus on the UK post Brexit.

We will encourage policy makers to introduce mandatory climate change disclosure requirements for companies, with a focus on providing clear, decision useful information and encouraging a clear articulation of the risks that companies and their investors face.

We will support the development of skills, knowledge and professional standards of those intermediaries who are critical influencers in the action of investors and companies. These include, but are not limited to, investment consultants, actuaries, lawyers and auditors.

Products

We want to increase the number and range of products available to our Clients and the wider investment market that deliver substantial climate change benefits.

Why: Our analysis

One of the key challenges we face is that there is a limited supply of investment products that meet our climate change objectives (e.g. low carbon, impactful, socially responsible) and our investment requirements (e.g. appropriate risk-return characteristics). There is a clear need to encourage innovation in product development and build the supply of climate-oriented products.

We recognise that innovation does not happen automatically, it needs to be deliberately encouraged and stimulated. This is also true of supply; investment managers must see there is demand, or at least a potential market, in order to support product development. This requires us to be clear about what we want, and – subject to our fiduciary and other obligations – provide incentives and encouragement to investment managers to innovate and to supply the products we want to invest in.

[1] The Just Transition means managing both the positive and negative social and employment implications of climate action across the whole economy

2 The Adaptation Reporting Power (ARP) is an important aspect of the Climate Change Act 2008. The ARP aims to ensure that organisations of a public nature with climate-sensitive responsibilities are taking appropriate action to adapt to the impacts of climate change.

About the Transition Pathway Initiative (TPI)

In 2017, the TPI was established as a joint initiative between the Environment Agency Pension Fund and the Church of England National Investing Bodies (Church of England Pensions Board, the Church Commissioners and CBF Funds).

TPI assesses companies' preparedness for the transition to the low-carbon economy in two areas:

- Management quality: TPI evaluates and tracks the quality of companies' management of their greenhouse gas emissions and of risks and opportunities related to the low carbon transition.
- Carbon performance: TPI evaluates how companies' planned or expected future carbon performance compares to international targets and national pledges made as part of the Paris Agreement.

TPI uses information sourced and provided by FTSE Russell, and the results of TPI analysis are made available through a publicly-available tool hosted by its academic partner, the Grantham Research Institute on Climate Change and the Environment at the London School of Economics and Political Science (LSE).

TPI is rapidly becoming the 'go-to' corporate climate action benchmark. As at December 2019, over 60 investors globally representing over $18 trillion combined assets under management and advice have pledged support for the TPI. These investors have committed to using the tool and its data in a range of ways, including informing their investment research, informing their engagement with companies and tracking managers' holdings.

Our Product Governance objectives: 2020-2022

We will ensure that climate risk is an integral part of our product governance and monitoring framework. We will:

- Work with Clients to avoid launching products whose carbon footprint or negative climate impact is excessively high.
- Seek to ensure our portfolios' climate risk profiles are better than the benchmark as soon as practical and that our products are steadily improving.
- Seek, in our listed equity portfolios, an improvement of at least 7% year on year. This will equate to over 20% lower carbon intensity than the benchmark (which we are also seeking to improve) by 2022. This target will be reviewed as part of the stocktake and the results of the 2 degrees transition study below.
- Work with our Clients to establish their climate change objectives and outcomes, establish their climate change-related risk tolerances, and we will offer a range of products that meet these objectives and expectations.

We will report on the climate change performance – both mitigation and adaptation – of our portfolios and will explain how we manage the investment-related risks and opportunities associated with these issues.

We will continue to ensure that climate change considerations are integrated into all the mandates that we award.

We will identify and develop new product opportunities which help further address climate change risks in all asset classes. We will do this through working with the industry on delivery, and with our Clients to ensure that these products meet their needs and that there is demand for these products.

By 2022 we will have assessed the degree to which our main listed equity portfolios, and possibly other portfolios, are, at least, 2 °C aligned. If these portfolios are not aligned, we will identify the actions needed to bring them into alignment and engage with our Clients as to the adjustments to specifications that would be required. In making this commitment, we recognise that the assessment of whether funds and portfolios are aligned with the goals of the Paris Agreement or other reference targets (e.g. 1.5 °C, net zero) is an area where methodologies and frameworks are under development. We will therefore prioritise supporting – through the provision of financial support, through piloting methodologies – efforts that enable us to assess and report on our portfolio performance.

We will explore the role that investment benchmarks play in driving investment decisions and in constraining our ability to invest in areas that make a meaningful contribution to climate change mitigation and adaptation. We will press the industry to make the core benchmarks more compatible with a 2°C aligned world. In 2020, we will publish a paper discussing the issues with benchmarks and proposing alternative frameworks for to assess and manage our performance in a more holistic way.

Portfolios

We want our investment portfolios to be resilient under a range of climate change scenarios (both mitigation and adaptation). We want to adopt best practices on climate risk management and to work with our managers to further improve and develop our processes.

Why: Our analysis

We recognise that climate change is a dynamic issue from an investment perspective. Our understanding of the science, of the policy goals and of the financial implications is constantly changing. We need to ensure that we and our investment managers are aware of and are acting on these changes. This requires us to assertively, consistently and rigorously challenge our investment managers on all aspects of their investment processes and expect them to explain and justify the investment decisions that they are making.

These efforts are not confined to our dialogue with our existing investment managers. We will explain our approach to the wider investment market so that potential new investment managers are aware of our position. We will share our expertise and experience so that our Clients and other investment system actors can also challenge their investment managers and other service providers on their approach to climate change.

We also, to the extent possible, need to future proof our portfolios so that they are reasonably resilient to the downside consequence of climate change, that they can benefit from the opportunities that arise and that, if we need to intervene, we are able to do so in a timely manner.

Our Portfolio Management objectives: 2020-2022

We will rigorously, assertively and continuously challenge our investment managers on their analysis and assessment of change-related risks in their investment practices and processes. We will expect them to

continually improve these practices and processes, and will explicitly consider these improvements in our monitoring, management, selection, appointment and reappointment of our investment managers.

We will work with our investment managers and with others in the investment industry to develop methodologies for climate risk stress-testing and risk management of our mandates, on both mitigation and adaptation. We will conduct our own stress tests of portfolios, using the best methodologies we have access to, from 2020 onwards.

We will assess how our portfolios and mandates align with the goals of the Paris Agreement.

Positive Impact

We want to enable investments in activities that directly support the low carbon transition and that enable effective adaptation to the unavoidable impacts of climate change.

Why: Our analysis

We recognise that we can directly support the low carbon transition and adaptation, through investing in opportunities in areas such as renewable energy, energy efficiency, adaptation and resilience. We also recognise that, through sharing our experiences and our successes, we can encourage others to increase their investments in these areas.

Our investments supporting the low carbon transition are part of a wider commitment to invest for positive impact and support of the United Nations Sustainable Development Goals (SDGs). For example, investments that support female empowerment through access to finance, education and new markets can have positive impacts on climate change. Our investment strategies recognise that issues and opportunities are interconnective.

Whilst our direct operational impacts are not as material, we believe in leading by example and take steps to reduce our own climate impacts. We will do this through our procurement of goods and services, travel choices and use of technology. Where impacts cannot be mitigated, we will consider the use of offsets. We will report on our principal impacts and the steps we have taken to reduce them as part of our wider corporate disclosures.

Our Positive Impact objectives: 2020-2022

We will continue to make significant investments in a diverse set of opportunities that directly contribute to the energy transition.

We will seek to establish what the level of our Clients' contribution makes to the overall global investment needs for capital investment in the low carbon transition.

We will report on the investments that we have made, their contribution to climate mitigation and adaptation, their financial performance, and the wider social and environmental benefits of these investments. We will also report on the proportion of our portfolios invested in, or exposed to, the low carbon transition and to adaptation.

We will report on our principal impacts and the steps we have taken to reduce them as part of wider corporate disclosures.

Persuasion

We want the companies and other entities in which we invest and contract with to support the transition to the low carbon economy, and to ensure that they are resilient to the unavoidable impacts of climate change.

Our analysis

As a large investor, we – on behalf of our Clients – have the ability to encourage companies and other entities to take action on climate change, both to mitigate and adapt for climate resilience. Our climate stewardship extends to all our portfolios but will be adapted to ensure it is effective and meets the needs of the specific asset class and strategy.

Our questions

Through engagement we are seeking evidence that supports answers to each of these high-level questions:

- How aligned is your business model, asset portfolio or investment approach with the goals of achieving a net-zero carbon future and of supporting efforts to keep global temperature increase to well below 2°C?
- How are you adapting your business model, asset portfolio or investment approach to align with the goals of achieving a net-zero carbon future and of keeping global temperature increase to well below 2°C?
- How are you adapting your business model, asset portfolio or investment approach to ensure resilience to the impacts of climate change and different climate scenarios?
- Are you fully transparent on your climate-related financial risks and opportunities? Will you report in line with Taskforce on Climate-related Financial Disclosure (TCFD)?

Some comments on asset class-specific engagement

Engagement with issuers on climate mitigation and resilience will be central to our approach in corporate bonds and we will explore the possibilities for engagement in other fixed income investments.

Engagement impact can be even stronger in private markets, working with our general partners to support private companies, real estate, infrastructure projects and other entities in managing their impacts on climate change and the impacts of climate change on them. In listed equities, engagement goes beyond the process of dialogue with companies to include the use of the formal rights granted to us as investors, specifically the right to vote on our shareholdings, file resolutions and even the right to call Extraordinary General Meetings).

We also recognise the collective power of investors, and how an alignment of investor voices can send a strong, clear message to company management.

We prioritise engagement with those companies or other entities with the biggest climate change-related impacts or risks, where we have a significant exposure and where we have the ability to effect change. Working collaboratively with others increases our effectiveness and we will continue to support collaborative action though initiatives such as Climate Action 100+ (CA100+).

On climate mitigation we believe we should not only focus our efforts on how companies with the biggest impact on climate change – these include companies in sectors such as oil and gas, transport, mining and electricity – are adapting their business models for the low carbon economy but also those companies who provide other sources

of capital to these entities. We see influencing policies within the banking sector as being particularly important in changing behaviour. For example, lending policies to companies (not supporting new fossil fuel extraction) and wider society (provision of green mortgages and loans to support other innovations).

We have played a leading role in growing the Transition Pathway Initiative which assesses how some 400 high impact companies are managing their greenhouse emissions, and how their expected future carbon performance compares to international targets and national pledges made as part of the Paris Agreement. Collaborative initiatives such as CA100+ now use TPI to both identify engagement priorities and to track the effectiveness of this engagement.

Engaging on climate resilience is less developed and we will work with other investors to create an engagement framework that incentivises the right behaviours and supports our capacity to assess risks.

Our Persuasion objectives: 2020-2022

We will, using the Transition Pathway Initiative (TPI), strengthen our focus on climate change outcomes and impacts in our engagement with companies. We will:

- Engage with our material holdings to persuade them to advance at least one level (up to 4*) per year on the TPI management quality framework. We will report on progress on an annual basis. We will extend this engagement to our corporate bond portfolios in 2021.
- Align our voting with our engagement. We will escalate our voting activity from our current policy where we vote against the reappointment of the Chair to other board members where they have not met our climate disclosure expectations. These expectations will increase over time with the aspiration of all our material holdings being on TPI Level 4 by 2022 and having made meaningful progress to alignment with a 2 degree or below pathway. In some sectors, e.g. oil and gas, we will aim to stimulate more rapid change. We provide further detail in our Stewardship Policy, which itself is regularly updated.
- Support Client engagement with companies e.g. through facilitating their attendance at AGMs, through facilitating their participation in collective engagement with us and with other institutional investors, through providing them with information about the climate performance of individual entities.

We recognise that addressing supply chain and product-related emissions requires investors and companies across a range of sectors to work together to develop and deploy solutions. We will facilitate and support cross-sectoral efforts focused on defining and delivering substantial reductions in supply chain and product-related greenhouse gas emissions.

Working collaboratively with other investors we will:

- Establish engagement objectives for the other asset classes in which we are invested. We expect that we will use Global Real Estate Sustainability Benchmark (GRESB) to frame our expectations of our real estate investment managers, and we will need to work with General Partners (GPs) and other industry players to develop appropriate metrics for our private equity investments.

- Challenge companies on their approach to public policy lobbying, in particular lobbying that undermines the transition to the low carbon economy or that prevents effective adaptation to the unavoidable impacts of climate change.
- Amplify our efforts through working with others (e.g. through formal collaborative engagement initiatives such as CA100+), through clearly communicating our voting intentions and through encouraging others to support us.
- Work with other investors to create an engagement framework for climate resilience that incentivises the right behaviours and supports our capacity to assess risks during 2020. We will then publish our progress against this framework.

Reporting on progress

We will report annually on our progress against the commitments set out in this policy.

We will use our website as the primary route for providing additional information and further insights into our approach.

Reporting is an area that is evolving rapidly. We are involved in a number of programmes – notably the IIGCC project on adaptation and the IIGCC project on Paris-aligned Portfolios – which will propose new metrics that allow asset owners and investment managers to explain, in a consistent and comparable manner, how their portfolios compare to the goals of a net zero carbon future and of keeping global temperature rise below 2 °C. Both of these projects are expected to be completed in 2020. We are committed to both piloting the recommendations and, once finalised, using the metrics in our future reporting.

Our expectation is that we will, in most cases, add these metrics to the data and indicators that we currently provide. These include (as relevant to the asset classes and companies/ entities in our specific portfolios):

- Carbon footprints.
- Fossil fuel exposures.
- Green and brown share (i.e. the proportion of our portfolios invested in areas such as renewable energy).
- Performance against the Transition Pathway Initiative management quality and carbon performance frameworks.
- Our engagement and voting activities.

We will continue to report on the overall exposure of our portfolios to the risks and opportunities presented by climate mitigation and adaptation, and to align this reporting with the TCFD recommendations and other relevant disclosure frameworks.

Our governance of climate change

The **Brunel Board** approves and is collectively accountable for Brunel's Climate Change Strategy and Policy. Operational accountability on a day to day basis is held by the **Chief Responsible Investment Officer**.

The **Chief Executive Officer** is responsible for ensuring effective implementation across the whole organisation, ensuring Brunel's own operations meet or exceed best practice standards.

The **Chief Investment Officer** is responsible for ensuring the integration of climate change into the portfolio

construction, implementation and overall investment decision making. All members of the **investment team** have explicit responsibility for the implementation of responsible investment within their respective roles.

The climate change strategy and policy have been developed in conjunction with key stakeholders, including the **Brunel Oversight Board, Brunel Client Group,** and the **Client Responsible Investment Working Group,** membership of which includes representatives from the administering authorities it serves and Brunel staff.

This policy relates and interacts with other Brunel Policies, including but not limited to: Responsible Investment, Stewardship, Risk Management, Product Governance, Manager Selection and Manager Monitoring.

Progress and compliance is monitored by all the groups outlined above. Climate change forms part of Brunel's overall business risk and as such will be monitored by **Audit, Risk and Compliance Committee**. This policy was approved by the Board on the 9th January 2020, after extensive consultation with Clients and other stakeholders.

It is expected that the policy will develop over time, given the fast-changing nature of the climate debate. Relatively minor changes to the policy, including clarifications and more specific targets or updates to reflect market developments, can be approved by the Brunel Executive Committee. More substantive changes will require approval by the whole Board, after Client consultation if appropriate.

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Appendix 1: Our Investment Principles and climate change

What this means in practice for our work on climate change

Principle 1: Long-term investors

We recognise that climate change may affect our portfolios, the sustainability and resilience of the financial system, and the sustainability and health of our economy, our society and the natural environment, over the short, medium and long-term.

As such, climate change – mitigation and adaptation - is relevant to all our investments, in all asset classes and in all geographies. Climate change is a source of downside investment risk and of upside opportunity.

Principle 2: Responsible Investors

In the medium and long-term we will deliver sustainable investment returns by investing in companies and assets that effectively manage the risks and opportunities presented by climate change.

Principle 3: Best Practice Governance

We allocate clear responsibilities and accountabilities for the oversight and implementation of this climate change policy. We integrate climate

change into our appraisal and remuneration processes, and through effective monitoring and review of the implementation of this policy.

Principle 4: Decisions informed through experts and knowledgeable officers and committees

We ensure that our Clients' views on climate change are fully integrated into our practices, processes and decisions.

We support our Clients' training and continuing professional development on climate related issues.

We engage regularly with experts both within and outside the investment community to ensure that we are fully up to date with the science, the policy and the economics of climate change.

Principle 5: Evidence and research at heart of investments

We continually learn and reappraise our understanding of the science, the policy and the investment implications of climate change from academic research, investment professionals, and our peers.

Principle 6: Leadership and innovation

We work and innovate with other funds, pools and the market to create cost effective solutions needed by the pool and its funds.

We encourage those asset managers that work with us, and those that might aspire to work with us, to innovate and offer new investment solutions, to effectively manage the climate-related risks and opportunities in their portfolios, and to constructively engage with the companies and other entities in which they invest.

Principle 7: Right risk for right return

When evaluating climate change-related investment opportunities, we ensure that these investments meet the risk and return objectives of the fund, over the short, medium and long-term.

Principle 8: Full risk evaluation

We recognise that, as long-term investors, our investment success depends substantially on the sustainable growth of the economy. This, in turn, demands effective action on climate change.

Principle 9: Responsible stewardship

We require our asset managers to use their formal rights and informal influence to encourage the companies and other entities in which they invest to take a proactive approach to managing the business risks and opportunities presented by climate change, as a central part of how they generate sustainable financial returns over the long-term.

We work as a collective responsible voice on climate change in the broader investment community, and always look to work collaboratively with others. For example, we are leading participants in initiatives such as the Transition Pathway Initiative, the Institutional Investors Group on Climate Change, the Principles for Responsible Investment and CDP.

Principle 10: Cost effective solutions

We seek the most cost-effective solutions to achieving our funds' objectives and implementing these principles collectively. We recognise that scale is critical to reducing the costs we pay, and also to ensuring that investments that we make and the innovations we catalyse have real impact.

Principle 11: Be transparent and accountable

We report annually on the commitments set out in this policy.

We will formally review the implementation of this policy in 2022, including an assessment of how we have performed against each of our Investment Principles.

Principle 12: Collaborate

We collaborate with other funds, pools and the market to build the wider investment industry's capacity and expertise on climate change.

We also work with others to ensure that public policy and the investment system are explicitly focused on enabling and financing both the low carbon transition and effective adaptation to the unavoidable impacts of climate change.

Getting in touch

If you have any questions or comments about this policy, please email Faith Ward, Chief Responsible Investment Officer, at **RI.Brunel@brunelpp.org.**

Fund managers with general enquiries, meeting requests and other materials (updates, newsletters, brochures and so on), should contact us at **investments.brunel@brunelpp.org** or **pminvestments.brunel@brunelpp.org**

Appendix 8

Voting Issues Policy

Dorset County Council has outsourced proxy voting to Institutional Shareholder Services (ISS). ISS's core business is the provision of proxy research, vote recommendations and related governance research services, including and end-to-end proxy voting platform and leading compliance and risk management solutions, to institutional investors worldwide. ISS has close to 30 years of experience and is a recognised industry leader in the field of corporate governance and proxy voting.

Summary of Voting for the year ended 31 March 2020

1.1 The Dorset County Pension Fund's voting policy is based on the National Association of Pension Fund's (NAPF) policy and the Combined Code on Corporate Governance, which was reviewed and adopted on 24 November 2011, and is included on page 178 of this report. To manage the voting process Proxy Voting services are provided by ISS for the UK equity portfolio and by Allianz (to July 2018), Investec (to November 2019) and Wellington, the Fund's global equities managers.

1.2 The Fund is also a member of the Local Authority Pension Fund Forum (LAPFF) which researches into areas of corporate governance, and social responsibility. It is possible to override any decision made by ISS in light of information which may be received from the LAPFF.

1.3 The Voting Policy of the Dorset Fund applies to those assets managed in segregated accounts by the Internal Manager (to July 2018), Allianz (to July 2018), Investec (to November 2019) and Wellington. However, the equities managed by AXA Framlington (to November 2018) and Schroders in the UK, and JPMorgan (to December 2020) in emerging markets, are held in Pooled Funds and are subject to the voting policies of each individual manager. Corporate Governance and Voting Policies for each pooled manager have been obtained. These seek to protect shareholder interest, setting out voting policy in a number of areas which include strategy, integrity, management, use of capital, remuneration, mergers and acquisitions and reporting. Each policy complies with the Combined Code on Corporate Governance.

1.4 Schroders was asked for details of voting activity in the year 2020-21, examples of instances in which they had concerns about companies in which the fund held shares, and how these concerns were addressed. They were also asked whether they were collaborating with other investors in respect of these issues, and details of responses are included on page 176 to this report.

Voting Issues Policy

Issue		Action for non compliance
Leadership		
1.	The roles of Chairman of the Board and Chief Executive should be separate to avoid undue concentration of power.	Vote against the re-appointments as appropriate.
Effectiveness		
2.	All directors should be subject to re-election every three years.	Vote against the acceptance of accounts.
3.	Audit Committee should consist of at least three non-executive directors.	Vote against the acceptance of accounts.
Accountability		
4.	If a proposed dividend is not covered by earnings and there is no clear justification for the long term benefit of the company.	Vote against the acceptance of accounts.
5.	The company should comply with the UK Corporate Governance Code and stock exchange listing requirements.	Vote against the acceptance of accounts.
Remuneration		
6.	Remuneration committees should comprise only of non-executive directors.	Vote against director's appointment.
7.	Bonus and incentive schemes must have realistic performance targets.	Vote against director's appointment.
8.	Service contracts should be one year rolling unless the Remuneration Committee is able to justify longer periods.	Vote against director's appointment.
Relations with Shareholders		
9.	Changes to the articles of association should not adversely affect existing shareholders rights.	Vote against the resolutions.
Other		
10.	Uncontroversial issues.	Vote for the resolutions.

Summary of Engagement by Schroders

Avon Rubber

The company engaged with us with regard to the salary of its CEO as it was well below market rates for a company of its size. In fact, it had completed the purchase of an American company where some of its executives were paid more than the CEO. The company wanted to ensure we were supportive of the wage rise. We were.

Cohort

The company has a board comprising solely men. This is a red line for us. We voted against the company's accounts and made it clear to the company's chairman that we expected to see change on this front.

Keller

We engaged with the company to understand how it proposed to move to net zero emissions over the course of this decade. We have engaged similarly with all FTSE350 companies. We were also in dialogue with the company's remuneration committee to negotiate a wage increase for the CEO as the complexity of the group has increased markedly over the past few years and delivered value for shareholders.

The information below shows the statistical voting information provided by Brunel, quarter by quarter for the 2020-2021 financial year

Voting Report, Q1 2021

Dorset County Pension Fund

Over the last quarter we made voting recommendations at **91** meetings (**822** resolutions). At **29** meetings we recommended opposing one or more resolutions. We recommended voting with management by exception at **two** meetings We supported management on all resolutions at the remaining **60** meetings.

Global

We made voting recommendations at **91** meetings (**822** resolutions) over the last quarter.

- Total meetings in favour **65.9%**
- Meetings against (or against AND abstain) **31.9%**
- Meetings with management by exception **2.2%**

Developed Asia

We made voting recommendations at **29** meetings (**228** resolutions) over the last quarter.

- Total meetings in favour **65.5%**
- Meetings against (or against AND abstain) **31.0%**
- Meetings with management by exception **3.4%**

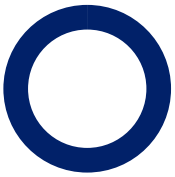
Emerging and Frontier Markets

We made voting recommendations at **42** meetings (**342** resolutions) over the last quarter.

- Total meetings in favour **66.7%**
- Meetings against (or against AND abstain) **31.0%**
- Meetings with management by exception **2.4%**

Europe

We made voting recommendations at **three** meetings (**13** resolutions) over the last quarter.



- Total meetings in favour **100%**

United Kingdom

We made voting recommendations at **17** meetings (**239** resolutions) over the last quarter.

- Total meetings in favour **58.8%**
- Meetings against (or against AND abstain) **41.2%**

The issues on which we recommended voting against management or abstaining on resolutions are shown below.

Global

We recommended voting against or abstaining on **65** resolutions over the last quarter.

- Board structure **36.9%**
- Remuneration **32.3%**
- Shareholder resolution **1.5%**
- Capital structure and dividends **6.2%**
- Amend articles **13.8%**
- Audit and accounts **4.6%**
- Other **4.6%**

Developed Asia

We recommended voting against or abstaining on **22** resolutions over the last quarter.

- Board structure **63.6%**
- Remuneration **9.1%**
- Amend articles **13.6%**
- Audit and accounts **13.6%**

Emerging and Frontier Markets

We recommended voting against or abstaining on **27** resolutions over the last quarter.

- Board structure **29.6%**
- Remuneration **18.5%**
- Shareholder resolution **3.7%**
- Capital structure and dividends **14.8%**
- Amend articles **22.2%**
- Other **11.1%**

United Kingdom

We recommended voting against or abstaining on **16** resolutions over the last quarter.

- Board structure **12.5%**
- Remuneration **87.5%**

Dorset County Pension Fund

Engagement by region

Over the last quarter we engaged with **412** companies held in the Dorset County Pension Fund portfolios on a range of **1,396** environmental, social and governance issues and objectives.

Global

We engaged with **412** companies over the last quarter.

- Environmental **28.2%**
- Social and Ethical **21.3%**
- Governance **36.1%**
- Strategy, Risk and Communication **14.4%**

Australia & New Zealand

We engaged with **eight** companies over the last quarter.

- Environmental **83.3%**
- Governance **8.3%**
- Strategy, Risk and Communication **8.3%**

Developed Asia

We engaged with **44** companies over the last quarter.

- Environmental **37.4%**
- Social and Ethical **26.0%**
- Governance **27.6%**
- Strategy, Risk and Communication **8.9%**

Emerging & Developing Markets

We engaged with **33** companies over the last quarter.

- Environmental **29.3%**
- Social and Ethical **17.2%**
- Governance **34.3%**
- Strategy, Risk and Communication **19.2%**

Europe

We engaged with **122** companies over the last quarter.

- Environmental **28.5%**
- Social and Ethical **19.3%**
- Governance **40.0%**
- Strategy, Risk and Communication **12.2%**

North America

We engaged with **161** companies over the last quarter.

- Environmental **23.3%**
- Social and Ethical **22.9%**
- Governance **36.7%**
- Strategy, Risk and Communication **17.1%**

United Kingdom

We engaged with **44** companies over the last quarter.

- Environmental **36.1%**
- Social and Ethical **20.3%**
- Governance **33.1%**
- Strategy, Risk and Communication **10.5%**

Engagement by theme

Over the last quarter we engaged with **412** companies held in the Dorset County Pension Fund portfolios on a range of **1,396** environmental, social and governance issues and objectives.

Environmental

Environmental topics featured in **28.2%** of our engagements over the last quarter.

- Climate Change **80.5%**
- Forestry and Land Use **5.1%**
- Pollution and Waste Management **10.4%**
- Supply Chain Management **1.3%**
- Water **2.8%**

Social and Ethical

Social and Ethical topics featured in **21.3%** of our engagements over the last quarter.

- Bribery and Corruption **1.7%**
- Conduct and Culture **13.1%**
- Diversity **24.2%**
- Human Capital Management **20.9%**
- Human Rights **32.3%**
- Labour Rights **5.4%**
- Tax **2.4%**

Governance

Governance topics featured in **36.1%** of our engagements over the last quarter.

- Board Diversity, Skills and Experience **22.4%**
- Board Independence **16.3%**
- Executive Remuneration **44.2%**
- Shareholder Protection and Rights **12.5%**
- Succession Planning **4.6%**

Strategy, Risk and Communication

Strategy, Risk and Communication topics featured in **14.4%** of our engagements over the last quarter.

- Audit and Accounting **7.5%**
- Business Strategy **40.8%**
- Cyber Security **1.5%**
- Integrated Reporting and Other Disclosure **26.9%**
- Risk Management **23.4%**

Dorset County Pension Fund

Over the last quarter we made voting recommendations at **312** meetings (**4,316** resolutions). At **187** meetings we recommended opposing one or more resolutions. We recommended voting with management by exception at **22** meetings and abstaining at **11** meetings. We supported management on all resolutions at the remaining **92** meetings.

Global

We made voting recommendations at **312** meetings (**4,316** resolutions) over the last quarter.

- Total meetings in favour **29.5%**
- Meetings against (or against AND abstain) **59.9%**
- Meetings abstained **3.5%**
- Meetings with management by exception **7.1%**

Developed Asia

We made voting recommendations at **25** meetings (**202** resolutions) over the last quarter.

- Total meetings in favour **56%**
- Meetings against (or against AND abstain) **36%**
- Meetings with management by exception **8%**

Emerging and Frontier Markets

We made voting recommendations at **153** meetings (**1,712** resolutions) over the last quarter.

- Total meetings in favour **30.1%**
- Meetings against (or against AND abstain) **67.3%**
- Meetings abstained **1.3%**
- Meetings with management by exception **1.3%**

Europe

We made voting recommendations at **18** meetings (**292** resolutions) over the last quarter.

- Total meetings in favour **27.8%**
- Meetings against (or against AND abstain) **61.1%**
- Meetings with management by exception **11.1%**

North America

We made voting recommendations at **15** meetings (**161** resolutions) over the last quarter.

- Total meetings in favour **6.7%**
- Meetings against (or against AND abstain) **66.7%**
- Meetings with management by exception **26.7%**

United Kingdom

We made voting recommendations at **101** meetings (**1,949** resolutions) over the last quarter.

- Total meetings in favour **25.7%**
- Meetings against (or against AND abstain) **53.5%**
- Meetings abstained **8.9%**
- Meetings with management by exception **11.9%**

The issues on which we recommended voting against management or abstaining on resolutions are shown below.

Global

We recommended voting against or abstaining on **627** resolutions over the last quarter.

- Board structure **41.0%**
- Remuneration **23.6%**
- Shareholder resolution **4.9%**
- Capital structure and dividends **18.8%**
- Amend articles **3.2%**
- Audit and accounts **5.4%**
- Investment/M&A **0.3%**
- Other **2.7%**

Developed Asia

We recommended voting against or abstaining on **3 3** resolutions over the last quarter.

- Board structure **66.7%**
- Remuneration **3.0%**
- Capital structure and dividends **24.2%**
- Amend articles **3.0%**
- Audit and accounts **3.0%**

Emerging and Frontier Markets

We recommended voting against or abstaining on **3 8 9** resolutions over the last quarter.

- Board structure **48.8%**
- Remuneration **11.6%**
- Shareholder resolution **2.3%**
- Capital structure and dividends **24.7%**
- Amend articles **4.1%**
- Audit and accounts **3.6%**
- Investment/M&A **0.5%**
- Other **4.4%**

Europe

We recommended voting against or abstaining on **4 4** resolutions over the last quarter.

- Board structure **22.7%**
- Remuneration **47.7%**
- Capital structure and dividends **25%**
- Amend articles **2.3%**
- Audit and accounts **2.3%**

North America

We recommended voting against or abstaining on **4 4** resolutions over the last quarter.

- Board structure **27.3%**
- Remuneration **27.3%**
- Shareholder resolution **45.5%**

United Kingdom

We recommended voting against or abstaining on **117** resolutions over the last quarter.

- Board structure **19.7%**
- Remuneration **59.0%**
- Shareholder resolution **1.7%**
- Capital structure and dividends **2.6%**
- Amend articles **1.7%**
- Audit and accounts **15.4%**

Dorset County Pension Fund

Engagement by region

Over the last quarter we engaged with **379** companies held in the Dorset County Pension Fund portfolios on a range of **985** environmental, social and governance issues and objectives.

Global

We engaged with **379** companies over the last quarter.

- Environmental **19.9%**
- Social and Ethical **14.0%**
- Governance **48.7%**
- Strategy, Risk and Communication **17.4%**

Developed Asia

We engaged with **37** companies over the last quarter.

- Environmental **25.6%**
- Social and Ethical **14.9%**
- Governance **41.3%**
- Strategy, Risk and Communication **18.2%**

Emerging & Developing Markets

We engaged with **40** companies over the last quarter.

- Environmental **19.0%**
- Social and Ethical **18.1%**
- Governance **44.0%**
- Strategy, Risk and Communication **19.0%**

Europe

We engaged with **78** companies over the last quarter.

- Environmental **20.8%**
- Social and Ethical **10.1%**
- Governance **53.9%**
- Strategy, Risk and Communication **15.2%**

North America

We engaged with **131** companies over the last quarter.

- Environmental **18.1%**
- Social and Ethical **16.4%**
- Governance **49.2%**
- Strategy, Risk and Communication **16.4%**

United Kingdom

We engaged with **92** companies over the last quarter.

- Environmental **19.5%**
- Social and Ethical **10.7%**
- Governance **50.2%**
- Strategy, Risk and Communication **19.5%**

Australia & New Zealand

We engaged with **one** company over the last quarter.

- Governance **100.0%**

Engagement by theme

Over the last quarter we engaged with **379** companies held in the Dorset County Pension Fund portfolios on a range of **985** environmental, social and governance issues and objectives.

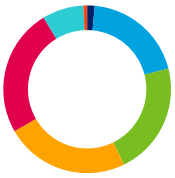
Environmental

Environmental topics featured in **19.9%** of our engagements over the last quarter.

- Climate Change **82.1%**
- Forestry and Land Use **3.6%**
- Pollution and Waste Management **6.1%**
- Supply Chain Management **4.1%**
- Water **4.1%**

Social and Ethical

Social and Ethical topics featured in **14.0%** of our engagements over the last quarter.



- Bribery and Corruption **1.4%**
- Conduct and Culture **19.6%**
- Diversity **21.7%**
- Human Capital Management **23.9%**
- Human Rights **24.6%**
- Labour Rights **8.0%**
- Tax **0.7%**

Governance

Governance topics featured in **48.7%** of our engagements over the last quarter.

- Board Diversity, Skills and Experience **22.9%**
- Board Independence **11.7%**
- Executive Remuneration **52.7%**
- Shareholder Protection and Rights **9.4%**
- Succession Planning **3.3%**

Strategy, Risk and Communication

Strategy, Risk and Communication topics featured in **17.4%** of our engagements over the last quarter.

- Audit and Accounting **7.6%**
- Business Strategy **26.9%**
- Cyber Security **8.8%**
- Integrated Reporting and Other Disclosure **18.1%**
- Risk Management **38.6%**

Dorset County Pension Fund

Over the last quarter we made voting recommendations at **116** meetings (**1,340** resolutions). At **53** meetings we recommended opposing one or more resolutions. We recommended voting with management by exception at **eight** meetings and abstaining at **three** meetings. We supported management on all resolutions at the remaining **52** meetings.

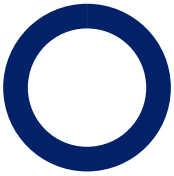
Global

We made voting recommendations at **116** meetings (**1,340** resolutions) over the last quarter.

- Total meetings in favour **44.8%**
- Meetings against (or against AND abstain) **45.7%**
- Meetings abstained **2.6%**
- Meetings with management by exception **6.9%**

Developed Asia

We made voting recommendations at **one** meeting (**four** resolutions) over the last quarter.



- Total meetings in favour **100%**

Emerging and Frontier Markets

We made voting recommendations at **64** meetings (**521** resolutions) over the last quarter.

- Total meetings in favour **40.6%**
- Meetings against (or against AND abstain) **51.6%**
- Meetings abstained **3.1%**
- Meetings with management by exception **4.7%**

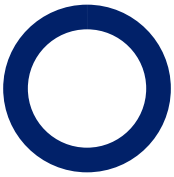
Europe

We made voting recommendations at **four** meetings (**76** resolutions) over the last quarter.

- Total meetings in favour **75%**
- Meetings against (or against AND abstain) **25%**

North America

We made voting recommendations at **one** meeting (**nine** resolutions) over the last quarter.



- Meetings against (or against AND abstain) **100%**

United Kingdom

We made voting recommendations at **46** meetings (**730** resolutions) over the last quarter.

- Total meetings in favour **47.8%**
- Meetings against (or against AND abstain) **39.1%**
- Meetings abstained **2.2%**
- Meetings with management by exception **10.9%**

The issues on which we recommended voting against management or abstaining on resolutions are shown below.

Global

We recommended voting against or abstaining on **172** resolutions over the last quarter.

- Board structure **50%**
- Remuneration **20.9%**
- Shareholder resolution **5.8%**
- Capital structure and dividends **7.0%**
- Amend articles **4.7%**
- Audit and accounts **3.5%**
- Other **8.1%**

Emerging and Frontier Markets

We recommended voting against or abstaining on **116** resolutions over the last quarter.

- Board structure **54.3%**
- Remuneration **6.9%**
- Shareholder resolution **6.0%**
- Capital structure and dividends **10.3%**
- Amend articles **6.9%**
- Audit and accounts **4.3%**
- Other **11.2%**

Europe

We recommended voting against or abstaining on **15** resolutions over the last quarter.

- Board structure **80%**
- Remuneration **6.7%**
- Audit and accounts **6.7%**
- Other **6.7%**

North America

We recommended voting against or abstaining on **five** resolutions over the last quarter.

- Board structure **20%**
- Remuneration **20%**
- Shareholder resolution **60%**

United Kingdom

We recommended voting against or abstaining on **36** resolutions over the last quarter.

- Board structure **27.8%**
- Remuneration **72.2%**

Dorset County Pension Fund

Engagement by region

Over the last quarter we engaged with **250** companies held in the Dorset County Pension Fund portfolios on a range of **707** environmental, social and governance issues and objectives.

Global

We engaged with **250** companies over the last quarter.

- Environmental **30.6%**
- Social and Ethical **21.2%**
- Governance **28.9%**
- Strategy, Risk and Communication **19.4%**

Australia & New Zealand

We engaged with **six** companies over the last quarter.

- Environmental **36.8%**
- Social and Ethical **15.8%**
- Governance **26.3%**
- Strategy, Risk and Communication **21.1%**

Developed Asia

We engaged with **29** companies over the last quarter.

- Environmental **34.1%**
- Social and Ethical **22.0%**
- Governance **30.5%**
- Strategy, Risk and Communication **13.4%**

Emerging & Developing Markets

We engaged with **26** companies over the last quarter.

- Environmental **28.8%**
- Social and Ethical **13.6%**
- Governance **39.4%**
- Strategy, Risk and Communication **18.2%**

Europe

We engaged with **50** companies over the last quarter.

- Environmental **35.9%**
- Social and Ethical **19.9%**
- Governance **21.8%**
- Strategy, Risk and Communication **22.4%**

North America

We engaged with **87** companies over the last quarter.

- Environmental **28.6%**
- Social and Ethical **22.4%**
- Governance **26.6%**
- Strategy, Risk and Communication **22.4%**

United Kingdom

We engaged with **52** companies over the last quarter.

- Environmental **25.9%**
- Social and Ethical **24.5%**
- Governance **35.0%**
- Strategy, Risk and Communication **14.7%**

Engagement by theme

Over the last quarter we engaged with **250** companies held in the Dorset County Pension Fund portfolios on a range of **707** environmental, social and governance issues and objectives.

Environmental

Environmental topics featured in **30.6%** of our engagements over the last quarter.

- Climate Change **78.2%**
- Forestry and Land Use **3.2%**
- Pollution and Waste Management **13.9%**
- Supply Chain Management **2.3%**
- Water **2.3%**

Social and Ethical

Social and Ethical topics featured in **21.2%** of our engagements over the last quarter.

- Bribery and Corruption **1.3%**
- Conduct and Culture **17.3%**
- Diversity **16.7%**
- Human Capital Management **24.7%**
- Human Rights **31.3%**
- Labour Rights **6.0%**
- Tax **2.7%**

Governance

Governance topics featured in **28.9%** of our engagements over the last quarter.

- Board Diversity, Skills and Experience **27.9%**
- Board Independence **15.7%**
- Executive Remuneration **43.1%**
- Shareholder Protection and Rights **9.3%**
- Succession Planning **3.9%**

Strategy, Risk and Communication

Strategy, Risk and Communication topics featured in **19.4%** of our engagements over the last quarter.

- Audit and Accounting **5.1%**
- Business Strategy **42.3%**
- Cyber Security **0.7%**
- Integrated Reporting and Other Disclosure **22.6%**
- Risk Management **29.2%**

Dorset County Pension Fund

Over the last quarter we made voting recommendations at **99** meetings (**669** resolutions). At **38** meetings we recommended opposing one or more resolutions. We recommended voting with management by exception at **one** meeting and abstaining at **one** meeting. We supported management on all resolutions at the remaining **59** meetings.

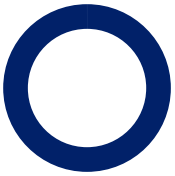
Global

We made voting recommendations at **99** meetings (**669** resolutions) over the last quarter.

- Total meetings in favour **59.6%**
- Meetings against (or against AND abstain) **38.4%**
- Meetings abstained **1.0%**
- Meetings with management by exception **1.0%**

Australia and New Zealand

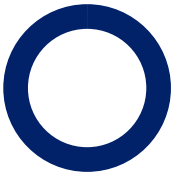
We made voting recommendations at **one** meeting (**five** resolutions) over the last quarter.



- Meetings against (or against AND abstain) **100%**

Developed Asia

We made voting recommendations at **six** meetings (**six** resolutions) over the last quarter.



- Total meetings in favour **100%**

Emerging and Frontier Markets

We made voting recommendations at **56** meetings (**299** resolutions) over the last quarter.

- Total meetings in favour **60.7%**
- Meetings against (or against AND abstain) **37.5%**
- Meetings with management by exception **1.8%**

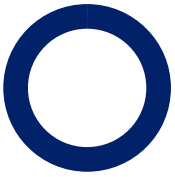
Europe

We made voting recommendations at **eight** meetings (**46** resolutions) over the last quarter.

- Total meetings in favour **37.5%**
- Meetings against (or against AND abstain) **50%**
- Meetings abstained **12.5%**

North America

We made voting recommendations at **four** meetings (**45** resolutions) over the last quarter.



- Meetings against (or against AND abstain) **100%**

United Kingdom

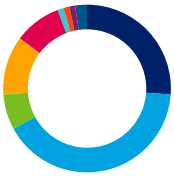
We made voting recommendations at **24** meetings (**268** resolutions) over the last quarter.

- Total meetings in favour **66.7%**
- Meetings against (or against AND abstain) **33.3%**

The issues on which we recommended voting against management or abstaining on resolutions are shown below.

Global

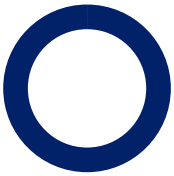
We recommended voting against or abstaining on **88** resolutions over the last quarter.



- Board structure **26.1%**
- Remuneration **40.9%**
- Shareholder resolution **6.8%**
- Capital structure and dividends **11.4%**
- Amend articles **9.1%**
- Audit and accounts **1.1%**
- Investment/M&A **1.1%**
- Poison pill/Anti-takeover device **1.1%**
- Other **2.3%**

Australia and New Zealand

We recommended voting against or abstaining on **one** resolution over the last quarter.



- Remuneration **100%**

Emerging and Frontier Markets

We recommended voting against or abstaining on **42** resolutions over the last quarter.

- Board structure **26.2%**
- Remuneration **42.9%**
- Capital structure and dividends **9.5%**
- Amend articles **14.3%**
- Investment/M&A **2.4%**
- Poison pill/Anti-takeover device **2.4%**
- Other **2.4%**

Europe

We recommended voting against or abstaining on **18** resolutions over the last quarter.

- Board structure **22.2%**
- Remuneration **16.7%**
- Shareholder resolution **11.1%**
- Capital structure and dividends **33.3%**
- Amend articles **11.1%**
- Other **5.6%**

North America

We recommended voting against or abstaining on **ten** resolutions over the last quarter.

- Board structure **50%**
- Remuneration **40%**
- Shareholder resolution **10%**

United Kingdom

We recommended voting against or abstaining on **17** resolutions over the last quarter.

- Board structure **17.6%**
- Remuneration **58.8%**
- Shareholder resolution **17.6%**
- Audit and accounts **5.9%**

Dorset County Pension Fund

Engagement by region

Over the last quarter we engaged with **362** companies held in the Dorset County Pension Fund portfolios on a range of **1,049** environmental, social and governance issues and objectives.

Global

We engaged with **362** companies over the last quarter.

- Environmental **29.3%**
- Social and Ethical **22.0%**
- Governance **29.9%**
- Strategy, Risk and Communication **18.8%**

Australia & New Zealand

We engaged with **30** companies over the last quarter.

- Environmental **13.0%**
- Social and Ethical **10.9%**
- Governance **69.6%**
- Strategy, Risk and Communication **6.5%**

Developed Asia

We engaged with **51** companies over the last quarter.

- Environmental **32.6%**
- Social and Ethical **26.5%**
- Governance **25.8%**
- Strategy, Risk and Communication **15.2%**

Emerging & Developing Markets

We engaged with **19** companies over the last quarter.

- Environmental **23.6%**
- Social and Ethical **12.7%**
- Governance **34.5%**
- Strategy, Risk and Communication **29.1%**

Europe

We engaged with **91** companies over the last quarter.

- Environmental **38.1%**
- Social and Ethical **21.7%**
- Governance **21.7%**
- Strategy, Risk and Communication **18.5%**

North America

We engaged with **126** companies over the last quarter.

- Environmental **25.3%**
- Social and Ethical **20.5%**
- Governance **34.3%**
- Strategy, Risk and Communication **19.9%**

United Kingdom

We engaged with **45** companies over the last quarter.

- Environmental **27.3%**
- Social and Ethical **30.2%**
- Governance **23.0%**
- Strategy, Risk and Communication **19.4%**

Engagement by theme

Over the last quarter we engaged with **362** companies held in the Dorset County Pension Fund portfolios on a range of **1,049** environmental, social and governance issues and objectives.

Environmental

Environmental topics featured in **29.3%** of our engagements over the last quarter.

- Climate Change **80.1%**
- Forestry and Land Use **2.9%**
- Pollution and Waste Management **10.4%**
- Supply Chain Management **3.3%**
- Water **3.3%**

Social and Ethical

Social and Ethical topics featured in **22.0%** of our engagements over the last quarter.

- Bribery and Corruption **4.8%**
- Conduct and Culture **19.0%**
- Diversity **22.9%**
- Human Capital Management **15.2%**
- Human Rights **30.7%**
- Labour Rights **6.5%**
- Tax **0.9%**

Governance

Governance topics featured in **29.9%** of our engagements over the last quarter.

- Board Diversity, Skills and Experience **22.0%**
- Board Independence **11.8%**
- Executive Remuneration **46.5%**
- Shareholder Protection and Rights **15.3%**
- Succession Planning **4.5%**

Strategy, Risk and Communication

Strategy, Risk and Communication topics featured in **18.8%** of our engagements over the last quarter.

- Audit and Accounting **3.6%**
- Business Strategy **38.6%**
- Cyber Security **4.6%**
- Integrated Reporting and Other Disclosure **22.8%**
- Risk Management **30.5%**

Appendix 9

Risk Management

Risk management is the process of identifying risks, evaluating their likelihood and potential impact and determining the most effective methods of controlling or responding to them. Risk management is an integral element of managing the Pension Fund. The Pension Fund has a risk register which identifies the major risks associated with managing the Fund. This is reviewed by the Pensions Committee annually, and new or changed risks are reported at each quarterly meeting.

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 following table highlights the key risks and how they are managed. The measures that it has in place to control key risks are summarised below under the following headings:

a) Financial Risks;

b) Workforce Risks; and

c) Other Risks.

Pension Fund Risk Register

	Financial	Strategic Priorities and Opportunities	Health and Safety	Reputational	Criticality of Service
High i.e. a greater than 20% chance of:	Potential to cause significant damage or seriously weaken the survival of the Fund	Major impact (positive or negative on a strategic priority)	Fatality or major injury/ illness (long term incapacity / disability)	Sustained/long term media attention	Unable to deliver critical services (levels one and two)
Medium i.e. a greater than 20% chance of:	Reasonable impact in a single financial period or in the short-term but can be contained	Moderate impact (positive or negative on a strategic priority)	Moderate injury or illness (including other RIDDOR reportable incidents)	Short to medium term impact on public memory (affecting more than one ward)	Unable to deliver critical services (level three)
Low i.e.	Negligible / minor impact	Minor/ negligible impact (positive or negative) on a strategic priority	Potential for minor injury/illness (requiring minimal intervention or treatment)	Short to medium term impact on public memory (affecting one ward) / minor complaints or rumours	Minor disruption to service delivery

In using this matrix, you should consider the extent of impact across each of the 5 impact headings. If there is a 20% chance or more of any of the impacts in the top row occurring based on the current controls identified, it should be recorded as "High". If less than 20% it would drop to medium (with the same principle applying to the middle row).

Risk Description	Risk Status Open or Closed	Risk Lead	Date Identified	Current Controls How do we currently manage this risk?	Current Risk High / Medium / Low	Movement Since Last Review Improving / Deteriorating / No Change	Is the current level of risk acceptable? i.e. Yes or No, based on the current controls	Any Issues to Highlight Since Last Review?	Further actions identified to achieve an acceptable level of risk	Target Date for further actions	COVID-19 Notes
A) Financial Risks											
A01 Loss of funds through fraud or misappropriation	Open	Fund Administrator	Oct-11	Internal and External Audit; Assurance that current systems provide appropriate level of internal control; reporting and monitoring; reporting to Audit & Scrutiny Committee; policies and procedures	Low	No Change	Yes	The establishment of BPP will require revised protections against fraud or misappropriation of funds.	Continual review of potential exposures.	On-going	N/A
A02 A company admitted to the Fund as an admission body may become financially unviable	Open	Fund Administrator	Oct-11	An Admission Body will only be admitted to the Fund if they have a Bond in place, or have a financial guarantor, for example the outsourcing authority. This covers any potential costs and losses. The value of this bond is set at the start of the contract and is reviwed periodically.	Low	No Change	Yes	See COVID-19 notes	Admission bodies admitted to the Fund historically may not have the financial guarantees or Bonds in place. We are currently looking at how many employers this affects, though there may be little that can be done now to address this. **Bond review to take place summer 2020.**	On-going	It is possible that some employers may go into administration as a result of COVID-19 measures, but as yet none have indicated that this is likely.
A03 An employer with a large surplus chooses to exit the fund	Open	Fund Administrator	Oct-11	Not able to control	Low	N/A	Yes	N/A	Discussions continue with our Actuaries in regard to this and any actions needed.	On-going	N/A

Risk Description	Risk Status Open or Closed	Risk Lead	Date Identified	Current Controls How do we currently manage this risk?	Current Risk High / Medium / Low	Movement Since Last Review Improving / Deteriorating / No Change	Is the current level of risk acceptable? i.e. Yes or No, based on the current controls	Any Issues to Highlight Since Last Review?	Further actions identified to achieve an acceptable level of risk	Target Date for further actions	COVID-19 Notes
B) Workforce Risks											
B01 Health and safety of staff	Open	Fund Administrator	Oct-11	Work station assessments; PDR trigger interviews; absence management; DCC health & safety policies	Low	No Change	Yes	DC have also invested in employee wellbeing with resources and information being made available on on the DC intranet, along with individual advice and guidance.	Ensure staff are made aware of all resources and support available. Managers to engage with team members - particularly where issues may be suspected. Also see COVID-19 notes.		**Homeworking** The wellbeing of staff (particularly those who live alone) is an issue. DC provide resourses on these subjects via the DC intranet. Managers encouraged to engage with staff members. Workspace assesments required. **Office working** Measures are being taken so that social distancing can be observed within the office.
B02 Failure to recruit, develop and retain suitably skilled staff. There is also a requirement to ensure that Committee members and Board members are appropriately trained to undertake their duties effectively.	Open	Fund Administrator	Oct-11	Access to Management Development / Training; PDR; structure review The establishment of BPP should ensure greater resilience against the loss of key staff re. investments.	Low	No Change	Yes		Continued training / development, where appropriate and identified via PDRs; Work shadowing and ensure staff have ability to cover in the absence of key people; Ensure appropriate succession and resilience planning for key people risks.	On-going	**Board training** As attendance at events is not currently possible, training has moved 'on-line'. Board and Committee members are encouaged to attend webinars that have been set up in place of conferences and seminars.
B03 Failure to maintain the balance between workload and staff capacity	Open	Fund Administrator	Oct-11	Service planning and PDR process; continual review of workloads within teams; additional posts can be funded from pension fund where particular capacity demands are identified, at the approval of the Pension Fund Administrator	Low	No Change	Yes	See COVID-19 notes	Review potential for secondments etc. to meet particular areas where capacity is stretched.	On-going	It is possible that once normal office working resumes, action may be required to address any backlogs caused by COVID-19 working restrictions.

Risk Description	Risk Status Open or Closed	Risk Lead	Date Identified	Current Controls How do we currently manage this risk?	Current Risk High / Medium / Low	Movement Since Last Review Improving / Deteriorating / No Change	Is the current level of risk acceptable? i.e. Yes or No, based on the current controls	Any Issues to Highlight Since Last Review?	Further actions identified to achieve an acceptable level of risk	Target Date for further actions	COVID-19 Notes
C) Other Risks											
C01 Inability to provide service, due to a loss of Council facilities (IT; building) or staff.	Open	Fund Administrator	Oct-11	Business continuity plans maintained for critical services; Nat West Banking facilities can be accessed from home/ remotely; contact numbers held for the team. Disaster recovery in place for Altair.	Low	No Change	Yes	See COVID-19 notes	Regular review of business continuity plans. Corporate business continuity plans.		To avoid the spread of the virus within pensions staff, home working has been set up for all staff members and access to the office is limited (based on a rota). Staff meetings take place via Skype and Microsoft Teams. The focus is on priority work. Some backlogs may arise in less time critical matters.
C02 Poor services, or perception of poor service.	Open	Fund Administrator	Oct-11	Service planning and PDR process; external audit; internal audit reviews; processes and procedures.	Low	No Change	Yes		None		Home working for DCPF and employers has had an impact on certain areas of work. When dealing with cases, staff are encouraged to regularly update members should any delays occur.
C03 Secure management and handling of confidential and/or personal information.	Open	Fund Administrator	Oct-11	Data awareness guidance promoted corporately; secure email; secure payments portal to actuary.	Medium	No Change	Yes	See COVID-19 notes	Ensure all appropriate team members undertake the GDPR training on an annual basis.	On-going	Home working means that confidential files have to leave the office. Staff briefed on importance of security in these instances.
C04 Unrestricted physical access to office and confidential and / or personal information	Open	Service Manager for Pensions	Jun-18	The Pensions office is not now a general walkthrough. The meeting room within the office is only be bookable by pensions staff therefore mitigating risk of data breaches.	Medium	No-Change	Yes		Members seeking advice from DCPF staff are required to arrange a meeting and can no longer just turn up in the office.	On-going	N/A

All leaflets can be made available in audio tape, large print and Braille, or alternative languages on request.

November 2021