



Dorset County Pension Fund Annual Report 2015/16



Dorset County Pension Fund
Administered by Dorset County Council

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Management Organisation

Administering Authority

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

Pension Fund Committee

Representing Bournemouth
Borough Council:

Mr J Beesley (Chairman)

Representing Borough of Poole Council:

Mrs M Haines

Representing Dorset County Council:

Mr M Byatt (Vice Chairman)

Mr A Canning

Mr R Coatsworth

Mr C Jamieson to November 2015

Mr M Lovell

Mr P Wharf from November 2015

Representing the District Councils
of Dorset:

Capt J Lofts

Scheme Member Representative:

Mr J Stephens

Independent Adviser:

Mr A Saunders (Senior Adviser)

Allenbridge Epic Investment Advisers

Local Pensions Board:

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

Current Board Membership:

Employer Representative –

Dorset County Council

Councillor Andrew Cattaway (Chairman)

Scheme Member Representative –

Self-Nominated Retired Scheme Member

Mr Paul Kent (Vice-Chairman)

Employer Representative –

Bournemouth Borough Council

Mr Robin Ingleton

Employer Representative –

Borough of Poole

Mr Adam Richens

Scheme Member Representative –

Nominated by Unison –

Active Scheme Member

Mr Robert Roriston

Scheme Member Representative –

Nominated by Unison –

Active Scheme Member

Mr Jeff Morley

Actuary

Barnett Waddingham LLP

Auditors

KPMG LLP

Bankers

NatWest Bank – Main Bankers

Pictet et Cie Banquiers – Overseas Equities

HSBC Global Investor Services – UK

Equities and Bonds Custodian

AVC Providers

Prudential

Fund Legal Advisors

Osborne Clarke

The Fund is a member of the National Association of Pension funds (NAPF) and the Local Authority Pension Fund Forum (LAPFF)

Officers

Richard Bates – Fund Administrator

Nick Buckland – Chief Treasury and Pensions Manager

David Wilkes – Pension Fund Accountant

Anne Cheffey – Pensions Benefits Manager

Further Information

For further information on any aspect of the fund please call the pensions helpline on: (01305) 224845 or email: pensionshelpline@dorsetcc.gov.uk

Chairman's Statement



Pension Fund Committee

Back row (Left to right): May Haines, John Lofts, Peter Wharf, Johnny Stephens, Andy Canning, Mike Lovell, Ronald Coatsworth
Front row (Left to right): Nick Buckland, Mike Byatt, John Beesley, Richard Bates, Alan Saunders

In Local Government Pension terms it has been a year dominated by pooling of investments. As I referred to in my statement in last year's report the Chancellor announced in July 2015 that he intended to work with the LGPS to ensure that all investments are pooled in order to reduce costs, whilst maintaining overall investment returns, and he invited local authorities to come forward with proposals. The proposals had to meet four key criteria that were published in November that year.

To address this pooling requirement the Dorset Fund joined with seven other South West Funds to initiate "Project Brunel". The eight South West based LGPS Funds; Avon, Cornwall, Devon, Dorset, The Environment Agency, Gloucestershire, Somerset and Wiltshire

have a long history of working together, and it seemed an obvious solution to all. Towards the end of 2015 the Buckinghamshire and Oxfordshire funds also decided to join Project Brunel, and they were welcomed to the group.

The Brunel pool of ten funds has total assets of more than £23 Billion, which was accepted by the government as being of a suitably ambitious size, after the initial submission which was made in February 2016. Project Brunel, or as it will ultimately be named, the Brunel Pension Partnership, is one of eight proposed pools across England and Wales. Each of the pools is continuing to work on their proposals, in particular ahead of a second more detailed proposal that was required by the Government in July.

I have been pleased to take an active part in the formation of the Brunel Pension Partnership as one of two Vice-Chairmen of the Shadow Oversight Board. The project has involved a significant amount of effort from all concerned, and with a deadline for implementation of 1 April 2018, there is no sign of any let-up.

On a more local level, the Dorset Fund's performance was ahead of the benchmark which returned -0.9% for the year, however the positive return for the year of 0.2% was low. This saw the Fund achieve performance in line with the average local authority over the twelve months. The Fund performance over three years continues to look healthy with a return of 6.5% which is well ahead of the benchmark return of 5.5%. More importantly, perhaps in an Actuarial Valuation year, the return is also ahead of the Actuary's target for the period. Over the five years to end of March the Fund returned 8.2% per annum. The three and five year returns continue to be ahead of the Local Authority averages which are 6.4% and 7.1% respectively.

If the pooling agenda was not enough for LGPS funds to be dealing with over the next few years, the result of the EU referendum in June this year will no doubt add more volatility to markets whilst the ongoing discussions take place. I feel that the Fund's investment strategy is well positioned to cope with the inevitably bumpy ride that is ahead of us but feel that we need to ensure that we remain flexible in our approach to continue to be successful.

I would like to welcome Councillor Peter Wharf to the Committee as a new representative of Dorset County Council. Peter joined the Committee in November

2015 replacing my deputy Chairman Colin Jamieson who stood down due to other commitments. Colin was replaced as Deputy Chairman of the Committee by Mike Byatt. I look forward to working with them in the future.

It would not be appropriate to conclude my comments this year without paying tribute to my predecessor as Chairman of the Pension Fund Committee; Councillor Neil Sorton who passed away after a long illness in December. Neil retired as a Councillor in May 2015 and prior to that served as Chairman of the Committee for six years. Neil will be very sadly missed by all those who knew him, including his many friends and colleagues within the Dorset Fund.



John Beesley
Chairman
August 2016

Fund Background

The Dorset Fund provides the funding for the pensions of mainly government employees in Dorset. Separate arrangements are made for teachers, fire-fighters and police officers.

A committee of elected members, five County Councillors, two councillors representing Bournemouth and Poole Councils, one District Councillor, and one non-voting Scheme Member representative, are responsible for making investment policy, appointing managers and monitoring performance. Advice is taken from an investment management expert who is not involved in the management of the Fund's assets.

Sixteen managers are employed to manage the assets:

Allianz Global Investors, Investec Asset Management Ltd and Wellington Investment Management are the Overseas Equity Mangers.

CBRE Global Investors are responsible for the property portfolio.

Royal London Asset Management (rlam) were appointed in 2007 and are responsible for managing the Fixed Interest portfolio.

Standard Life, AXA Framlington and Schroders are the three External UK Equity Managers.

Standard Life and HarbourVest are the Private Equity Managers.

Baring Asset Management manage the Diversified Growth Fund.

Insight manage the Liability Matching Bond portfolio.

JPMorgan Asset Management are the Emerging Markets Equity Manager.

Hermes GPE and **IFM Investors** are the new Infrastructure Managers.

The Chief Executive's Treasury and Investments Team manage the UK Equity portfolio and cash balances.



Dorset County Council's Treasury and Pensions Team

Overall Performance

By the end of 2015/16 the value of the Fund's assets had fallen by 0.035M to £2,266.4Bn. £24.0M was added to the fund from new money*, the rise in the value of investments was £24.0M. In 1974 when the Fund was established it was valued at £15M.

Diagram one shows the current distribution of these assets with market value and percentage of the portfolio as at 31 March 2016.

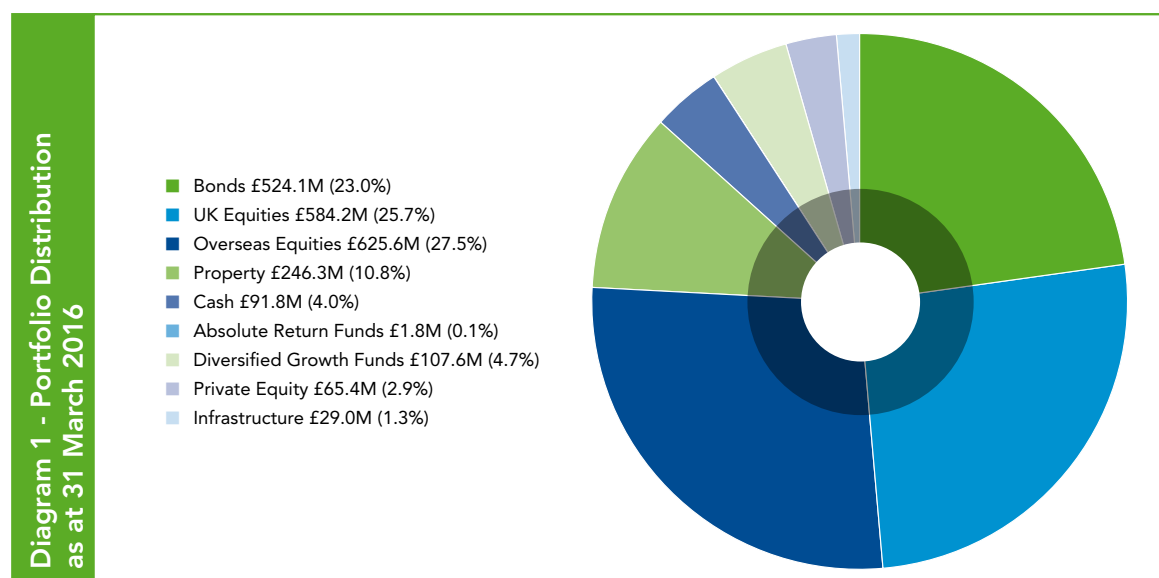
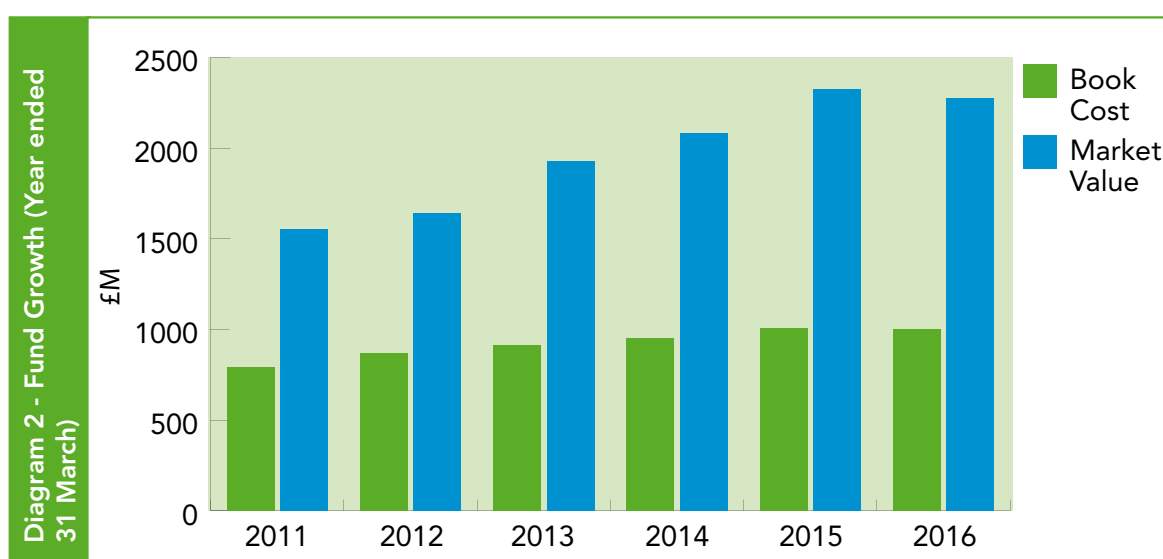


Diagram two shows the change in value of the Fund over the last six years as at 31 March and highlights the contribution made over time by the appreciation of assets (value less cost).

(* New money is the difference between the income received by the Fund from employees, employers and investment earnings and benefits paid out and the costs of running the scheme.)



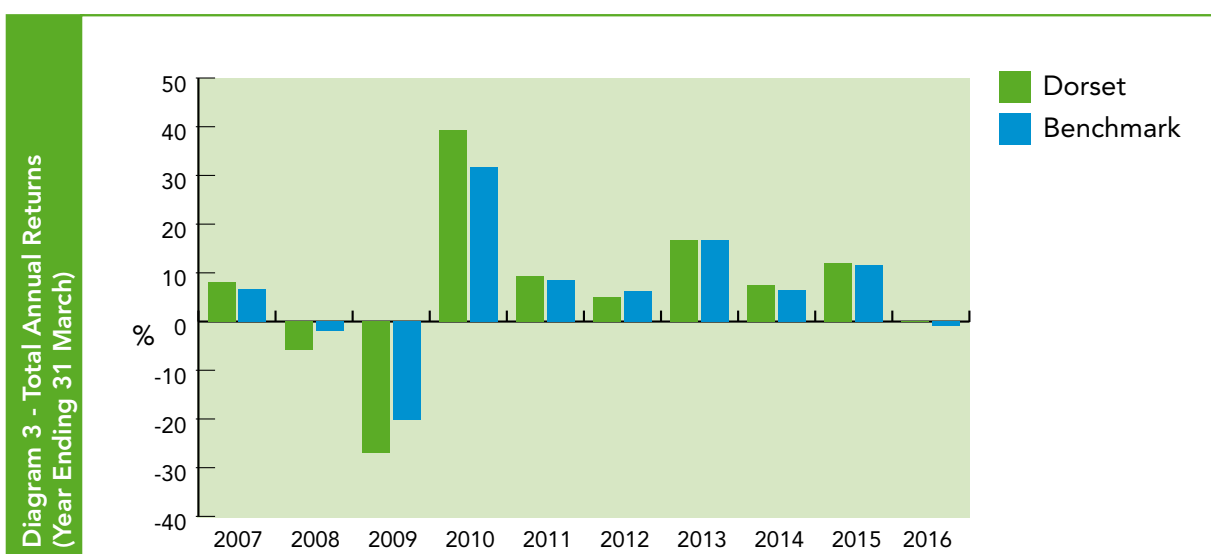


Diagram three shows the total return of the Fund compared with its benchmark for each of the last ten years as at 31 March. The benchmark was the WM Local Authority Average to 31 December 2003, and has been the Fund specific benchmark since then.

Rates of Return One Year Summary

During the year, the Fund outperformed its bespoke benchmark with a return of 0.1% compared to a return of -0.9%. Positives to performance have been attributable to mainly four managers. The two Private Equity managers, HarbourVest and Standard Life both outperformed their benchmarks by 27.6% and 26.3%, whilst UK Equity managers AXA Framlington and Schroders outperformed their benchmarks by 3.2% and 5.4% respectively.

The main detractors to performance were the Diversified Growth Fund manager, Baring Asset Management, who underperformed their benchmark by 8.2% and the UK Equity manager, Standard Life who underperformed their benchmark by 3.8%.

Rate of Return Three Year Summary

Over the three year period, the Fund returned 6.5% against its bespoke benchmark of 5.5%. Positives to performance included HarbourVest and Standard Life, the Private Equity manager who outperformed their benchmarks by 13.1% and 8.1% respectively.

The main detractors to performance were Baring Asset Management and JPMorgan Asset Management who underperformed their benchmarks by 2.4% and 0.7% respectively.

Rate of Return Five Year Summary

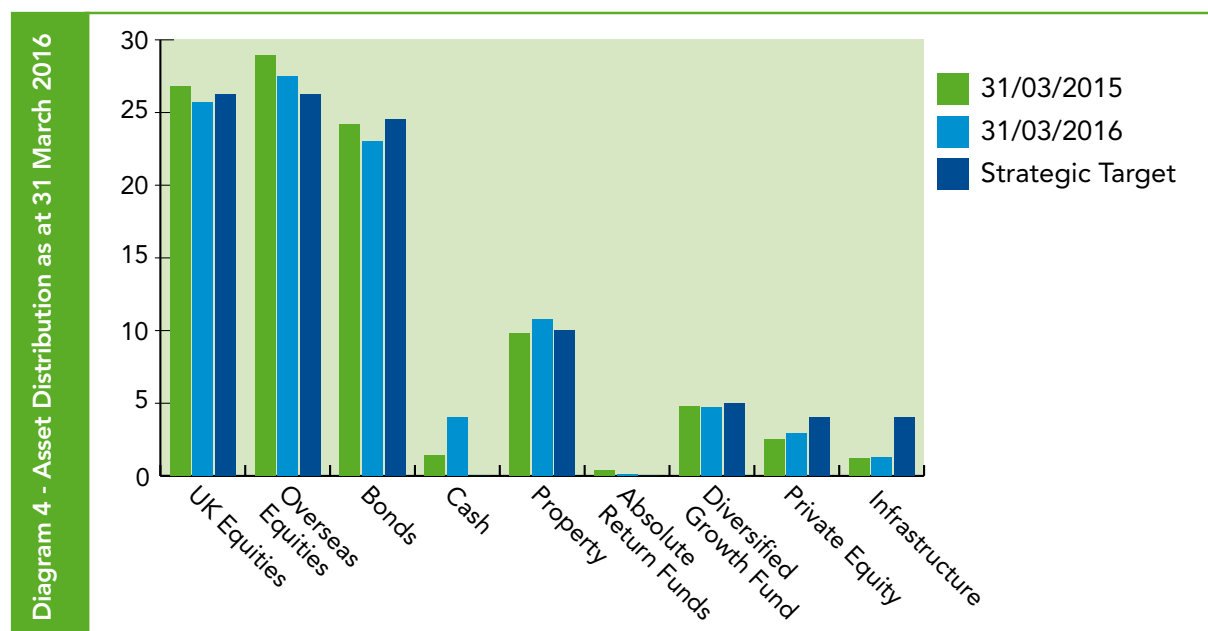
During the five year period, the Fund has outperformed its bespoke benchmark with a return of 8.2% compared to 7.8%. Positives to performance were HarbourVest who outperformed its benchmark by 10.4%, whilst Standard Life Private Equity and AXA Framlington outperformed their benchmarks by 5.6% and 3.2% respectively.

The main detractor to performance was UK manager, Standard Life who underperformed its benchmark by 0.8%.

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

Table One - Rates of Return for 1, 3 and 5 years						
	Dorset	Benchmark	Dorset	Benchmark	Dorset	Benchmark
	1 year		3 year		5 year	
	%	%	%	%	%	%
UK Equities						
Internally managed	-4.2	-4.1	3.6	3.5	5.6	5.6
AXA Framlington	-0.7	-3.9	6.9	3.7	8.9	5.7
Schroders	11.3	5.9	14.1	12.3	13.5	12.6
Standard Life	-7.7	-3.9	3.4	3.7	4.9	5.7
Overseas Equities						
Pictet (1)	8.8	6.3	14.0	14.1	8.8	9.1
Janus (1)	11.4	7.3	21.3	19.0	15.6	13.9
Allianz (2)	1.4	2.2	N/A	N/A	N/A	N/A
Investec (2)	0.0	2.2	N/A	N/A	N/A	N/A
Wellington (2)	-0.6	2.2	N/A	N/A	N/A	N/A
Emerging Markets						
JP Morgan	-8.4	-9.1	-3.4	-2.7	N/A	N/A
Bonds						
rlam	-0.1	0.1	6.8	5.8	11.6	11.5
Absolute Return Funds						
Gottex (3)	28.8	5.6	10.4	5.7	6.3	5.7
Pioneer (3)	-29.1	6.7	-3.0	6.7	2.9	6.8
IAM (3)	-41.6	7.4	-13.1	7.4	-8.0	7.4
Private Equity						
HarbourVest	23.7	-3.9	16.8	3.7	16.1	5.7
Standard Life	22.4	-3.9	11.8	3.7	11.3	5.7
Property						
CBRE Global Investors	12.5	11.3	15.4	13.9	11.4	10.2
Diversified Growth Fund						
Baring Asset Management (5)	-3.6	4.6	2.2	4.6	N/A	N/A
Inflation Hedging Bonds						
Insight	-13.9	-13.9	-5.5	-5.8	N/A	N/A
Infrastructure						
Hermes Fund (4)	5.1	2.4	8.1	7.7	N/A	N/A
Total Assets	0.1	-0.9	6.5	5.5	8.2	7.8
(1) Mandates terminated December 2015. (2) New mandates December 2015. (3) Divesting from the Fund. (4) Benchmarking since inception - 2015. (5) Appointed 2012.						

The asset mix of the portfolio is shown in **Diagram four**.



* Please note that there was no strategic target for cash.

		31-Mar-15		31-Mar-16		Target Allocation	
Asset Class	Manager	£M	%	£M	%	£M	%
Bonds	(Several)	562.6	24.2%	524.1	23.0%	557.6	24.50%
UK Equities	(Several)	623.5	26.8%	584.2	25.7%	597.4	26.25%
Overseas Equities	(Several)	628.7	27.0%	625.6	27.5%	597.4	26.25%
Property	(CBREi)	228.8	9.8%	246.3	10.8%	227.6	10.00%
Absolute Return Funds	(Several)	8.3	0.4%	1.8	0.1%	-	0.00%
Infrastructure	(Several)	26.8	1.2%	29.0	1.3%	91.0	4.00%
Private Equity	(Several)	59.2	2.6%	65.4	2.9%	91.0	4.00%
Diversified Growth	(Barings)	111.6	4.8%	107.6	4.7%	113.8	5.00%
Cash	(Internal)	75.5	3.2%	91.8	4.0%	-	0.00%
Total		2,325.0	100.0%	2,275.8	100.0%	2,275.8	100.0%



Henbury Building, Hope Park, Macclesfield –
Purchased on 11 December 2015 for £2.8M

The table above shows that in most asset classes the Fund's allocation is now close to or slightly above target, with the exception of Private Equity and Infrastructure which will take a number of years to fully drawdown.

Activity

Table three summarises the net investment activity across the major asset classes and makes a comparison with the previous year. The chart shows the tactical changes made to Fund's asset allocation, namely:

- Net sale of £3.3M in the UK Equities - Quoted
- Investment in the Property portfolio was increased by £1.1M
- Net purchase of Overseas Quoted of £107.8M
- Decrease of Pooled Investment Vehicles of £93.7M
- Increase in Cash of £16.3M
- Net sale in Private Equity of £5.8M
- Decrease in Absolute Return Funds of £4.0M

Table Three – Net Investment Transaction 2015/16 JB to do		
	2014/15 £M	2015/16 £M
Cash	-78.9	16.3
Overseas Equities - Quoted	1.9	107.8
UK Equities - Quoted	26.5	-3.3
Pooled Investment Vehicles	121.4	-93.7
Property	28.6	1.1
Absolute Return (Hedge) Funds	-39.0	-4.0
Forward Foreign Exchange	-14.5	4.2
Private Equity	5.4	-5.8
Total	51.4	22.6

Table four shows the annual turnover of stocks (purchases added to sales) and shows the decreased volume in 2015/16 as a result of the continuing asset allocation changes made during the year.

Table Four	
Annual Turnover	
Financial year	£M
2009/10	446.4
2010/11	715.0
2011/12	460.2
2012/13	696.8
2013/14	245.1
2014/15	592.5
2015/16	1,190.5

Below and on page 11 are two photographs of properties owned by the Dorset County Pension Fund.



Refurbishments at Crawley, Woolborough Lane
Unit D

Scheme Membership and Benefits

The Scheme

The scheme is governed by the statutory regulations made by the Secretary of State for the Environment under the Superannuation Act 1972.

The scheme is contained in the Local Government Pension Scheme 2013, which came into force from 1 April 2014. This replaced the Local Government Pension Scheme Regulations 2008. The scheme is a defined benefit pension scheme that is contracted-out of the State Second Pension Scheme (S2P) and is fully administered by Dorset County Council.

Employees' contributions range from 5.5% to 12.5% depending on their earnings. Employers are also required to contribute to the scheme at a rate assessed by the fund's Actuary (Barnett Waddingham). A valuation is carried out every three years. The last valuation was undertaken as at 31 March 2013 that sets out the employers' contribution rate for the three year period commencing 1 April 2014.

Table five below summarises the Dorset Fund Market Values – Comparative Figures

Table five shows the Employer – Scheduled Bodies and Admitted Bodies numbers and the Contribution Rates Paid.

Employer - Scheduled Bodies	Number of Contributors	Number of Pensioners	Contribution Rate %
Ad Astra Infants School (Teach Trust)	57	0	17.4
Alderholt Parish Council	2	0	16.5
Allenbourn Middle School	71	0	17.4
Ambitions Academies Trust	11	0	17.4
Arts Institute At Bournemouth	247	41	12.0
Avonbourne Academy	162	8	17.4
Avonbourne School	0	22	17.4
Avonwood Primary Academy	1	0	17.4
Beaucroft School	0	10	17.4
Bere Regis Parish Council	1	0	17.4
Bethany CE Junior School	39	0	17.4
Bishop Of Winchester Academy	94	7	17.4
Blandford Education Trust	127	3	17.4
Blandford Town Council	16	9	17.4
Borough Of Poole	3,045	2,008	17.4
Bourne Academy	69	6	17.4
Bournemouth and Poole Adult Learning	50	19	17.4
Bournemouth And Poole College	432	295	17.4
Bournemouth Bourough Council	3,282	2,778	17.4
Bournemouth Health	0	1	17.4
Bournemouth Hurn Airport	0	36	17.4
Bournemouth Motor Tax	0	1	17.4
Bournemouth Primary Trust	6	0	17.4
Bournemouth School	0	17	17.4
Bournemouth School Academy	48	3	17.4
Bournemouth School For Girls	0	12	17.4
Bournemouth School For Girls Academy	49	7	17.4
Bournemouth Transport	3	173	24.3
Bournemouth University	973	360	14.3
Bridport Town Council	13	4	16.5
Broadstone First Academy	44	0	17.4
Broadstone Middle Academy	31	0	17.4
Budmouth Technology College	136	25	21.0
Canford Heath Infants (Teach Trust)	46	0	17.4
Canford Heath Junior (Teach Trust)	53	0	17.4
Carter Community School	60	1	17.4
Castleman Academy Trust	2	0	17.4
Chickerell Primary Academy	50	2	17.4
Chickerell Town Council	2	0	16.5
Christchurch Borough Council	185	222	13.6
Colehill First School	30	3	17.4
Colehill Parish Council	1	2	19.6
Corfe Castle Primary	16	0	17.4
Corfe Hills Academy	83	11	17.4
Corfe Hills School	0	27	17.4
Corfe Mullen Parish Council	6	0	16.5
Crossways Parish Council	2	0	16.5
Dorchester Joint Burial Committee	0	1	16.5
Dorchester Middle School	65	2	17.4
Dorchester Town Council	32	22	16.5

Table five, continued

Employer - Scheduled Bodies	Number of Contributors	Number of Pensioners	Contribution Rate %
Dorset CC Health	0	2	13.9
Dorset County Council	8,483	6,793	13.9
Dorset Fire And Rescue Service	160	68	13.2
Dorset Magistrates Court	0	75	N/A
Dorset Police & Crime Commissioner	1,311	502	12.4
Dorset Studio School	12	0	17.4
Dorset Valuation Panel	0	1	N/A
East Dorset District Council	218	244	14.1
East Lulworth Parish Council	1	0	16.5
Elmrise Acadmey Leaf	30	0	17.4
Epiphany Academy	45	3	17.4
Ferndown Town Council	8	6	16.5
Frome Valley First School	21	0	17.4
Gillingham Town Council	8	3	16.5
Glenmoor School	21	0	17.4
Harewood College	0	3	17.4
Hayeswood School	25	1	17.4
Haymoor Junior School	51	1	17.4
Heath Academy Trust	136	0	17.4
Heathlands Primary School	41	0	17.4
Highcliffe Academy	66	9	17.4
Highcliffe Comprehensive	0	15	17.4
Highcliffe Junior School	0	2	17.4
Hillview Primary	3	0	17.4
IPACA	117	5	17.4
Jewell Academy	10	0	17.4
Kings Park School	81	1	17.4
Kingston Maurward College	185	67	13.1
Kinson Primary School	9	2	17.4
Larison Primary (Sentenary)	2	0	17.4
Longspee Academy	21	0	17.4
Lyme Regis Town Council	13	12	16.5
Lytchett Minster and Upton Town Council	5	1	16.5
Lytchett Minster School	71	12	21.0
Magna Academy	62	5	17.4
Malmesbury Park Primary School	7	3	17.4
Malmesbury Park School	2	0	17.4
Manorside Primary Academy	38	1	17.4
Marshwood Primary School	29	0	17.4
Merley First School	39	0	17.4
Milbourne St Andrew First School	12	0	17.4
Millbrook Healthcare Ltd (DCC)	2	0	18.1
Millbrook Healthcare Ltd (Weymouth & Portland Borough Council)	3	0	18.1
Montacute Academy	67	5	17.4
Montacute School	0	16	17.4
North Dorset District Council	5	180	14.8
Oakmead Academy Leaf	69	1	17.4
Ocean Learning Trust	3	0	17.4
Osmington Parish Council	1	0	16.5

Table five, continued

Employer - Scheduled Bodies	Number of Contributors	Number of Pensioners	Contribution Rate %
Parkstone Grammar School	0	12	17.4
Parkfield Free School	33	1	17.4
Parkstone Grammar Academy	70	5	17.4
Piddle Valley First School	23	0	17.4
Plymouth Cast - Bournemouth	114	1	17.4
Plymouth Cast - Dorset	207	4	17.4
Plymouth Cast - Poole	146	0	17.4
Pokesdown Academy	83	3	17.4
Poole Grammar Academy	72	4	17.4
Poole Grammar School	0	21	17.4
Poole High School	152	18	18.9
Poole Housing Partnership Limited	112	41	12.5
Portland Town Council	2	0	19.6
Puddletown First School	19	1	19.6
Purbeck District Council	146	141	14.3
Queen Elizabeth Academy	88	2	17.4
Queens Park Infant Academy	43	2	17.4
Queens Park Junior Academy	43	1	17.4
Saturn Education Trust	19	0	17.4
Shaftesbury Academy	184	9	17.4
Shaftesbury Town Council	8	2	16.5
Sherborne Town Council	17	18	16.5
Shillingstone County Primary School	17	5	21.0
Sir John Colfox Academy	53	0	17.4
St Aldhelms Academy	72	3	17.4
St Andrews CE VA First School	0	2	17.4
St Clements And St John's CE First School	35	4	17.4
St Gregory's School	3	1	21.0
St James' Academy	40	1	17.4
St John's First School Wimborne	29	1	17.4
St Luke's Ce Primary School	66	0	17.4
St Marks' Swanage	25	0	17.4
St Mary's Beaminster Academy	27	26	17.4
St Marys CE Middle School	81	1	17.4
St Michaels CE Primary School	4	5	17.4
St Michaels Middle School	47	0	17.4
St Osmunds CE Middle School	70	4	17.4
St Peter CVAT School	116	16	17.4
St Peter's School	0	25	17.4
St Walburgas R C Primary School	0	4	17.4
Stalbridge CE Primary School	0	1	17.4
Stalbridge Town Council	1	0	16.5
Stanley Green Academy	39	0	17.4
Stour Valley & Poole Partnership	107	6	17.4
Stourfield Infant Academy	46	0	17.4
Sturminster Newton Parish Council	0	2	17.4
Swanage Town Council	25	44	16.5
The Bicknell School	0	9	17.4
The Colliton Club	3	0	15.0
The Dunbury Academy	28	0	17.4

Table five, continued

The Gyphon Academy	121	16	17.4
The Quay Academy	24	2	17.4
The Studio Academy Leaf	26	0	17.4
The Swanage School	27	0	17.4
Thomas Hardy Academy	138	21	17.4
Tregonwell Academy	105	3	17.4
Tricuro	1,488	28	16.2
Twynham Academy	203	14	17.4
Verwood Town Council	3	0	16.5
Wareham Joint Burial Committee	0	2	16.5
Wareham St Martin Parish Council	0	5	16.5
Wareham St Mary Primary School	28	0	17.4
Wareham Town Council	7	5	16.5
WESS	31	3	16.1
West Dorset District Council	14	323	12.0
West Moors Parish Council	2	0	16.5
West Parley Parish Council	1	0	16.5
Westfield School	117	23	21.0
Wey Valley Academy	73	10	17.4
Weymouth And Portland Borough Council	605	452	12.4
Weymouth College	206	170	12.0
Wimborne Cemetery Jmc	0	1	19.6
Wimborne Minster Town Council	5	2	16.5
Wimborne Multi Academy Trust	2	0	16.5
Winton Arts & Media College	50	1	17.4
Witchampton School	14	0	17.4
Woodroffe School	49	930	21.0
Wool Parish Council	2	0	16.5
Wyvern Academy	93	6	17.4
Total Scheduled Bodies	27,051	16,637	

Employer - Admitted Bodies	Number of Contributors	Number of Pensioners	Contribution Rate %
1610 Limited	21	3	14.2
Abilities Limited	0	0	15.0
Action For Children	2	0	17.4
Addaction Limited	0	1	N/A
Age Concern Bournemouth	1	3	14.4
Anglo-European College	43	20	15.5
Ansbury	63	60	17.1
AP Chant Plumbing and Heating	0	1	14.5
AQS Homecare	10	2	22.2
Barnardo's	0	1	N/A
BH Live	186	22	14.5
Bournemouth Citizens Advice Bureau	0	5	N/A
Bridport Museum Trust	0	1	19.6
Care Quality Commission	1	0	14.4
Care South	85	297	16.6
Care Uk Plc	19	32	16.5
Churchills (Poole)	0	1	N/A
Churchills Bearwood	0	1	N/A
Churchills Cells Police	0	1	N/A

Table five, continued

Churchills Cleaning	2	0	22.2
Churchill's Purbeck School	0	0	N/A
Convex Leisure Limited	0	1	N/A
CSCI	0	13	N/A
DC Leisure Management Limited	0	4	13.0
Dorset Association of Parish and Town Councils	2	5	14.4
Dorset Community Action	3	22	14.4
Dorset County Museum	9	14	14.4
East Boro Housing Trust	68	1	18.7
East Dorset Housing Association	0	38	N/A
Healthy Living Wessex	1	0	15.6
Heath Academy Trust	136	0	17.4
Kinson Primary (Septenary)	2	0	17.4
Links4Learning	0	5	N/A
Lyme Arts Community Trust	0	1	N/A
Mack Trading	4	1	14.0
Magna Housing Association Limited	105	171	13.3
Magna Housing Group	11	21	16.7
Milborne St Andrew Parish Council	1	0	16.5
Mouchel	160	59	17.6
Muscliff Primary	1	0	17.4
Places For People	16	0	13.7
Poole Harbour Commissioners	0	2	N/A
Purbeck Housing Trust	0	15	N/A
SEC Contracting	0	1	N/A
Sequal Solutions Limited	0	1	N/A
Signpost Care Partnership	0	2	21.5
Signpost Housing Association Limited	0	40	N/A
Signpost Services Limited	0	0	N/A
SLM (Weymouth) Charitable Trust	8	1	12.0
SLM Community and Leisure Blandford	16	1	12.0
SLM Community Leisure Charity Trust	30	2	12.0
SLM Food And Beverage Limited	2	1	12.0
South Dorset Community Sports Trust	2	0	13.7
Sovereign Housing Group	4	36	16.5
Spectrum Housing Group	19	10	12.2
St Mark's Primary School	3	0	17.4
Stonewater Limited	2	22	15.3
Synergy Housing Group	59	23	14.7
The Arts Development Company	6	1	N/A
The Children's Society	7	0	14.9
Wessex Water Authority	0	3	N/A
Weyco Services Limited	8	1	12.0
Weymouth Port Health	5	10	14.4
Weymouth & Portland Housing Association	0	46	N/A
Total Admitted Bodies	1,156	967	
Overall Total	28,207	17,604	

Benefits

Scheme members are guaranteed an annual pension and, depending on whether they have service prior to 31 March 2008, an automatic lump sum retirement grant. There is also the option to convert some pension into a lump sum retirement grant. The earliest age a member can retire and receive their benefits immediately is age 55. Members are allowed to remain in the scheme until the day before their 75th birthday. Any benefits accrued before 1 April 2014 are based on the length of scheme membership and the pensionable pay generally over the last year of service. Benefits accrued from 1 April 2014 increase each year, based on 49th of their actual pay for the year.

The basic benefits guaranteed by the scheme are:

- A secure pension
- The opportunity to give up pension to provide a tax free lump sum
- Ill health benefits
- Survivor's pension for spouse, civil partner or nominated cohabiting partner
- Children's pensions
- Death in service benefits
- Transferability if member leaves
- Options to pay additional benefits contribution flexibility
- Tax efficient savings and lower National Insurance contributions for most people

Pension benefits are affected annually to take into account rises in inflation.

The cost of living increase for 2016 was the negative figure of 0.1%. This was based on the Consumer Prices Index

(CPI) as at September 2015. Pensions already in payment were protected from the decrease and had a 0% increase.

Employees are able to increase their benefits by either purchasing Additional Pension Contributions (APCs) through the pension scheme, or by paying Additional Voluntary Contributions (AVCs) through an arrangement with the Prudential.

Further information on the scheme can be obtained by contacting the pension section:

Tel: 01305 224845

Email: pensionshelpline@dorsetcc.gov.uk

Address:

Dorset County Pension Fund
Dorset County Council
County Hall

Website: www.yourpension.org.uk/dorset

Membership

Entry to the LGPS is automatic for all employees under the age of 75 and with a contract of employment for more than 2 years. Any employees with a contract for less than 3 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 3 months 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.

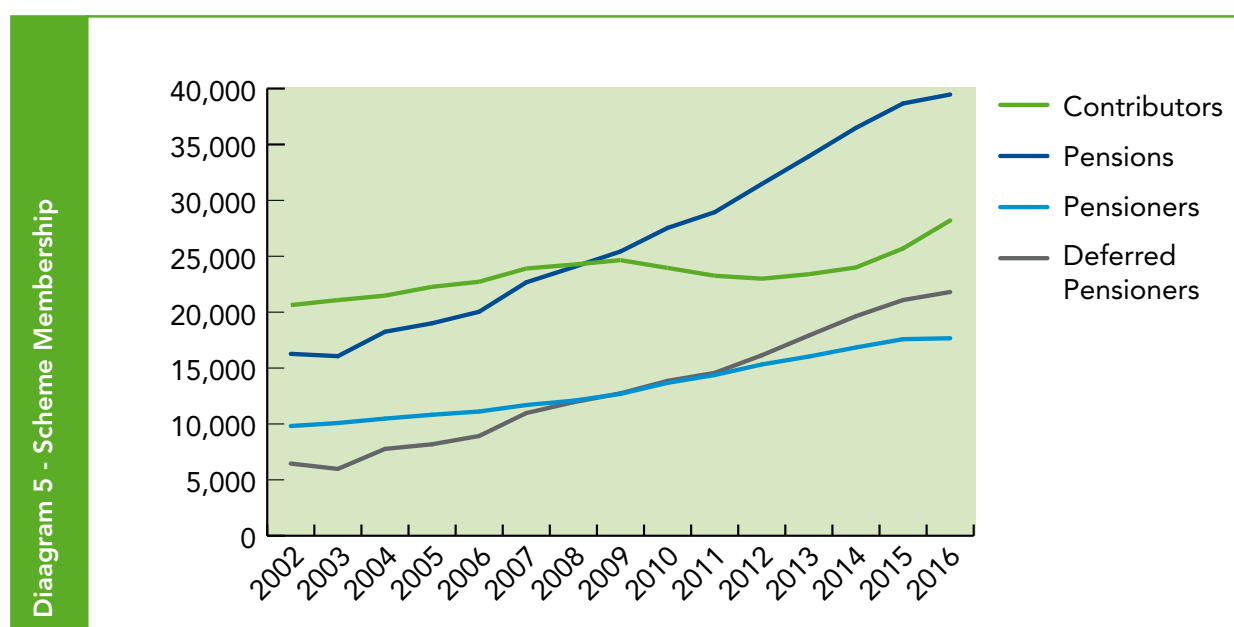
The employee contribution table for 2015/16 is shown below:

Actual Pensionable Pay	Contribution Rate %
Up to £13,600	5.5
£13,601 to £21,200	5.8
£21,201 to £34,400	6.5
£34,401 to £43,500	6.8
£43,501 to £60,700	8.5
£60,701 to £86,000	9.9
£86,001 to £101,200	10.5
£101,201 to £151,800	11.4
More than £151,800	12.5

Further details

A booklet is available from the Pensions Section and at the website address on page 19, which provides further details offered by the scheme.

Diagram five shows the numbers of contributors and pensioners (current and deferred) of the Scheme, over the past fifteen years.



Financial Summary

	2013/14 £'000s	2014/15 £'000s	2015/16 £'000s
Benefit and Expenses	101,397	147,601	118,705
Less Contributions	111,172	111,205	111,400
Net Income	9,775	-36,396	7,305
Investment Income	31,649	34,861	37,471
Net revenue surplus	41,424	-1,535	44,776
Net assets at 31 March	2,091,827	2,301,132	2,266,446

Membership Summary

	31/03/14	31/03/15	31/03/16
Contributors	23,395	23,997	27,084
Pensions in payment	16,030	16,842	16,640
Deferred pensions	17,909	19,641	21,802

Actuary's Statement 2013

1. Introduction and Summary

Purpose of the Valuation

- 1.1. We have carried out an actuarial valuation of Dorset County Pension Fund ("the Fund") as at 31 March 2013, as requested by Dorset County Council. The Fund is part of the Local Government Pension Scheme ("LGPS").
- 1.2. The valuation was carried out in accordance with Regulation 36 of The Local Government Pension Scheme (Administration) Regulations 2008 ("the Regulations") as amended. The main purpose of the valuation is to review the financial position of the Fund and to set the level of future contributions for the employers in the Fund.
- 1.3. This report summarises the results of the valuation and is addressed to Dorset County Council as the Administering Authority to the Fund. It is not intended to assist any user other than the Administering Authority in making decisions. Neither we nor Barnett Waddingham LLP accepts any liability to third parties in respect of this report.
- 1.4. This advice is subject to and complies with Technical Actuarial Standards issued by the Financial Reporting Council (in particular, the Pensions TAS and the generic TASs relating to reporting, data and modelling).

Results of the Valuation

- 1.5. The results of the valuation are that the past service funding level of the Fund as a whole has increased from 79% to 82% between 31 March 2010 and 31 March 2013, largely due to better than anticipated performance of the assets held by the Fund over the period, offset by the change in assumptions underlying the present value of liabilities, reflecting changes in market conditions.
- 1.6. At the same time, the contribution rate for the average employer, including payments to target full funding, has increased slightly from 18.5% to 18.6% of pensionable salaries, although the cost of providing benefits has decreased, falling payrolls mean that it takes a higher percentage of payroll to fund the now larger deficit in cash terms.
- 1.7. We would be pleased to discuss any aspect of this report in more detail.



Alison Hamilton FFA Partner



Anna Short FFA Associate

2. Valuation Data

Data Sources

- 2.1. We have used the following items of data as provided by Dorset County Council.
- Membership extract as at 31 March 2013.
 - Fund accounts and accounting information split by employer for the three years to 31 March 2013.
 - The results of the previous actuarial valuation as at 31 March 2010.
- 2.2. The data has been checked for reasonableness and any missing or inconsistent data has been estimated where necessary. While this should not be seen as a full audit of the data, we are happy that the data is sufficiently accurate for the purposes of the valuation.
- 2.3. A summary of the data is set out in Appendix 1.

Assets

- 2.4. The asset allocation of the Fund as at 31 March 2013 was as follows:

Asset Allocation of the Fund		
	31 March 2013	
	£000's	%
UK Equities	536,000	28
Overseas Equities	537,000	28
Corporate Bonds	189,000	10
Inflation Hedging	213,000	11
Property	162,000	8
Alternative Assets	234,000	12
Cash	65,000	3
Total	1,936,000	100

- 2.5. We estimate that the return on the assets in market value terms for the

three years to 31 March 2013 was approximately 9.7% per annum.

- 2.6. The current investment strategy is set out in a Statement of Investment Principles dated June 2012.

Benefits

- 2.7. The valuation has been carried out in accordance with Regulation 36 of The Local Government Pension Scheme (Administration) Regulations 2008 ("the Regulations") as amended.
- 2.8. However from 1 April 2014, The Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2014 will come into effect and replace the current regulations.
- 2.9. The benefits for service from 1 April 2014 will be based on the Local Government Pension Scheme Regulations 2013. The main changes are to move from a final salary pension scheme based on 60ths accrual and a retirement age of 65 to a career average revalued earnings pension scheme based on 49ths accrual and a retirement age equal to State Pension Age.
- 2.10. The Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2014 serve the dual purpose of retaining the previous benefit structure for service up to 31 March 2014 and introducing new protections for members close to retirement to ensure that they are not disadvantaged by the benefit changes.

- 2.11. The benefits underlying the valuation are summarised in Appendix 6.
- 2.12. We have made no allowance for discretionary benefits awarded throughout the LGPS. Where employers grant discretionary benefits we would expect them to fund the capital value of those benefits at that point.

3. Actuarial Methods and Assumptions

General Valuation Approach

- 3.1. We first estimate the future cashflows which will be paid from the Fund for the benefits relating to service up to 31 March 2013 and we do this for all current members and their possible dependants.
- 3.2. We then discount these projected cashflows using the discount rate to get a single figure for the value of the past service liabilities. This figure is the amount of money which, if invested now, would be sufficient to make these payments in future provided that the future investment return was equal to at least the discount rate used.
- 3.3. Various assumptions are needed for the above calculations and these are summarised in Section 4. The financial assumptions such as future inflation and the discount rate are based on smoothed market indicators from around the valuation date, specifically over the six month period from 1 January 2013 to 30 June 2013.

- 3.4. The market value of the assets at 31 March 2013 is then adjusted to also be smoothed over the same six month period so that a consistent comparison can be made with the liabilities. If the smoothed assets are greater than the past service liabilities, there is a surplus; if not, there is a deficit.
- 3.5. Using the same assumptions and a similar methodology we can also calculate the value of the liabilities expected to build up in the future after 31 March 2013 and we do this for each active member. This is then divided by the projected payroll to get a cost of future benefits expressed as a percentage of payroll. After deducting expected employee contributions, this is known as the future service cost and represents the employers' share of the cost of future benefits.

Multiple Calculations

- 3.6. As part of the valuation, we are required to calculate results on an overall Fund level but also for the individual employers.
- 3.7. For the Fund's future service cost, we consider the benefits accruing in the single year following the valuation date.
- 3.8. This is known as the Projected Unit Method and results in a stable, long-term contribution rate over time if the assumptions adopted are borne out in practice and there is a steady flow of new entrants to the Fund. If the admission of new entrants is such that the average age of the membership profile increases then

the contribution rate calculated at future valuations would be expected to increase.

3.9. At individual employer level we use the Projected Unit Method for employers who still admit new employees into the Fund. For employers who do not, or do not appear to, allow new employees to join the Fund, we use a method known as the Attained Age Method which assesses the cost of future benefit accrual over all future years rather than just over the next year. This method generally produces a higher level of employer contribution than the Projected Unit Method but, for these closed employers, it should result in less revision in the future.

3.10. For closed limited-term employers such as some Transferee Admission Bodies, a modified version of the Projected Unit Method with a control period equal to the remaining term of the contract may be used and this usually gives results between the Projected Unit Method and the Attained Age Method.

3.11. The amounts that the employer then pays are a combination of the future service cost described above and any adjustments for the past service surplus or deficit. If there is a deficit, this adjustment will be specified as an additional contribution expressed as either a percentage of pay or as a cash amount to be paid in future.

Funding Strategy

3.12. Regulation 36 of the Local Government Pension Scheme

Administration (Regulations) 2008 states that the actuary must have regard to:

- The existing and prospective liabilities of the Fund arising from circumstances common to all those bodies;
- The desirability of maintaining as nearly a common a rate of contribution as possible; and
- The current version of the Administering Authority's Funding Strategy Statement.

3.13. We can confirm that, in our view, the methods and assumptions adopted meet this requirement.

4. Valuation Assumptions

4.1. As mentioned in the previous section, various assumptions are needed for this valuation.

4.2. The principal assumptions are:

- The discount rate - this is based on the expected investment return from the Fund's assets.
- Pension increases and deferred revaluation - these are set by the Pension Increase Order which is laid by the Government each year and expected to be linked to the Consumer Prices Index. Benefits earned by active members after 1 April 2014 will also be linked to the Pension Increase Order.
- Salary increases - active members' benefits for service before 31 March 2014 will continue to be linked to their final salary.

- Current and future rates of mortality - over the last decade life expectancies have increased more quickly than most predictions so it is important that any assumptions made are as accurate as possible.

4.3. The assumptions used for this valuation are based on the expected long-term cost of providing the benefits and we believe that these are suitable for setting the contribution amounts from employers. If an employer leaves the Fund, a different set of assumptions may apply to allow for the crystallisation of their funding obligations. Note that the funding assumptions are also not the same as those that would be used for statutory accounting purposes in employers' accounts.

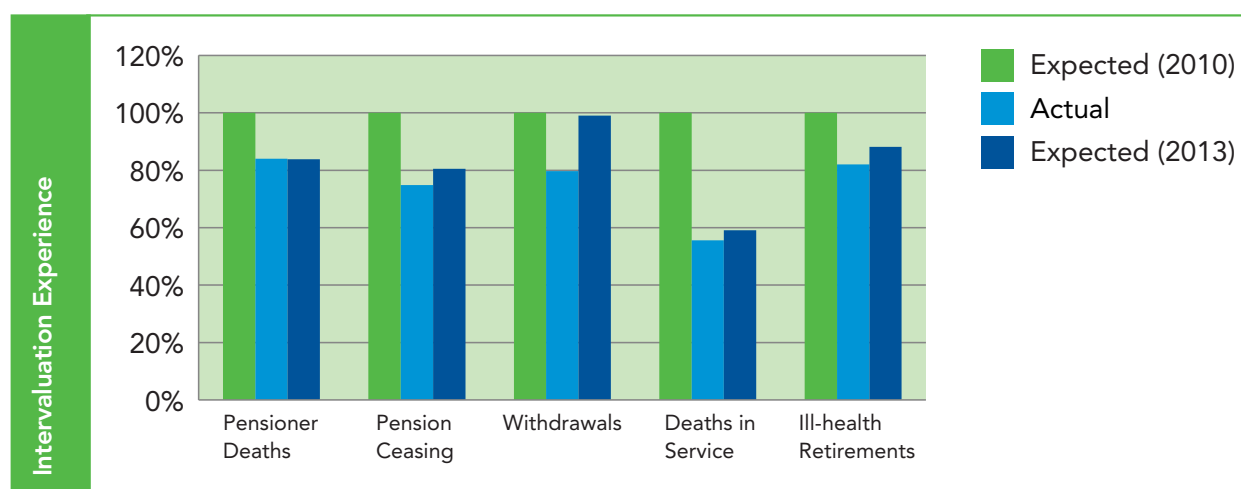
4.4. The assumptions and the rationale for them were discussed in our paper to the Administering Authority of 12 September 2013. The final assumptions have been adopted following discussion with the Administering Authority and

are set out in Appendix 2. We confirm that we believe that these are appropriate for the purposes of this valuation.

4.5. A comparison of the actual financial experience with the assumptions adopted at the previous valuation is summarised below.

Intervaluation Experience		
	Actual	Expected
Investment Return	9.7% pa	6.8% pa
Pay Increases	* 1.7% pa	2.4% pa
Pension Increases	3.5% pa	3.0% pa
* includes short term overlay		

4.6. A comparison of the actual demographic experience of members of the Fund over the intervaluation period, with that assumed by the assumptions adopted at the last valuation in 2010 is shown in the graph below. The graph also shows how the assumptions adopted for this valuation would have compared with those adopted at 2010.



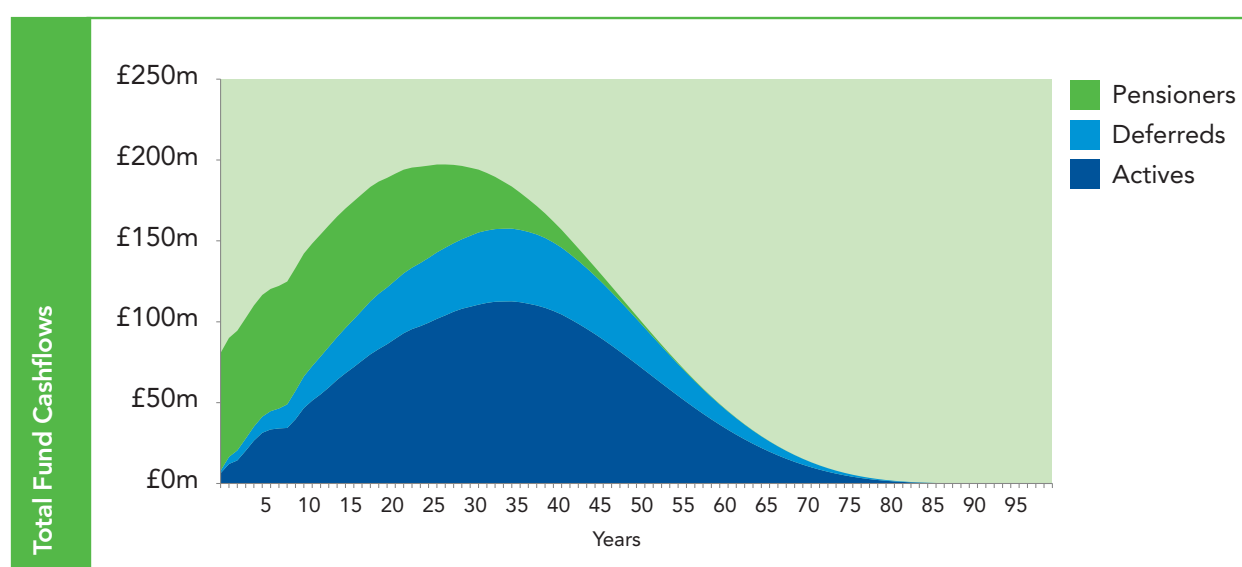
5. Valuation Results

Previous Valuation

- 5.1. The last formal actuarial valuation of the Fund was carried out as at 31 March 2010 by Barnett Waddingham LLP and the results of that valuation were set out in the formal valuation report dated April 2011.
- 5.2. The results of the previous valuation indicated that the assets of the Fund represented 79% of the accrued liabilities of the Fund. The average employer contribution was calculated to be 18.5% of payroll which assumed that the past service funding level would be restored over a period of 25 years.

Projected Cashflows

- 5.3. As mentioned above, the first stage is to project the expected cashflows in relation to past service, which can be charted as follows:



experience over the next 3 years are in line with the assumptions described above.

Neutral Estimate

- 5.11. We are also required to consider whether the assumptions used are neutral, that is "not deliberately either optimistic or pessimistic and does not incorporate adjustments to reflect the desired outcome".
- 5.12. Other than the discount rate, we consider all the assumptions used to be neutral.
- 5.13. We would consider a neutral discount rate to be 6.2% per annum rather than 6.0% per annum. The higher discount rate results from removing some prudence from the equity return assumption. As a consequence we expect that the future returns from the Fund's investment strategy will be higher than the valuation discount rate and so we believe that the contributions set for this valuation are more likely to be sufficient to meet the cost of providing the benefits than not.

Valuation Reconciliation

- 5.14. The following table sets out the principal reasons for the change in the funding position since the last valuation:

Change in Past Service Position		
	£(000)	£(000)
Surplus(Deficit) at 31 March 2010		(375,054)
Benefits Accrued	(234,182)	
Early Retirements	(8,115)	
Contributions Paid	300,033	
Deficit Funded (Use of Surplus)	57,736	
Interest Cost	(75,626)	
Asset Gain/(Loss)	139,705	
Change in Market Conditions	(218,096)	
Financial Gain/(Loss)	(154,017)	
Salary Increases	18,430	
Pension Increases	(17,914)	
Membership Movements	8,982	
Experience	9,497	
Change in Assumptions	48,644	
Surplus/(Deficit) at 31 March 2013		(413,194)

- 5.15. As we can see, the main reason for the increase in the deficit is due to the change in assumptions and market conditions offset by the higher than expected investment returns.

6. Risk and Uncertainty

6.1. There are many factors that affect the financial position of the Fund, in particular:

6.2. Employer covenant risk – there is a risk to the Fund that any of the employing bodies may be unable to pay contributions or meet any cessation deficits as they fall due.

6.3. The Fund should monitor the strength of each employer in the Fund over time, so that any sudden changes in an employer's position can be mitigated.

6.4. Investment risk - allowance is made in the assumptions for the expected long-term performance of asset classes such as equities. There is a risk that these returns will not be achieved in practice which may result in further contributions being required. Further, the value of the Fund's assets may not move in line with the Fund's liabilities – mainly because the Fund invests in volatile assets whose value might fall or rise less than expected.

6.5. The sensitivity of the valuation results to changes in the investment return assumption is shown in 5.8 above. The Fund should regularly review the investment strategy to ensure the risks being taken are understood and that those risks are being appropriately managed.

6.6. Inflation - in projecting the expected future benefit payments, we make assumptions regarding future price inflation.

There is a risk that the actual rate of inflation will be higher than assumed which will increase the cost of providing the benefits. This would result in additional contributions being required and a deterioration in the funding position unless investment returns are similarly higher than expected.

6.7. The sensitivity of the results to the choice of inflation assumptions is also shown above.

6.8. Mortality - it is not possible to predict with any certainty how long members of the Fund will live, and if members live longer than expected, additional contributions will be required and the Fund's funding position will deteriorate.

6.9. The sensitivity of the results to the choice of mortality assumptions is also shown above. The Fund should review their mortality assumptions at each valuation, taking into account all available evidence, to ensure they remain appropriate for the Fund.

6.10. Member options - certain benefit options may be exercised by members without the consent of the Fund or the Employer. For example, exchanging pension for cash at retirement or taking a transfer value. The value of the cash benefit is generally expected to be less than the value of the pension exchanged so the funding position would only deteriorate if fewer members than expected took this option. Individual transfer values can be higher or lower than the value of the

valuation liabilities, depending on the particular member and market conditions.

6.11. Legislative changes – there are a number of legislative risks to the Fund and the LGPS in general, including:

- All benefits relating to membership after 31 March 2014 will be linked to the individual's State Pension Age and the Chancellor of the Exchequer's Autumn 2013 Statement outlined plans to increase this for some individuals. This valuation is based on the current legislation so if these plans are enacted, some members will find the value of their future benefits reduced and this would be expected to reduce the cost of benefits.
- Contracting-out of the State Second Pension is due to end in 2016 and it is not yet clear what the effect on the LGPS will be.
- The potential effects of GMP equalisation between males and females, if implemented, are not yet known.
- As part of the changes to the LGPS from 1 April 2014, a cost control mechanism has been implemented so that if the future cost turns out to be higher or lower than expected when the reforms were made, a review of the benefits may be triggered.
- If the LGPS was to be discontinued in its current form it is not known what would happen to members' benefits.
- More generally, as a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the Government.

Appendix 1

Valuation Data

A1.1. A summary of the membership records submitted for the valuation is as follows.

Active Members			Actual Pensionable Pay		Average		This Valuation	
	Number		£ (000)		£		Average Age	Average Retirement Age
Full Time	2013	2010	2013	2010	2013	2010		
Males	4,567	5,126	125,274	138,245	27,430	26,969	46	64
Females	4,779	5,451	125,789	135,531	26,321	24,864	45	64
Part Time								
Males	1,432	1,414	15,363	14,458	10,728	10,225	48	65
Females	12,591	12,565	116,427	112,183	9,247	8,928	47	64
Total	23,369	24,556	382,852	400,417	16,383	16,306	46	64
			Actual Pensionable		Average		This Valuation	
	Number		£ (000)		£		Average Age	Average Retirement Age
Pensioners	2013	2010	2013	2010	2013	2010		
Males	6,293	5,608	45,043	35,877	7,158	6,397	72	n/a
Females	8,151	6,345	24,158	16,853	2,964	2,656	70	n/a
Dependants	2,301	2,081	6,466	4,156	2,810	1,997	73	n/a
Total	16,745	14,034	75,667	56,886	4,519	4,053	71	n/a
			Annual Pensions		Average		This Valuation	
	Number		£ (000)		£		Average Age	Average Retirement Age
Deferred Pensioners (including "undecideds")	2,013	2,010	2,013	2,010	2,013	2,010		
Males	6,482	5,662	9,907	8,012	1,528	1,415	44	63
Females	17,971	15,161	15,855	11,672	882	770	45	63
Total	24,453	20,823	25,762	19,684	1,054	945	45	63

Notes

- A1.2. The numbers relate to the number of records and so will include members in receipt of, or potentially in receipt of, more than one benefit.
- A1.3. Annual pensions are funded items only and include pension increases up to and including the 2013 Pension Increase Order.
- A1.4. Pensionable pay is actual earnings.

A1.5. A summary of the assets held by the Fund at the valuation date and the revenue account for the three years preceding the valuation date is as shown below.

Revenue Accounts					
	Year to	March 2013 £ (000)	March 2012 £ (000)	March 2011 £ (000)	TOTAL £ (000)
Expenditure	Retirement Pensions	70,789	64,587	58,538	193,914
	Retirement Lump Sums	17,615	19,194	18,178	54,987
	Death Benefits	2,090	1,944	1,773	5,807
	Leavers Benefits	4,654	5,276	9,062	18,992
	Expenses	1,443	1,248	1,402	4,093
	Other Expenditure	-	-	-	-
Total Outgoings		96,591	92,249	88,953	277,793
Income	Employees Contributions	24,535	24,956	26,471	75,962
	Employers Contributions	80,979	70,624	72,468	224,071
	Transfer Values	8,396	18,308	12,078	38,782
	Other Income	-	-	-	-
Investment Income		26,743	24,071	19,681	70,495
Total Income		140,653	137,959	130,698	409,310
New money for investment		17,319	21,639	22,064	61,022
Fund Value					
Assets at Start of Year		1,656,615	1,559,400	1,411,866	1,411,866
Cashflow		44,062	45,710	41,745	131,517
Change in Value		235,173	51,505	105,789	392,467
Assets at End of Year		1,935,850	1,656,615	1,559,400	1,935,850
Annual Returns					
Approx Rate of Return (per annum)		15.7%	4.8%	8.8%	9.7%

Appendix 2

Actuarial Assumptions

A2.1. A summary of the assumptions adopted in the valuation is as set out below:

Future Assumed Returns at 2013	% p.a.	Risk Adjusted Discount Rate Weighting %
Equities	7.2	55
Gilts	3.3	10
Bonds	3.9	10
Property	6.2	25
Expense allowance	0.1	-
Financial Assumptions	2013	2010
Discount Rate	6.0% per annum (as above)	6.8% per annum
Retail Price Inflation (RPI)	3.5% per annum (20 year point on the BoE Inflation Curve)	3.5% per annum
Consumer Price Inflation (CPI)	2.7% per annum (RPI less 0.8%)	3.0% per annum
Pension and Deferred Pension Increases	2.7% per annum (RPI less 0.8%)	3.0% per annum
Short Term Pay Increases	In line with the CPI assumption for the 2 years to 31 March 2015	Pay freeze for those earning over £21k for the 2 years to 31 March 2012
Long Term Pay Increases	4.2% per annum (CPI plus 1.5% per annum)	4.7% per annum
Statistical Assumptions	2013	2010
Post Retirement Mortality		
Current Mortality	S1PA tables	90% of the S1PA Heavy tables
Mortality Projection	2012 CMI Model with a long term rate of improvement of 1.5% per annum	CMI Medium Cohort with a 1% per annum underpin
Retirement Ages	Each member retires at their weighted average "tranche retirement age", i.e. for each tranche of benefit, the earliest age they could retire with unreduced benefits	For each tranche of benefit, active members retire 1 year later than entitled to retire and receive unreduced benefits. Deferred members retire at the earliest age they can receive unreduced benefits

Statistical Assumptions	2013	2010
	If the member is over this retirement age, then it is assumed they will retire at their oldest tranche retirement age. If over the oldest tranche retirement age, the member is assumed to have a 1/3 chance of retiring in each of the next 3 years, and it is assumed all members will be retired by age 75.	Active and deferred members over these respective ages are assumed to retire immediately.
Proportion Married	There is an 80%/70% chance that male/female members will, at retirement or earlier death, have a dependant who is eligible for death benefits.	90% of members are assumed to be married or have an eligible dependant at retirement or earlier death.
Partner Age Difference	Males are 3 years older than their spouse and Females are 3 years younger than their spouse.	Males are 3 years older than their spouse and Females are 3 years younger than their spouse.
Ill-health Tiers	50% of ill-health retirements will be eligible for benefits based on full prospective service and 50% will qualify for a service enhancement of 25% of prospective service.	50% of ill-health retirements will be eligible for benefits based on full prospective service and 50% will qualify for a service enhancement of 25% of prospective service.
Commutation	It is assumed that members at retirement will commute pension to provide a lump sum of 50% of the maximum allowed under HMRC rules and this will be at a rate of £12 lump sum of £1 of pension.	It is assumed that members at retirement will commute pension to provide a lump sum of 50% of the maximum allowed under HMRC rules and this will be at a rate of £12 lump sum of £1 of pension.
50/50 Scheme Allowance	It is assumed that 10% of active members will opt to pay 50% of contributions for 50% of benefits under the new scheme.	n/a
Other Statistical Assumptions	Same as used by Government Actuary's Department when LGPS reforms were designed and based on analysis of incidence of death, retirement and withdrawal for Local Authority Funds. Sample rates shown below.	Based on our analysis of the incidence of pre-retirement death, retirement and withdrawal of our Local Authority client funds.

Incidence per 1000 active members per annum								
	Death		Ill Health Retirement		Withdrawal		Salary Scales	
Age	Males	Females	Males	Females	Males	Females	Males	Females
25	0.10	0.10	0.10	0.10	122.00	144.50	100	100
30	0.20	0.10	0.20	0.10	104.40	122.40	102	101
35	0.30	0.20	0.30	0.30	89.40	103.60	111	105
40	0.50	0.30	0.60	0.50	76.50	87.70	117	108
45	0.80	0.50	1.10	0.80	65.50	74.30	121	110
50	1.30	0.80	2.20	1.60	56.00	62.90	124	110
55	2.10	1.30	4.10	2.90	48.00	53.30	127	110
60	3.40	2.00	7.80	5.30	41.00	45.10	127	110
65	5.40	3.00	14.80	9.80	35.10	38.20	127	110

Employer Membership Data		Active Members			Deferred Members			Pensioner Members		
Code	Employer	No.	Actual Pay £000's	Average Age	No.	Deferred Pensions £000's	Average Age	No.	Pensions in Payment £000's	Average Age
800	Bournemouth Transport	10	206	56	30	80	57	210	1,228	72
801	Bournemouth International Airport	-	-	-	11	48	57	40	175	75
802	Quality Care Commission	-	-	-	6	24	51	13	130	64
803	Interclean	-	-	-	-	-	-	2	see note (1)	see note (1)
804	DC Leisure	18	202	49	26	12	41	3	see note (1)	see note (1)
805	Spectrum Housing Group	13	421	44	4	see note (1)	see note (1)	10	226	62
806	Signpost Care Partnership	2	see note (1)	see note (1)	3	see note (1)	see note (1)	2	see note (1)	see note (1)
807	Signpost Services	9	341	51	5	see note (1)	see note (1)	5	see note (1)	see note (1)
808	West Moors Parish Council	2	see note (1)	see note (1)	1	see note (1)	see note (1)	-	-	-
809	Churchill Contract Services	1	see note (1)	see note (1)	1	see note (1)	see note (1)	-	-	-
810	Crown Leisure	-	-	-	4	see note (1)	see note (1)	1	see note (1)	see note (1)
811	Alderholt Parish Council	2	see note (1)	see note (1)	-	-	-	-	-	-
812	Specialist Fleet Services	-	-	-	2	see note (1)	see note (1)	1	see note (1)	see note (1)
813	Care UK Ltd	51	597	53	33	25	44	17	30	65
814	Lytchett Minster School	52	659	47	23	10	42	9	13	66
815	SLM Food & Beverage (Poole)	1	see note (1)	see note (1)	2	see note (1)	see note (1)	1	see note (1)	see note (1)
816	SLM Fitness & Health (Poole)	1	see note (1)	see note (1)	-	-	-	-	-	-
817	SLM Community & Leisure Ltd (Poole)	29	444	44	26	27	35	2	see note (1)	see note (1)
818	Dorset Lighting	1	see note (1)	see note (1)	1	see note (1)	see note (1)	-	-	-
819	Wool Parish Council	1	see note (1)	see note (1)	-	-	-	-	-	-
820	Weyco Services	9	130	44	8	2	38	1	see note (1)	see note (1)
821	Openwide International Ltd	-	-	-	1	see note (1)	see note (1)	-	-	-
822	Gamegrid Ltd	-	-	-	1	see note (1)	see note (1)	-	-	-
824	Chickerell Town Council	2	see note (1)	see note (1)	-	-	-	-	-	-
825	Mack Trading	4	see note (1)	see note (1)	3	see note (1)	see note (1)	-	-	-

Employer Membership Data		Active Members			Deferred Members			Pensioner Members		
Code	Employer	No.	Actual Pay £000's	Average Age	No.	Deferred Pensions £000's	Average Age	No.	Pensions in Payment £000's	Average Age
826	SLM Community & Leisure (Weymouth)	7	136	45	5	see note (1)	see note (1)	1	see note (1)	see note (1)
827	SLM Fitness & Health (Weymouth)	1	see note (1)	see note (1)	1	see note (1)	see note (1)	-	-	-
828	South Dorset Community Sports Trust	2	see note (1)	see note (1)	2	see note (1)	see note (1)	-	-	-
829	Churchill Contract Services (Poole)	-	-	-	1	see note (1)	see note (1)	2	see note (1)	see note (1)
831	West Parley Parish Council	1	see note (1)	see note (1)	1	see note (1)	see note (1)	-	-	-
832	Portland Museum Trust	-	-	-	2	see note (1)	see note (1)	-	-	-
833	Churchill Contract Services (Bearwood)	-	-	-	3	see note (1)	see note (1)	1	see note (1)	see note (1)
834	A P Chant	2	see note (1)	see note (1)	1	see note (1)	see note (1)	-	-	-
835	Sequal Solutions	-	-	-	12	10	40	-	-	-
836	Healthy Living Wessex	1	see note (1)	see note (1)	4	see note (1)	see note (1)	-	-	-
837	Care Quality Commission	1	see note (1)	see note (1)	-	-	-	-	-	-
839	Churchill Contract Services (Canford Health)	-	-	-	1	see note (1)	see note (1)	-	-	-
840	BH Live	209	3,362	45	64	126	37	12	76	65
841	Churchill Cleaning	1	see note (1)	see note (1)	1	see note (1)	see note (1)	-	-	-
842	St Aldhelms Academy	43	741	46	16	24	43	1	see note (1)	see note (1)
843	Bourne Academy	43	720	41	23	24	41	2	see note (1)	see note (1)
844	Bishop of Winchester	53	683	46	10	23	42	2	see note (1)	see note (1)
845	East Lulworth Parish Council	1	see note (1)	see note (1)	-	-	-	-	-	-
846	Mouchel	254	5,803	47	45	182	42	29	150	63
847	SLM (Blandford Leisure Centre)	19	271	40	2	see note (1)	see note (1)	-	-	-
848	Twynham School	100	1,102	49	28	14	42	1	see note (1)	see note (1)
850	Parkstone Grammar School	55	700	48	11	1	35	2	see note (1)	see note (1)
851	Thomas Hardye School	146	1,522	45	18	4	39	6	23	64
852	Corfe Hills School	82	932	48	18	17	41	7	17	64
853	Addaction	-	-	-	-	-	-	1	see note (1)	see note (1)

Employer Membership Data		Active Members			Deferred Members			Pensioner Members		
Code	Employer	No.	Actual Pay £000's	Average Age	No.	Deferred Pensions £000's	Average Age	No.	Pensions in Payment £000's	Average Age
854	West Lulworth Parish Council	1	see note (1)	see note (1)	-	-	-	-	-	-
855	Milborne St Andrew Parish Council	1	see note (1)	see note (1)	1	see note (1)	see note (1)	-	-	-
856	Pokesdown Community School	50	383	47	23	17	46	-	-	-
857	Malmesbury Park School	73	562	49	25	17	43	2	see note (1)	see note (1)
858	Kinson Primary School	45	343	46	11	2	41	2	see note (1)	see note (1)
859	St Peters School	86	997	49	10	6	41	5	see note (1)	see note (1)
860	Bournemouth School for Boys	41	561	50	6	6	46	-	-	-
861	Montacute Grammar School	53	567	48	7	11	39	-	-	-
862	Poole Grammar School	57	604	48	10	2	37	2	see note (1)	see note (1)
863	Highcliffe Academy	56	714	45	12	13	45	3	see note (1)	see note (1)
864	Poole & Bournemouth Adult Learning	27	660	52	12	15	44	3	see note (1)	see note (1)
865	Action for Children	3	see note (1)	see note (1)	5	see note (1)	see note (1)	-	-	-
866	Harewood College	47	751	45	9	7	43	1	see note (1)	see note (1)
867	Bournemouth School for Girls	51	671	51	6	2	34	1	see note (1)	see note (1)
868	Abilities	3	see note (1)	see note (1)	-	-	-	-	-	-
869	Dorchester Middle School	59	459	45	3	see note (1)	see note (1)	-	-	-
870	St Mary's Middle School	31	217	48	4	see note (1)	see note (1)	1	see note (1)	see note (1)
871	St Osmund's Middle School	46	378	46	7	5	46	-	-	-
872	St Michael's Primary School	59	477	41	15	6	33	3	see note (1)	see note (1)
873	Avonbourne School	63	707	47	11	4	41	1	see note (1)	see note (1)
874	1610 Ltd	29	255	42	4	see note (1)	see note (1)	-	-	-
875	Epiphany Academy	44	301	49	3	see note (1)	see note (1)	-	-	-
876	Tregonwell Academy	57	713	41	11	3	33	2	see note (1)	see note (1)
877	Wey Valley Academy	75	893	48	2	see note (1)	see note (1)	-	-	-

Employer Membership Data		Active Members			Deferred Members			Pensioner Members		
Code	Employer	No.	Actual Pay £000's	Average Age	No.	Deferred Pensions £000's	Average Age	No.	Pensions in Payment £000's	Average Age
878	Gryphon School	106	1,456	46	4	see note (1)	see note (1)	1	see note (1)	see note (1)
879	AQS Homecare	10	99	57	-	-	-	2	see note (1)	see note (1)
880	IPACA Academy	135	1,348	48	9	5	48	-	-	-
881	Stourfield Infant Academy Trust	28	233	46	-	-	-	-	-	-
882	Wyvern School	81	982	41	11	2	27	1	see note (1)	see note (1)
883	Queens Park Junior School	30	276	46	5	see note (1)	see note (1)	-	-	-
884	Churchills Cell Police	1	see note (1)	see note (1)	-	-	-	-	-	-
885	Chickerell Primary School	50	319	44	-	-	-	-	-	-
886	Elmrise Primary School	28	241	49	1	see note (1)	see note (1)	-	-	-
887	Oakmead Academy LeAF	66	1,087	40	2	see note (1)	see note (1)	-	-	-
888	The Studio Academy	12	264	29	-	-	-	-	-	-
890	New Police	1,064	24,798	45	6	9	38	-	-	-
892	Blue Ribbon Facilities	1	see note (1)	see note (1)	-	-	-	-	-	-
893	Pokesdown Academy	1	see note (1)	see note (1)	-	-	-	-	-	-
900	Bournemouth Borough Council	3,048	56,861	46	4,027	4,780	45	2,884	13,413	71
901	Christchurch Borough Council	186	3,976	47	220	421	45	264	1,756	73
902	North Dorset District Council	128	3,215	48	211	296	43	196	1,195	73
903	Borough of Poole Council	3,001	48,467	47	3,148	3,613	45	1,910	8,709	70
904	Purbeck District Council	134	3,080	48	145	222	46	161	1,096	71
905	West Dorset District Council	89	1,545	43	400	634	44	427	2,677	73
906	Weymouth and Portland Borough Council	593	13,658	45	397	809	45	514	3,273	73
907	East Dorset District Council	237	5,173	47	274	499	43	263	1,489	73
908	Bournemouth Health	-	-	-	-	-	-	2	see note (1)	see note (1)
909	Bournemouth Motor Tax (DVLA)	-	-	-	-	-	-	3	see note (1)	see note (1)
910	Blandford Town Council	12	201	45	11	18	48	11	17	73

Employer Membership Data		Active Members			Deferred Members			Pensioner Members		
Code	Employer	No.	Actual Pay £000's	Average Age	No.	Deferred Pensions £000's	Average Age	No.	Pensions in Payment £000's	Average Age
911	Bridport Town Council	12	243	52	5	see note (1)	see note (1)	6	16	79
912	Dorchester Town Council	20	351	50	11	14	47	21	56	75
913	Lyme Regis Town Council	8	139	52	6	14	46	15	73	75
914	Portland Town Council	2	see note (1)	see note (1)	1	see note (1)	see note (1)	1	see note (1)	see note (1)
915	Shaftesbury Town Council	8	153	52	12	11	43	1	see note (1)	see note (1)
916	Sherborne Town Council	11	203	52	9	22	50	21	68	72
917	Swanage Town Council	26	480	55	35	34	48	43	153	71
918	Wareham Town Council	5	see note (1)	see note (1)	4	see note (1)	see note (1)	5	see note (1)	see note (1)
919	Wimborne Minster Town Council	1	see note (1)	see note (1)	1	see note (1)	see note (1)	2	see note (1)	see note (1)
920	Gillingham Town Council	5	see note (1)	see note (1)	5	see note (1)	see note (1)	3	see note (1)	see note (1)
922	Bournemouth University	757	20,453	43	777	1,206	44	323	1,133	68
923	Bournemouth School	-	-	-	26	14	47	18	43	68
924	Woodroffe School	42	611	48	51	25	48	27	64	70
925	Age Concern Bournemouth	2	see note (1)	see note (1)	2	see note (1)	see note (1)	2	see note (1)	see note (1)
926	Corfe Mullen Parish Council	6	100	51	5	see note (1)	see note (1)	-	-	-
927	Poole High School	103	978	45	86	28	38	10	21	69
928	St Walburgas R.C. Primary School	-	-	-	5	see note (1)	see note (1)	5	see note (1)	see note (1)
929	Bradpole Parish Council	-	-	-	1	see note (1)	see note (1)	-	-	-
930	Budmouth Technology College	111	1,226	49	81	40	44	15	27	68
931	Sturminster Newton Parish Council	-	-	-	-	-	-	2	see note (1)	see note (1)
932	Ferndown Town Council	4	see note (1)	see note (1)	1	see note (1)	see note (1)	4	see note (1)	see note (1)
933	Raglan Housing Association	4	see note (1)	see note (1)	24	90	50	22	294	70
934	Lytchett Minster Town Council	4	see note (1)	see note (1)	-	-	-	1	see note (1)	see note (1)
935	Parkstone Grammar School	-	-	-	36	7	41	13	27	68
936	Avonbourne School	-	-	-	53	31	47	17	28	67
937	Colehill Parish Council	1	see note (1)	see note (1)	1	see note (1)	see note (1)	1	see note (1)	see note (1)

Employer Membership Data		Active Members			Deferred Members			Pensioner Members		
Code	Employer	No.	Actual Pay £000's	Average Age	No.	Deferred Pensions £000's	Average Age	No.	Pensions in Payment £000's	Average Age
938	Bournemouth School for Girls	-	-	-	45	5	45	13	63	66
939	Highcliffe Comprehensive School	-	-	-	28	10	46	17	27	66
940	Dorset Valuation	-	-	-	-	-	-	1	see note (1)	see note (1)
941	Arts University College at Bournemouth	150	3,866	42	152	181	41	36	172	65
942	Bournemouth & Poole College of Further Education	381	6,622	45	575	654	44	271	1,020	66
943	Kingston Maurward College	147	2,081	45	126	124	45	51	134	68
944	Weymouth College	190	3,351	43	328	361	45	130	425	67
945	Dorset Police & Crime Commissioner	3	see note (1)	see note (1)	567	930	44	434	1,960	68
946	St Peters School	-	-	-	39	18	48	24	51	67
947	Poole Grammer School	-	-	-	62	15	46	21	32	66
948	Dorset Association of Town and Parish Councils	3	see note (1)	see note (1)	1	see note (1)	see note (1)	4	see note (1)	see note (1)
949	Signpost Housing Association	1	see note (1)	see note (1)	29	84	49	43	140	69
950	Wessex Water	-	-	-	-	-	-	6	35	75
951	Poole Harbour Commissioners	-	-	-	1	see note (1)	see note (1)	9	81	84
952	Dorset County Museum	8	130	43	9	19	49	13	27	69
953	Weymouth Port Health Authority	8	82	53	-	-	-	14	11	77
954	East Dorset Housing Association	-	-	-	38	100	47	41	243	70
955	Wimborne Cemetery	1	see note (1)	see note (1)	-	-	-	-	-	-
956	Dorchester Joint Burial Committee	-	-	-	1	see note (1)	see note (1)	1	see note (1)	see note (1)
957	Sovereign Housing Association	7	220	54	36	135	50	33	205	67
958	Care South	110	1,658	52	458	347	47	286	728	69
959	Magna Housing Association	128	2,921	46	210	376	49	159	727	69
960	Dorset Magistrates' Courts Committee	-	-	-	57	173	49	101	644	75
961	Ansbury	55	1,392	45	120	307	43	55	379	63
962	Stalbridge Primary School	1	see note (1)	see note (1)	7	3	48	1	see note (1)	see note (1)

Employer Membership Data		Active Members			Deferred Members			Pensioner Members		
Code	Employer	No.	Actual Pay £000's	Average Age	No.	Deferred Pensions £000's	Average Age	No.	Pensions in Payment £000's	Average Age
963	Beaucroft School	-	-	-	19	11	47	9	24	66
964	Montacute School	-	-	-	46	25	39	16	42	68
965	Dorset Probation Trust	215	5,041	47	158	272	47	256	1,574	71
967	St Andrews Fontmell Magna School	-	-	-	2	see note (1)	see note (1)	1	see note (1)	see note (1)
968	Westfield School	90	1,049	48	68	24	44	11	16	63
969	Bicknell School	-	-	-	25	15	49	7	35	66
970	Anglo-European College of Chiropractic	35	580	48	20	29	50	17	30	68
971	Bournemouth Citizens Advice Bureau	-	-	-	5	see note (1)	see note (1)	4	see note (1)	see note (1)
972	Highcliffe St Marks Primary	-	-	-	16	3	50	2	see note (1)	see note (1)
973	Corfe Hills School	-	-	-	60	30	47	25	23	66
974	Shillingstone Primary School	12	93	49	12	5	49	4	see note (1)	see note (1)
976	Dorset Fire Authority	160	3,833	47	59	111	44	56	328	67
977	Wareham Joint Burial Committee	1	see note (1)	see note (1)	-	-	-	1	see note (1)	see note (1)
979	Wareham St Martin Parish Church	1	see note (1)	see note (1)	-	-	-	-	-	-
981	Weymouth and Portland Housing	-	-	-	39	115	49	46	266	66
982	Magna Housing Group	20	812	51	20	64	48	21	152	61
983	Verwood Town Council	2	see note (1)	see note (1)	-	-	-	-	-	-
984	Municipal Hire Services	-	-	-	1	see note (1)	see note (1)	-	-	-
985	Dorset Community Action	5	see note (1)	see note (1)	24	39	54	21	48	68
987	Links4Learning	-	-	-	1	see note (1)	see note (1)	1	see note (1)	see note (1)
988	Bridport Museum Trust	1	see note (1)	see note (1)	-	-	-	-	-	-
989	Golf for All	-	-	-	1	see note (1)	see note (1)	-	-	-
991	Dorset Health	-	-	-	-	-	-	5	see note (1)	see note (1)
992	Dorset Motor Tax	-	-	-	-	-	-	1	see note (1)	see note (1)
993	Dorset County Council	9,000	120,668	47	9,087	5,949	45	3,655	14,528	66

Employer Membership Data		Active Members			Deferred Members			Pensioner Members		
Code	Employer	No.	Actual Pay £000's	Average Age	No.	Deferred Pensions £000's	Average Age	No.	Pensions in Payment £000's	Average Age
994	Sherborne YR Centre	-	-	-	1	see note (1)	see note (1)	-	-	-
995	Lyme Arts Community Trust	-	-	-	-	-	-	1	see note (1)	see note (1)
996	Poole Housing Partnership	100	2,531	46	59	86	42	35	193	66
997	Purbeck Housing Trust	-	-	-	9	38	48	14	56	64
998	Synergy Housing Group	74	2,061	48	26	137	45	14	155	59
990	Dorset Pre-Organisation	1	see note (1)	see note (1)	1,038	1,087	54	3,131	12,997	79
999	Unknown	-	-	-	2	see note (1)	see note (1)	-	-	-
Totals		23,369	382,852	46	24,453	25,762	45	16,745	75,667	71

Notes

(1) Where employers have fewer than 5 members in any category the membership details have been omitted for privacy reasons.

Appendix 4

Rates and Adjustment Certificate

- A4.1. The Common Rate of Contribution as defined by Regulation 36 for the period 1 April 2014 to 31 March 2017 is 18.6% of pensionable payroll.
- A4.2. However, each employer pays contributions based on their particular circumstances and so individual adjustments are made. These give the following minimum total contributions as set out below.

		Employer contributions due as a % of salary for the year beginning			Additional employer contributions due as monetary amounts in the year beginning		
Code	Employer	01-Apr-14	01-Apr-15	01-Apr-16	01-Apr-14	01-Apr-15	01-Apr-16
Dorset County Council							
993	Dorset County Council	13.90%	13.90%	13.90%	£7,963,000	£8,297,000	£8,650,000
930	Budmouth Technology College	21.00%	21.00%	21.00%			
968	Westfield School	21.00%	21.00%	21.00%			
814	Lytchett Minster School	21.00%	21.00%	21.00%			
924	Woodroffe School	21.00%	21.00%	21.00%			
974	Shillingstone Primary School	21.00%	21.00%	21.00%			
962	Stalbridge Primary School	21.00%	21.00%	21.00%			
Borough of Poole							
903	Borough of Poole Council	13.60%	13.60%	13.60%	£2,388,000	£2,490,000	£2,592,000
927	Poole High School	18.90%	18.90%	18.90%			
Bournemouth Borough Council							
900	Bournemouth Borough Council	13.20%	13.20%	13.20%	£2,945,000	£3,581,000	£4,264,000
857	Malmesbury Park School	21.60%	21.60%	21.60%			
872	St Michael's Primary School	21.60%	21.60%	21.60%			
856	Pokesdown Community School	21.60%	21.60%	21.60%			
858	Kinson Primary School	21.60%	21.60%	21.60%			
907	East Dorset District Council	14.10%	14.10%	14.10%	£274,000	£285,000	£298,000
901	Christchurch Borough Council	13.60%	13.60%	13.60%	£278,000	£287,000	£305,000
904	Purbeck District Council	14.30%	14.30%	14.30%	£226,000	£236,000	£245,000
902	North Dorset District Council	14.80%	14.80%	14.80%	£137,000	£143,000	£150,000
905	West Dorset District Council (Non-Actives)	12.00%	12.00%	12.00%	£342,000	£356,000	£371,000
906	Weymouth and Portland Borough Council (Non-Actives)	12.40%	12.40%	12.40%	£548,000	£567,000	£595,000
	West Dorset District Council & Weymouth and Portland Borough Council - Actives Section	12.30%	12.30%	12.30%			
890	Dorset Police and Crime Commissioners	12.40%	12.40%	12.40%	£270,000	£280,000	£300,000
976	Dorset Fire Authority	13.20%	13.20%	13.20%	£126,000	£132,000	£137,000

		Employer contributions due as a % of salary for the year beginning			Additional employer contributions due as monetary amounts in the year beginning		
Code	Employer	01-Apr-14	01-Apr-15	01-Apr-16	01-Apr-14	01-Apr-15	01-Apr-16
Colleges							
922	Bournemouth University	12.00%	12.00%	12.00%	£470,000	£490,000	£511,000
942	Bournemouth & Poole College of Further Education	12.30%	12.30%	12.30%	£298,000	£311,000	£324,000
941	Arts University College at Bournemouth	12.00%	12.00%	12.00%	£79,000	£83,000	£85,000
943	Kingston Maurward College	13.10%	13.10%	13.10%	£10,000	£11,000	£11,000
970	Anglo-European College of Chiropractics	15.50%	15.50%	15.50%			
820	Weyco Services	12.00%	12.00%	12.00%	£5,300	£5,500	£5,800
944	Weymouth College	12.00%	12.00%	12.00%	£137,000	£143,000	£149,000
Admitted Bodies							
809	Churchill Contract Services	22.20%	22.20%	22.20%			
841	Churchill Cleaning	22.20%	22.20%	22.20%			
884	Churchills Cell Police	22.20%	22.20%	22.20%			
804	DC Leisure/Places for People Leisure Ltd	13.70%	13.70%	13.70%			
837	Care Quality Commission	14.40%	14.40%	14.40%	£1,500	£1,500	£1,600
805,806,807,949	Signpost Group	12.20%	12.20%	12.20%	£161,600	£168,400	£175,700
815	SLM Food & Beverage (Poole)	12.00%	12.00%	12.00%	£400	£400	£500
816	SLM Fitness & Health (Poole)	12.00%	12.00%	12.00%	£400	£400	£500
817	SLM Community & Leisure Ltd (Poole)	12.00%	12.00%	12.00%	£12,000	£12,500	£13,000
826	SLM Community & Leisure (Weymouth)	12.00%	12.00%	12.00%	£500	£600	£600
827	SLM Fitness & Health (Weymouth)	12.00%	12.00%	12.00%	£100	£100	£100
847	SLM (Blandford Leisure Centre)	12.00%	12.00%	12.00%			
998	Synergy Housing Group	14.70%	14.70%	14.70%	£95,000	£99,000	£103,000
846	Mouchel	17.60%	17.60%	17.60%			
965	Dorset Probation Trust	18.00%	18.00%	18.00%			
840	BH Live	14.50%	14.50%	14.50%			
959	Magna Housing Association	13.30%	13.30%	13.30%	£181,000	£189,000	£197,000
982	Magna Housing Group	16.70%	16.70%	16.70%	£58,400	£60,900	£63,500
958	Care South	16.60%	16.60%	16.60%	£166,000	£173,000	£180,000
996	Poole Housing Partnership	12.50%	12.50%	12.50%			
961	Ansbury	12.40%	12.40%	12.40%	£60,000	£63,000	£66,000
813	Care UK Ltd	17.20%	17.20%	17.20%			
874	1610 Ltd	14.20%	14.20%	14.20%			
864	Poole & Bournemouth Adult Learning	16.20%	16.20%	16.20%	£28,400	£29,600	£30,800
800	Bournemouth Transport	24.30%	24.30%	24.30%	£256,000	£257,000	£257,000
879	AQS Homecare	22.20%	22.20%	22.20%			

Code	Employer	Employer contributions due as a % of salary for the year beginning			Additional employer contributions due as monetary amounts in the year beginning		
		01-Apr-14	01-Apr-15	01-Apr-16	01-Apr-14	01-Apr-15	01-Apr-16
957	Sovereign Housing Association	16.50%	16.50%	16.50%	£100,000	£105,000	£110,000
825	Mack Trading	14.00%	14.00%	14.00%	£280	£290	£310
933	Raglan Housing Association	15.30%	15.30%	15.30%	£98,000	£102,000	£106,000
865	Action for Children	17.40%	17.40%	17.40%			
868	Abilities	15.00%	15.00%	15.00%			
828	South Dorset Community Sports Trust	13.70%	13.70%	13.70%	£360	£380	£390
834	A P Chant	15.10%	15.10%	15.10%	£260	£270	£280
818	Dorset Lighting	28.00%	28.00%	28.00%			
836	Healthy Living Wessex	15.60%	15.60%	15.60%	£690	£720	£750
892	Blue Ribbon Facilities	12.00%	12.00%	12.00%			
Small Admitted Bodies							
925	Age Concern Bournemouth	14.40%	14.40%	14.40%	£500	£500	£500
948	Dorset Association of Town and Parish Councils	14.40%	14.40%	14.40%	£2,700	£2,800	£2,900
952	Dorset County Museum	14.40%	14.40%	14.40%	£6,800	£7,100	£7,300
953	Weymouth Port Health Authority	14.40%	14.40%	14.40%	£4,600	£4,800	£5,000
985	Dorset Community Action	14.40%	14.40%	14.40%	£3,700	£3,900	£4,100
988	Bridport Museum Trust	14.40%	14.40%	14.40%	£600	£700	£700
Small Scheduled Bodies							
808	West Moors Parish Council	16.50%	16.50%	16.50%	£1,500	£1,600	£1,700
811	Alderholt Parish	16.50%	16.50%	16.50%	£1,000	£1,100	£1,100
819	Wool Parish Council	16.50%	16.50%	16.50%	£400	£400	£400
824	Chickerell Town Council	16.50%	16.50%	16.50%	£1,000	£1,100	£1,200
831	West Parley Parish Council	16.50%	16.50%	16.50%	£400	£500	£500
845	East Lulworth Parish Council	16.50%	16.50%	16.50%	£100	£100	£100
854	West Lulworth Parish Council	16.50%	16.50%	16.50%	£100	£100	£100
855	Milborne St Andrew Parish Council	16.50%	16.50%	16.50%	£100	£100	£100
910	Blandford Town Council	16.50%	16.50%	16.50%	£9,300	£9,800	£10,100
911	Bridport Town Council	16.50%	16.50%	16.50%	£12,200	£12,700	£13,200
912	Dorchester Town Council	16.50%	16.50%	16.50%	£16,400	£17,000	£17,700
913	Lyme Regis Town Council	16.50%	16.50%	16.50%	£6,900	£7,200	£7,500
914	Portland Town Council	16.50%	16.50%	16.50%	£800	£900	£900
915	Shaftesbury Town Council	16.50%	16.50%	16.50%	£7,600	£8,000	£8,300
916	Sherborne Town Council	16.50%	16.50%	16.50%	£9,500	£9,800	£10,300
917	Swanage Town Council	16.50%	16.50%	16.50%	£22,300	£23,200	£24,300
918	Wareham Town Council	16.50%	16.50%	16.50%	£3,700	£3,800	£4,000
919	Wimborne Minster Town Council	16.50%	16.50%	16.50%	£900	£1,000	£1,100
920	Gillingham Town Council	16.50%	16.50%	16.50%	£5,400	£5,600	£5,800
926	Corfe Mullen Parish Council	16.50%	16.50%	16.50%	£4,600	£4,800	£5,100
929	Bradpole Parish Council	16.50%	16.50%	16.50%			
931	Sturminster Newton Parish Council	16.50%	16.50%	16.50%			

Code	Employer	Employer contributions due as a % of salary for the year beginning			Additional employer contributions due as monetary amounts in the year beginning		
		01-Apr-14	01-Apr-15	01-Apr-16	01-Apr-14	01-Apr-15	01-Apr-16
932	Ferndown Town Council	16.50%	16.50%	16.50%	£4,700	£4,900	£5,100
934	Lytchett Minster Town Council	16.50%	16.50%	16.50%	£2,700	£2,800	£2,900
937	Colehill Parish Council	16.50%	16.50%	16.50%	£600	£700	£800
955	Wimborne Cemetery	16.50%	16.50%	16.50%	£800	£800	£900
956	Dorchester Joint Burial Committee	16.50%	16.50%	16.50%			
977	Wareham Joint Burial Committee	16.50%	16.50%	16.50%	£300	£300	£300
979	Wareham St Martin Parish Church	16.50%	16.50%	16.50%	£400	£400	£400
983	Verwood Town Council	16.50%	16.50%	16.50%	£2,100	£2,100	£2,200
Academies							
842	St Aldhelms	17.40%	17.40%	17.40%	-	-	-
843	Bourne Academy	17.40%	17.40%	17.40%	-	-	-
844	Bishop of Winchester	17.40%	17.40%	17.40%	-	-	-
848	Twynham School	17.40%	17.40%	17.40%	-	-	-
850	Parkstone Grammar School	17.40%	17.40%	17.40%	-	-	-
851	Thomas Hardye School	17.40%	17.40%	17.40%	-	-	-
852	Corfe Hills School	17.40%	17.40%	17.40%	-	-	-
859	St Peters	17.40%	17.40%	17.40%	-	-	-
860	Bournemouth School for Boys	17.40%	17.40%	17.40%	-	-	-
861	Montacute Grammar School	17.40%	17.40%	17.40%	-	-	-
862	Poole Grammar	17.40%	17.40%	17.40%	-	-	-
863	Highcliffe Academy	17.40%	17.40%	17.40%	-	-	-
866	Harewood	17.40%	17.40%	17.40%	-	-	-
867	Bournemouth School for Girls	17.40%	17.40%	17.40%	-	-	-
869	Dorchester Middle School	17.40%	17.40%	17.40%	-	-	-
870	St Mary's Middle School	17.40%	17.40%	17.40%	-	-	-
871	St Osmund's Middle School	17.40%	17.40%	17.40%	-	-	-
873	Avonbourne School	17.40%	17.40%	17.40%	-	-	-
875	Epiphany Academy	17.40%	17.40%	17.40%	-	-	-
876	Tregonwell	17.40%	17.40%	17.40%	-	-	-
877	The Wey Valley	17.40%	17.40%	17.40%	-	-	-
878	Gryphon School	17.40%	17.40%	17.40%	-	-	-
880	IPACA Academy	17.40%	17.40%	17.40%	-	-	-
881	Stourfield Infant Academy Trust	17.40%	17.40%	17.40%	-	-	-
882	Wyvern School	17.40%	17.40%	17.40%	-	-	-
883	Queens Park Junior School	17.40%	17.40%	17.40%	-	-	-
885	Chickerell Primary School	17.40%	17.40%	17.40%	-	-	-
886	Elmrise Primary School	17.40%	17.40%	17.40%	-	-	-
887	Oakmead College of Technology	17.40%	17.40%	17.40%	-	-	-
888	The Studio Academy	17.40%	17.40%	17.40%	-	-	-
893	Pokesdown	17.40%	17.40%	17.40%	-	-	-

Notes

- A4.3. Further sums should be paid to the Fund to meet the costs of any early retirements using methods and assumptions discussed with us.
- A4.4. The certified contribution rates represent the minimum level of contributions to be paid. Employers may pay further amounts at any time and future periodic contributions, or the timing of contributions, may be adjusted on a basis approved by us.
- A4.5. Contributions should be paid monthly in arrears on or before the 19th of the following calendar month, after which the Fund is entitled to charge interest on any contributions outstanding. Lump sum prepayments are permitted prior to this and an actuarial adjustment will be made to reflect the payment profile chosen.

Projected New Benefits

- A4.6. The following table shows the amount of new pension and lump sum benefits (excluding early retirement benefits due to redundancy) projected to come into payment during the period 1 April 2014 to 31 March 2017.

Year to	Retirement Benefits £(000)
31 March 2015	14,481
31 March 2016	16,346
31 March 2017	22,641

Appendix 5

New Employers

A5.1. The below employers have joined the Fund since 31 March 2013 and their rates were certified at their date of joining and will continue as set out until 1 April 2017 when they will be assessed as part of the next formal valuation.

Code	Employer	Employer contributions due as a % of salary for the year beginning			Additional employer contributions due as monetary amounts in the year beginning	
		01-Apr-14	01-Apr-15	01-Apr-16	01-Apr-15	01-Apr-16
838	Queens Park Infant Academy	17.40%	17.40%	17.40%	-	-
893	Pokesdown Community School (Academy)	17.40%	17.40%	17.40%	-	-
401	Longspee Academy	17.40%	17.40%	17.40%	-	-
403	Magna Academy	17.40%	17.40%	17.40%	-	-
406	Parkfield School (Free School)	17.40%	17.40%	17.40%	-	-
410	Winton Arts and Media College (Academy)	17.40%	17.40%	17.40%	-	-
411	Glenmoor School (Academy)	17.40%	17.40%	17.40%	-	-
896	The Swanage School (Free School)	17.40%	17.40%	17.40%	-	-
404	Beaminster St Marys Academy	17.40%	17.40%	17.40%	-	-
405	Dunbury Academy	17.40%	17.40%	17.40%	-	-
412	The Jewel Academy	17.40%	17.40%	17.40%	-	-
414	Stanley Green Infants Academy	17.40%	17.40%	17.40%	-	-
894	The Quay Academy	17.40%	17.40%	17.40%	-	-
895	Carter Community Academy	17.40%	17.40%	17.40%	-	-
415	East Boro Housing Trust	18.30%	18.30%	18.30%	-	-
402	Wessex Education Shared Services Ltd (WESS)	23.70%	23.70%	23.70%	-	-
407	Barnardo's	16.50%	16.50%	16.50%	-	-
408	The Children's Society	14.90%	14.90%	14.90%	-	-
409	Churchills Purbeck	22.20%	22.20%	22.20%	-	-

Notes

- A5.2. Further sums should be paid to the Fund to meet the costs of any early retirements using methods and assumptions discussed with us.
- A5.3. The certified contribution rates represent the minimum level of contributions to be paid. Employers may pay further amounts at any time and future periodic contributions, or the timing of contributions, may be adjusted on a basis approved by us.
- A5.4. Contributions should be paid monthly in arrears on or before the 19th of the following calendar month, after which the Fund is entitled to charge interest on any contributions outstanding. Lump sum prepayments are permitted prior to this and an actuarial adjustment will be made to reflect the payment profile chosen.

Appendix 6

LGPS Benefits

The benefit changes from 1 April 2014 involve the formation of a new scheme, referred to below as LGPS 2014. Transitional regulations are applied so that the benefits in the previous LGPS 2008 scheme are maintained.

LGPS Benefits	LGPS 2014	LGPS 2008
Type of Scheme	Career Average Revalued Earnings (CARE)	Final Salary
Pension Benefit Accrual	1/49th	1/60th for service after 1 April 2008. Benefits for service before 31 March 2008 were based on 1/80th accrual and an automatic lump sum of 3/80ths.
Revaluation	Consumer Prices Index (CPI)	Based on Final Salary
Lump Sum	By commutation 12:1 up to a maximum of 25% of lifetime allowance	
Pensionable Pay	Pay including non-contractual overtime and additional hours for part time staff Banded Contributions based on actual pensionable pay	Pay excluding non-contractual overtime and non-pensionable additional hours Banded Contributions based on full time equivalent pensionable pay

Members contributions

Range	Gross Rate %	Range	Gross Rate %
Up to £13,500	5.50	Up to £13,700	5.50
£13,501 to £21,000	5.80	£13,701 to £16,100	5.80
£21,001 to £34,000	6.50	£16,101 to £20,800	5.90
£34,001 to £43,000	6.80	£20,801 to £34,700	6.50
£43,001 to £60,000	8.50	£34,701 to £46,500	6.80
£60,001 to £85,000	9.90	£46,501 to £87,100	7.20
£85,001 to £100,000	10.50	More than £87,100	7.50
£100,001 to £150,000	11.40		
More than £150,000	12.50		

Contribution Flexibility	Not Available Member can pay 50% contributions for 50% of the pension benefit
Normal Pension Age	Age 65 Linked to individual member's State Pension Age (minimum age 65)
Death in Service Lump Sum	3 x Pensionable Pay
Death in Service Survivor Benefits	1/160th accrual based on potential service to Normal Pension Age
Ill Health Provision	Tier 1 - Immediate payment with service enhanced to Normal Pension Age
	Tier 2 - Immediate payment with 25% service enhancement to Normal Pension Age
	Tier 3 - Temporary payment of pension for up to 3 years
Post Retirement Revaluation	Pension Increase Orders Across

	LGPS 2014	LGPS 2008
Vesting Period	2 years	3 months
Early Payment - Reduction to Benefits (Rule of 85)	<p>For members of the LGPS on 30 September 2006, some or all of their benefits paid early could be protected from reduction under what is called the Rule of 85.</p> <p>The Rule of 85 is satisfied if their age at the date they draw their benefits plus their scheme membership (each in whole years) add up to 85 or more.</p> <p>If they could not satisfy the Rule of 85 by the time they are 65, then all of their benefits are reduced, if they choose to retire before age 65.</p> <p>If they will be age 60 or over by 31 March 2016 and choose to retire before age 65, then provided they satisfy the Rule of 85 when they start to draw their pension, the benefits they build up to 31 March 2016 will not be reduced.</p> <p>If they will be under age 60 by 31 March 2016 and choose to retire before age 65, then provided they satisfy the Rule of 85 when they start to draw their pension, the benefits they have built up to 31 March 2008 will not be reduced. Also, if they will be aged 60 between 1 April 2016 and 31 March 2020 and meet the Rule of 85 by 31 March 2020, some or all of the benefits that they have built up between 1 April 2008 and 31 March 2020 will not have a full reduction.</p>	

Policy Documents

Introduction

The Fund has a number of key strategy and policy documents and these are summarised on the following pages. The full versions of the documents are in Appendix A and also published on the Fund's website www.yourpension.org.uk/Dorset/Home.aspx

Statement of Investment Principles

Introduction

Regulations made by the Secretary of State (The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009) under powers contained in Section 7 of the Superannuation Act 1972 revised the requirement for administering authorities to prepare, maintain and publish a Statement of Investment Principles (SIP) and consult with persons they deem appropriate when drawing up their statements.

Compliance with the updated Myners Principles – Detailed Statement

Introduction

Since the original Myners Review in 2001 established ten principles of investment for defined benefit schemes, the Dorset County Pension Fund has carried out a self-assessment of their position and implemented arrangements in order to comply with these principles. The Annual Report & Accounts for 2008-09 reported full compliance.

In October 2008, the Government published their response to consultation on updating the Myners review and restructured the original principles into

six new high level principles, providing guidance on recommended best practice for applying the principles, and identifying tools to provide practical help and support to trustees and their advisers.

The primary basis for the revised principles and guidance was focused on private sector schemes and the Investment Governance Group – LGPS Sub-Group considered how these might be suitably adapted for local government pension funds.

Communications Policy Statement

Introduction

Under regulations published by the Office of the Deputy Prime Minister in November 2005, each pension fund administering authority is required to prepare and publish a policy statement setting out its approach to communications with its stakeholders.

In addition to explaining our existing communication activities, it describes our performance standards in relation to communications, and sets out some of our future plans for improving the way we engage with our stakeholders.

Governance Policy and Compliance Statement

Introduction

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.

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.

Funding Strategy Statement

Introduction

The Funding Strategy Statement has been prepared in accordance with Regulation 35 of the Local Government Pension Scheme (Administration) Regulations 2007.

It should be read in conjunction with the Fund's Statement of Investment Principles.

Voting Issues Policy

Voting action is an integral part of being an active and responsible investor. The Fund's policy in this respect is reviewed, revised and published in the SIP.

Committee Training Policy

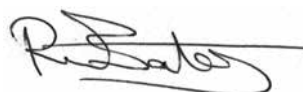
As an administering authority of the Local Government Pension Scheme, Dorset County Council has always recognised the importance of ensuring that all officers and members of the Pension Fund Committee charged with the financial management and decision making with regard to the pension scheme are fully 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.

Knowledge and Skills Policy Statement

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 is arranged, monitored and reported to the Pension Fund Committee annually. Over the past twelve months, the Committee have had 6.5 days of full training made available and I can confirm that all members and staff of the Dorset County Pension Fund charged with the financial administration, governance and decision-making have the expertise, knowledge and skills to perform their duties effectively and training will be provided where required or needed.



Richard Bates
Fund Administrator

Statement of Investment Principles (SIP) – July 2016

1. The Statutory Requirements for a SIP

- Regulations made by the Secretary of State (The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009) under powers contained in Section 7 of the Superannuation Act 1972 revised the requirement for administering authorities to prepare, maintain and publish a SIP and consult with persons they deem appropriate when drawing up their statements. The revised statements must be published no later than 1 July, 2010. The regulations came into force on 1 January, 2010.
- A consultation on revised LGPS Investment Regulations was launched by the Government in 2015 as part of the wider structural reform of LGPS investments. It is likely that the revised regulations will come into force by 1 April 2017. It is also likely that these regulations will require Funds to produce an Investment Strategy Statement, which will effectively replace this document.
- The County Council have delegated all aspects of the management of the pension scheme to the Pension Fund Committee the minutes of which are reported to the County Council.
- This revised document was agreed by the Pension Fund Committee on 24 June 2015.

2. Committee Constitution

- The Pension Fund Committee is a Committee of the County Council which appoints five County Council members, with invitations to Bournemouth and Poole unitary authorities (one member each) and to the six Dorset district councils (one member in total). The scheme members are also represented on the Committee by one member, who is nominated by the Trade Unions.

3. Committee Responsibilities

- The Terms of Reference of the Pension Fund Committee are to exercise all functions of the Council as administering authority under the Local Government Superannuation Act and Regulations and to deal with all matter relating thereto. Such as:
 - 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 SIP, Funding Strategy Statement, Governance Policy and Compliance Statement, Business Plan and the 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.

This was highlighted in a Strategic review of the Fund undertaken by JLT in June 2011. The Committee decided to begin a process to reduce the level of mismatch, but without significantly reducing the potential for return. As part of this review process a new strategic target allocation for the portfolio was agreed. This strategy was revised in 2014, and the new target allocation is shown below.

- Investment risk can be measured and managed in many other 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. Our 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, e.g. equities. In setting the investment strategy, the Committee takes into account with the Fund actuary, 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.

4. Investment Policy

- The investment policy of the Pension Fund is intended to ensure that all statutory payments made from the fund are at the least possible cost to local taxpayers.
- Investment returns are a key factor and achieving satisfactory returns will to a considerable degree reflect the risks taken. The Committee seeks to control risk, not eliminate it, and deals only with reputable service providers to minimise counterparty risk.
- Consideration is given to the ongoing risks which may arise through a mismatch, over time, between assets of the Fund and its liabilities. These are looked at in greater detail within the Fund's Funding Strategy Statement. However, the major risks that the Fund has are the impact of Interest and Inflation Yields on the liabilities, which can lead to this mismatch.

- Other financially material risks such as corporate governance and environmental issues are required to be considered and managed by our investment managers in relation to all asset classes.
- The adoption of a 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.
- Risks may also arise from a lack of suitable balance or diversification of the Fund's assets. The Committee believes that the asset allocation policy currently in place provides an appropriately diversified distribution of assets for this purpose.
- The key measure for the Fund will be the performance against its own unique benchmark which is derived from the asset allocation structure and the performance benchmarks set for each of the asset and manager categories. The strategic asset allocation of the Fund was revised at the Committee meeting in February 2014, with a target implementation date of 1 October 2014. This strategy was temporarily amended in September 2014 to reflect the concern over the Barings DGF mandate, and the decision to postpone the procurement of an additional DGF manager. The benchmark was amended again in March 2016 after the appointment of the new Global Equity managers, to equalise the target between UK and Global Equity

(including Emerging Markets). This is shown below:

Asset Class	Exposure
Equities	%
UK	26.25
Overseas (developed)	23.25
Emerging Markets	3.00
Bonds	
Corporate	12.50
Property	10.00
Alternatives	
Diversified Growth	5.00
Private Equity	4.00
Infrastructure	4.00
Liability Hedging Programme	12.00

Note: There are flexibility bands of +/- 5% on UK and Overseas Equities, and +/- 2.5% on Bonds, Property and the Liability Hedging programme.

- The Committee reviews asset allocation on at least a six monthly basis, and the individual manager's reports setting out activity and transactions are received quarterly.
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 set out certain restrictions to apply in managing investments including:
 - Not more than 10% of the Fund may be invested in unlisted company securities;
 - Not more than 10% to be invested in any one holding (excluding unit trusts, gilt edged stock and bank deposits);
 - Not more than 25% to be invested in unit trust schemes managed by one person, but not more than 10% in a single holding;

- Not more than 10% to be deposited with any one bank (excluding the National Savings Bank);
- Any loans, other than to the Government, may not exceed 10% of the Fund;
- Not more than 25% to be invested in insurance contracts;
- Not more than 25% of all securities to be transferred (or agreed to be transferred) by the Fund under stock lending arrangements;
- Not more than 15% in all sub-underwriting contracts, and not more than 1% in any single sub-underwriting contract;

- Not more than 8% invested in all partnerships, and not more than 5% in any single partnership.

Flexibility is given around some of these limits, under the Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 2003. On 26 June 2014 were recommended to make use of the headroom allowed for unlisted securities. The limit for all unlisted securities will now be 15%. The regulations require that the following information be included in the SIP:

Requirement	Statement
Take proper advice	From Fund Administrator, Independent Adviser and Legal Advisers
The description of investment to which it applies	Unlisted securities
The limit on the amount	Increase limit from 10% to 15%
The reason for that decision	To extend the Inflation hedging programme with Insight
The period for which the decision will apply	Until further notice
That the decision complies with the regulation	Confirmed
The decision must be published in the SIP before it takes effect	Revised SIP considered on 26 June 2014

In addition the County Council, as the administering local authority, must have regard to:

- The need for the diversification of investments (as described above)
- The suitability of investments
- Proper advice, obtained at regular intervals

The regulations also enable the County Council to vary the manner in which monies

are invested thus enabling the switching of monies from one investment to another.

The employment of external investment managers is expressly permitted subject to:

- Appropriate diversification between managers.
- Regular reviews of managers' performance, dealings and employment (which is terminable at not more than one month's notice).

- Their authorisation under the Financial Services Act for 1986 or for European Institutions similarly authorised by their home state and reasonably believed to be suitably qualified by ability and practical experience.

5. Investment Management Arrangements

- Dorset County Council is the administering authority for the Fund and has delegated its responsibilities to the Pension Fund Committee.
- The Chief Financial Officer is the Administrator of the Fund and has delegated responsibilities from the Council for the administration of the Pension Fund. These responsibilities are set out in paragraph six of this document. In carrying out these duties he and the Committee take advice from the Fund's independent adviser, Mr Alan Saunders from Allenbridge Epic Investment Advisers.
- The appointment of an appropriate number of managers for each major asset class, with different investment styles, helps provide an adequate level of diversification of manager risk.
- Two thirds of UK Equities are managed by staff in the Chief Executive's department, and the remainder by two specialist UK equity managers. In addition external managers are employed in specialist areas including Global Equities, Bonds, Property, Private Equity, Diversified Growth and Infrastructure. Managers are required to report on portfolio

management on a quarterly basis, they must comply with all instructions given to them by the authority (in accordance with the mandates agreed) and contracts can be terminated at one month's notice.

- **Global Equities**

Global developed Equities are currently managed by three different fund managers; Allianz Global Investors, Investec Asset Management and Wellington Management. The management arrangements were effective from 1 January 2016. Each of the managers has a target to outperform the MSCI Global Index and are all managing on an active basis. In addition to this the Fund has exposure to Global Emerging Markets equities with JP Morgan Asset Management who have been managing it on an active basis since 1 April 2012. The investment is in a pooled fund, which has a diversified strategy, with a target of outperforming the MSCI Emerging Markets Index by 2%.

- **Global Bonds**

Global bonds are presently managed by Royal London Asset Management (rlam) and Insight Investments. rlam were appointed with effect from 1 July 2007, and Insight 1 April 2012. rlam has 12.5% of the overall Fund under management, and Insight have 12%.

rlam use the iBoxx Non-Gilt Over 5 Year Index as their benchmark with an outperformance target of 0.75%. This is achieved by investing in the RLPPC Core Bond Fund. The Fund invests in a diversified portfolio of mainly UK

Bonds with an emphasis on the corporate sector.

Insight were appointed in 2012 to help the Fund manage its liability risks, with particular focus on inflation. The target is to reduce the Fund's exposure to Inflation by putting together a portfolio that moves in a similar way to the liabilities. This will be achieved initially by holding a portfolio of Index Linked Gilts. Over time and after setting of a series of key trigger points this will develop into a broader hedge of the Fund Inflation risks. This will be achieved by investing in a bespoke Qualifying Investor Fund (QIF), which will enable Insight to use a range of derivative instruments to further protect the Fund.

- **Property Investments**

CBRE Global Investors is presently the Fund's property advisers and managers. The Manager presents to the Committee for approval sectoral targets within the total approved and carries out acquisitions and disposals to achieve the distribution agreed. Performance of the portfolio is measured against an industry standard benchmark. The Fund also invests in a number of indirect property funds including; Hercules Unit Trust, the Lend Lease Retail Partnership (Jersey) Unit Trust, the ING Retail Fund Britannica and the ING UK Property Value Added Fund. The manager's target is to achieve a return on assets at least equal to the average IPD Quarterly Universe Portfolio Return for a rolling five year period. The performance against the WM Local Authority Universe is also noted.

- **UK Equities**

The majority of the UK equity portfolio is presently managed by staff in the Chief Executive's Department on a passive or index tracking basis. The target set is the FTSE 350 Index, with an annual deviation allowed of + 0.5%. No derivatives or financial gearing is permitted. The constituents of the FTSE 350 index are fully replicated by the in house team. The remaining 3% of the FTSE All share index not included in the FTSE 350 index is captured by a separate external fund managed by Schroders (w.e.f. 1 April 2006) in a fund specialising in Small Cap investments. Schroders have a target to outperform the FTSE Small Cap index by 2.5% per annum. This is managed in a pooled vehicle. In addition a proportion of the Fund is managed on an active basis. The manager for this part of the portfolio with effect from 1 April 2006 are AXA Framlington with a target of outperforming the FTSE All Share Index by 3.5% per annum. These Funds are invested in Pooled vehicles.

- **Private Equity Funds**

Since April 2006 the Fund has invested in Private Equity Fund of Funds. The Fund invests in Fund of Fund 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). The reasons for these investments is to potentially improve returns, and to improve Fund diversification.

- **Diversified Growth**

Since April 2012 the fund has invested with Baring Asset Management in their Dynamic Asset Allocation Fund. This pooled fund seeks to achieve equity like returns with lower risk, by investing in a range of asset classes and focussing on asset allocation. The Fund identifies an optimal long term strategic position, and makes dynamic asset allocation decisions around this. The target return is cash plus 4% with 70% of equity risk. The Fund will increase its allocation to DGF to 10% later in 2014, and this will either be way of an additional manager appointment, or allocating additional funds to Barings.

- **Infrastructure**

In 2014 the Fund appointed two Global Infrastructure managers; Hermes Investment Management and International Fund Management (IFM). The Hermes investments are mainly UK focussed, and IFM have a wider remit across the globe. Like Private Equity these funds will take some time to completely draw-down all of the committed capital, however once invested are intended to remain as long term holdings.

- **Socially Responsible Investments and Corporate Governance**

Funds are also required to include a statement on the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments and a summary of

the policy (if any) in relation to the exercise of rights (including voting rights) attaching to investments.

The Pension Fund Committee has decided to place no restrictions on investment managers in choosing individual investments in companies 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.

The Committee expects that the boards of companies in which the pension fund invests should pay due regard to environmental matters and thereby further the long-term financial interests of the shareholders. Ethical and environmental issues arise not only in board policy decisions but in daily operations. The Pension Fund Committee cannot become involved in those decisions and therefore looks to the directors of a company to manage that company's affairs taking proper account of the shareholders' long-term interests.

The Dorset 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.

- **Corporate Governance**

The Pension Fund Committee has in place a voting issues policy for UK and overseas equity investments. Advice on such issues is taken from the National Association of Pension Funds 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 maybe considered.

- **The UK Stewardship Code**

The Fund's compliance with the Seven Principles of the UK Stewardship Code was presented to the Committee on 12 September 2011. This document will be published separately. The Fund complies with each of the Principles, and has confirmed with each of its appointed Equity managers have taken action to comply with the Code. Each manager also publishes a Stewardship Policy.

- **Overseas Currency Exposure**

The Fund aims to eliminate the exposure to non-sterling currency by fully hedging any exposures within the Bond and Hedge Fund portfolios. The Fund also has a permanent 50% currency hedge on its entire overseas equity portfolio. This has been in place since July 2005, and is not intended as a speculative decision, but is intended to return the Fund to a level of currency exposure it had before the increase in weight in overseas equities.

- **Stock Lending**

The Committee permits the lending of UK equities, overseas

equities and bonds. This is currently limited by the Fund to 25% of the value of the Fund. The Fund lends Global Equities and UK equities from the portfolios managed by Pictet Asset Management and the Internal manager respectively. The Fund's custodians HSBC and Pictet undertake the stocklending as an agent for the Fund. The custodians ensure that on a daily basis collateral (worth at least 105% of the value of the stock on loan) is collected from the counterparties. The Fund does not have a policy of recalling stock for voting reasons, and accepts that there may be occasion where voting rights are lost due to stocklending.

- **Pooling of Investments**

In 2015 the Government announced its intentions to require the 89 English and Welsh Local Government Pension Funds to pool their investments to create economies of scale which would lead to efficiencies in the costs of administering Funds, and also potentially improve investment performance. A consultation was issued and Funds had to respond by February 2016 with proposals for pooling. The Dorset Fund has worked closely with the other seven South West funds for a number of years, and as it seemed logical to discuss pooling. "Project Brunel" was formed and with the addition of Oxfordshire and Buckinghamshire the pool totalled ten funds with assets in excess of £23 Billion. The initial proposal was accepted by the Government in February 2016, and work has been ongoing to meet the July deadline for detailed submissions.

6. Responsibilities of the Fund Administrator

The Fund Administrator is responsible for:

- Development of an asset allocation strategy in consultation with the Fund's Independent Adviser and Actuary, for approval by the Committee;
- Funding allocation decisions consistent with the asset allocation strategy agreed by the Committee;
- The provision of monitoring information (provided by HSBC) to the Committee on the performance of each manager and the Fund overall;
- The management of Fund Managers and other professional service providers and advising the Committee on terms of engagement;
- All other aspects of the management of the Fund.

7. Responsibilities of the Custodian

- Pictet & Cie, based in Geneva and HSBC Global Investor Services, based in London are presently the appointed custodians for all fund assets except for direct property holdings where title deeds are held in the Council's archives.
- The custodians safeguard assets, ensure that all associated income is collected and settle all transactions (purchases/sales and stock loans). The Fund is provided with statements of assets, cash flow and corporate actions which are reconciled by the Fund

Administrators staff to the reported actions of the managers.

- The Custodian will inform the Council of any areas of concern which arise in its dealings with managers.

8. Audit Responsibilities

- The Dorset County Pension Fund is subject to review by both the County Council's external auditors (KPMG) and the County Council's internal auditors (a service provided by the South West Audit Partnership).
- The external auditors are responsible for reporting on whether the Statement of Accounts presents fairly the income and expenditure for the year and the financial position of the Dorset County Pension Fund, for the year then ended. Their audit report to Dorset County Council is contained in the County Council's Annual Report and Accounts.
- The internal audit team carries out a programme of work designed to re-assure the Fund Administrator that Pension Fund investment systems and records are properly controlled to safeguard the Fund's assets.

9. Actuarial Responsibilities

- The Dorset County Pension Fund is subject to a full actuarial review every 3 years by the Fund's actuary, currently Barnett Waddingham. The last full review was at 31 March 2013 which reported an overall 82% funding level.

- The actuary is responsible for providing advice as to the maturity of the Fund and its funding level and to determine employers' contributions so as to maintain the Fund's ability to meet its liabilities.

10. Responsibilities of Independent Adviser

The Independent Adviser to the Committee is currently Alan Saunders from Allenbridge Epic, and is responsible for assisting the Fund Administrator and Committee:

- in the preparation and review of this document;
- in the development of an appropriate asset allocations strategy;
- in the regular monitoring of the investment managers' performance;
- in asset allocation decisions; and
- in the selection and appointment of investment managers and custodians.

11. Responsibilities of the Independent Professional Observer

The Department for Communities and Local Government (CLG) issued guidance to Local Government Pension Funds in 2008 recommending the participation of An Independent Professional Observer (IPO) in the governance arrangements of schemes. The IPO's role is outlined as undertaking independent assessment of compliance against the Myners' principles and other benchmarks, and to offer a practical approach to the management of risks. The

Fund has appointed Peter Scales of Allenbridge Epic to this position. The adviser reports annually to the Committee with his independent assessment on the Fund's work, and its compliance with governance and other principles.

Over time, this role has widened to become Governance adviser to the Fund, and since the creation of a Local Pension Board the adviser has assumed the role of adviser to the Board. This role includes helping to shape the agenda of the Board, and regular attendance to assist and train Board member on governance issues.

12. Compliance with Myners' Principles

Since the original Myners Review in 2001 established ten principles of investment for defined benefit schemes, the Dorset County Pension Fund has carried out a self-assessment of their position and implemented arrangements in order to comply with these principles. The Annual Report & Accounts for 2008-09 reported full compliance.

In October 2008, the Government published their response to consultation on updating the Myners review and restructured the original principles into six new high level principles, providing guidance on recommended best practice for applying the principles, and identifying tools to provide practical help and support to trustees and their advisers. The Investment Governance Group – LGPS Sub-Group has issued an adapted version for LGPS pension funds.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 require, inter alia, administering authorities to state in their Statement of Investment Principles, the extent to which they comply with the updated principles as contained in guidance issued by CIPFA. If an authority does not comply with that guidance in any respect, it should describe the relevant aspects of its practice and give the reasons for them.

Dorset County Pension Fund maintains a high level of compliance with the updated principles and guidance, as shown in the following table.

Principle 1: Effective decision-making

Fully compliant

Dorset County Pension Fund has ensured that decisions are taken by those with the skills, knowledge, advice and resources necessary to make them effectively, that their implementation is regularly monitored, and that they have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

Principle 2: Clear objectives

Fully compliant

Dorset County Pension Fund has set out an overall investment objective that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and has clearly communicated these to advisers and investment managers.

Principle 3: Risk and liabilities

Fully compliant

In setting and reviewing their investment strategy, Dorset County Pension Fund has taken full and proper account of the form and structure of liabilities, including the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.

Principle 4: Performance assessment

Fully compliant

Dorset County Pension Fund has made suitable arrangements for the formal measurement of performance of the investments, investment managers and advisers, and periodically makes a formal assessment of their own effectiveness as a decision-making body, reporting to scheme members each year.

Principle 5: Responsible ownership

Fully compliant

Dorset County Pension Fund has included a statement of the fund's policy on responsible ownership in the Statement of Investment Principles and the discharge of such responsibilities is reported periodically to scheme members.

Principle 6: Transparency and reporting

Fully compliant

Dorset County Pension Fund acts in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives, and reports regularly to scheme members.

Compliance with the updated Myners Principles - Detailed statement - September 2010

Since the original Myners Review in 2001 established ten principles of investment for defined benefit schemes, the Dorset County Pension Fund has carried out a self-assessment of their position and implemented arrangements in order to comply with these principles. The Annual Report & Accounts for 2008-09 reported full compliance.

In October 2008, the Government published their response to consultation on updating the Myners review and restructured the original principles into six new high level principles, providing guidance on recommended best practice for applying the principles, and identifying tools to provide practical help and support to trustees and their advisers.

The primary basis for the revised principles and guidance was focused on private sector schemes and the Investment Governance Group – LGPS Sub-Group considered how these might be suitably adapted for local government pension funds.

In July 2009, the IGG issued adapted principles and described the framework for investment decision-making as follows:

Principle

The high level principles will be the accepted code of practice applying to investment decision-making and investment governance in local government pension funds throughout the United Kingdom, including the Environment Agency. Administering authorities will be required or expected by the management of investment of funds regulations to report against these on a 'comply or explain' basis.

Guidance on good practice

Guidance on good practice is intended to help funds to apply the principles effectively and they are not expected to implement every element. Rather administering authorities may use examples of good practice where appropriate to help demonstrate the extent to which the principles have been applied and whether compliance has been achieved.

Good practice tools

Tools provide practical help and support to administering authorities and their advisers to enable them to apply the principles and ensure that standards of investment decision-making and governance continue to rise.

For LGPS funds, the disclosure of compliance with these principles is required by the investment regulations as an integral part of the Statement of Investment Principles (SIP), which is required to be published in the

annual report and accounts each year. This regulation was amended to reflect the updated principles by The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 [SI 2009/3093] which were laid before Parliament on 1 December 2009 and came into force on 1 January 2010.

The relevant regulation 12 refers to the Statement of Investment Principles and states, inter alia, that:

“(3) The statement must also state the extent to which the administering authority complies with guidance given by the Secretary of State, and, to the extent the authority does not so comply, the reasons for not complying.”

The guidance referred to in this regulation was subsequently issued by Communities and Local Government on 14 December 2009 and states:

“An administering authority should refer to the guidance published by the Chartered Institute of Public Finance and Accountancy (CIPFA) on 11 December 2009, called Investment Decision-Making and Disclosure in the Local Government Pension Scheme: A Guide to the Application of the Myners Principles (ISBN 978-1-84508-219-2).”

“This sets out, in a way that is appropriate for the Local Government Pension Scheme Funds, the six revised principles on investment decision-making for occupational pension schemes that were agreed in 2009 by the Investment Governance Group’s Local Government Pension Scheme (LGPS) sub-committee. CIPFA’s guidance was developed in consultation with the sub-committee.”

“A fund administering authority should report in its SIP on the extent to which it complies with the six principles, as set out in the abovementioned CIPFA guidance. In the interests of transparency, if an authority does not comply with that guidance in any respect, it should describe the relevant aspects of its practice and give the reasons for them.”

The following table sets out each principle, as adapted by the IGG, and provides a summary of the CIPFA guidance and the Dorset Fund’s current practice in that respect. A compliance rating is used in the table, as described below:

Compliance rating

Fully	Complies fully with the principle and with all aspects of the CIPFA guidance.
Mainly	Complies fully with the principle and with most aspects of the CIPFA guidance.
Partly	Complies with part of the principle and with some aspects of the CIPFA guidance.
Non-Compliant	Does not comply with the principle or with any aspect of the CIPFA guidance

Principle 1: Effective decision-making	
Mainly Compliant	
<p>Administering authorities should ensure that</p> <ul style="list-style-type: none"> • decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and • those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest. 	
CIPFA guidance	Dorset practice
• Designated committee appointed	✓ A representative Investment Committee, established by the County Council
• Officer roles clearly stated	✓ Officer roles are clearly stated and provision is made for the declaration of interests
• Governance compliance statement	✓ A Governance Compliance Statement is published in compliance with the regulations
• Basis of committee appointments	✓ Appointments are made with regard to relevant skills, experience and continuity
• Committee terms of reference	✓ All procedural matters are properly covered
• Delegation arrangements and roles	✓ Delegation arrangements for formally stated
• Skills and knowledge audit statement	✓ Skills and knowledge are reviewed as part of the training plan
• Structure review and handbook	✓ The Committee's structure has been reviewed and all members are provided with details of their responsibilities
• Sub-committees and panels	✓ Investment Committee acts in this respect
• Obtaining proper advice and resources	✓ Proper advice, including independent advice is available to the Committee, and resources have been reviewed
• Provision of Training Plan	✓ A Training Plan is in place
• Allowances paid and time off allowed	✓ The County Council has a formal policy on expenses for elected members and the member representative is allowed time off
• Clarity, completeness and timing of papers	✓ All papers are made as clear and comprehensive as possible, and circulated with adequate time for consideration
• Creation of a business plan	✗ A business plan is under consideration for 2011/12
• Strategy on employer relationships	✓ A strategy is in place for employer relationships

Principle 2: Clear objectives	
Mainly Compliant	
<ul style="list-style-type: none"> An overall investment objective(s) should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisers and investment managers. 	
CIPFA guidance	Dorset practice
<ul style="list-style-type: none"> Scope of investment objective 	<ul style="list-style-type: none"> ✓ An investment objective has been set with regard to liabilities, funding level and maturity profile
<ul style="list-style-type: none"> Advice on returns against benchmark 	<ul style="list-style-type: none"> ✓ Appropriate independent advice is taken
<ul style="list-style-type: none"> Consideration of risk 	<ul style="list-style-type: none"> ✓ Appetite for risk is taken into account
<ul style="list-style-type: none"> Consideration of all asset classes 	<ul style="list-style-type: none"> ✓ All asset classes are considered
<ul style="list-style-type: none"> Use of peer group benchmarks 	<ul style="list-style-type: none"> ✓ The fund uses a bespoke benchmark
<ul style="list-style-type: none"> Achieving value for money/efficiency 	<ul style="list-style-type: none"> ✓ The County Council has a general policy on value for money and efficiency
<ul style="list-style-type: none"> Impact on council tax levels 	<ul style="list-style-type: none"> ✓ Strategic impact of funding levels on contribution rates is reviewed with the Fund Actuary
<ul style="list-style-type: none"> Consideration of sub-funds 	<ul style="list-style-type: none"> ✓ Sub-funds are not considered appropriate
<ul style="list-style-type: none"> Use of asset/liability studies 	<ul style="list-style-type: none"> ✓ An asset/liability study has been undertaken and is reviewed
<ul style="list-style-type: none"> Asset allocation and diversification 	<ul style="list-style-type: none"> ✓ The Committee's approach to asset allocation, diversification and suitability of investments is described in the SIP
<ul style="list-style-type: none"> Appointment of advisers 	<ul style="list-style-type: none"> ✓ Independent advisers have been appointed on an appropriate basis
<ul style="list-style-type: none"> Understanding transaction related costs 	<ul style="list-style-type: none"> ✗ Transaction related costs are reported in the Pension Fund Annual Report

Principle 3: Risk and liabilities	
Mainly Compliant	
<ul style="list-style-type: none"> • In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities. • These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk. 	
CIPFA guidance	Dorset practice
<ul style="list-style-type: none"> • Setting the investment objective with regard to liabilities and risk 	✓ Undertaken as part of the asset/liability study by the scheme actuary in 2008
<ul style="list-style-type: none"> • Policy on underperformance 	✗ Underperformance is closely monitored but there is no specific policy nor are tolerance parameters set, this will be considered as part of the strategic review
<ul style="list-style-type: none"> • Use of absolute return benchmarks 	✓ These are in use for hedge fund investments
<ul style="list-style-type: none"> • Risk assessment framework 	✓ Included in the SIP
<ul style="list-style-type: none"> • Scheme specific benchmark 	✓ A scheme specific benchmark is in use and takes account of risk
<ul style="list-style-type: none"> • Valuation risk assessments 	✓ Stated in the FSS and undertaken on a regular basis by the scheme actuary
<ul style="list-style-type: none"> • Standards of internal control 	✗ Audit reports are used to satisfy committee on internal controls
<ul style="list-style-type: none"> • Suitability of investment strategy 	✓ Covered by the review of investment strategy undertaken with the scheme actuary
<ul style="list-style-type: none"> • Cash flows and volatility 	✓ Covered by the actuary's review
<ul style="list-style-type: none"> • Reporting risk assessments 	✗ An overall risk assessment is not included in the annual report. This will be considered as part of the strategic review

Principle 4: Performance assessment	
Mainly Compliant	
<ul style="list-style-type: none"> • Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisers. • Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members. 	
CIPFA guidance	Dorset practice
<ul style="list-style-type: none"> • Suitability of index benchmarks 	<ul style="list-style-type: none"> ✓ Appropriate benchmarks for each manager have been set using suitable indices
<ul style="list-style-type: none"> • Benchmark parameters or constraints 	<ul style="list-style-type: none"> ✓ The bespoke benchmark contains appropriate flexibility
<ul style="list-style-type: none"> • Use of active or passive management 	<ul style="list-style-type: none"> ✓ In-house management is on a passive basis
<ul style="list-style-type: none"> • Belief in higher active returns 	<ul style="list-style-type: none"> ✓ The Committee believes that appropriate active management has the potential to achieve higher returns
<ul style="list-style-type: none"> • Structure of manager mandates 	<ul style="list-style-type: none"> ✓ Individual mandates are set with appropriate controls
<ul style="list-style-type: none"> • Use of peer group benchmarks 	<ul style="list-style-type: none"> ✓ Used only for historic comparison prior to implementing bespoke benchmark
<ul style="list-style-type: none"> • Performance monitoring over time and risk limits 	<ul style="list-style-type: none"> ✓ Performance is monitored over three year rolling periods and with due regard to risk
<ul style="list-style-type: none"> • Monitoring investment activity 	<ul style="list-style-type: none"> ✓ Investment activity is considered at each Committee meeting
<ul style="list-style-type: none"> • Measuring investment returns by asset class and over time 	<ul style="list-style-type: none"> ✓ Investment returns are measured and reported for each manager within each asset class over 1 and 3 years, and for the whole fund over 10 years
<ul style="list-style-type: none"> • Use of independent measurers 	<ul style="list-style-type: none"> ✓ HSBC is used to measure performance
<ul style="list-style-type: none"> • Performance attribution analysis 	<ul style="list-style-type: none"> ✓ HSBC provide attribution analysis
<ul style="list-style-type: none"> • Performance assessment of managers, advisers, actuaries and consultants 	<ul style="list-style-type: none"> ✓ Performance is assessed on a regular basis
<ul style="list-style-type: none"> • Committee performance self-assessment and reporting 	<ul style="list-style-type: none"> ✗ Self assessment is under consideration

Principle 5: Responsible ownership**Partly Compliant**

Administering authorities should:

- adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents,
- include a statement of their policy on responsible ownership in the SIP; and
- report periodically to scheme members on the discharge of such responsibilities.

CIPFA guidance	Dorset practice
• Disclosure of policies	✓ Policy disclosed in the SIP
• Incorporating long term responsible investing and ESG	✓ Stated in the SIP
• Selection and performance of managers	✓ No restriction are placed on managers
• Investment managers' strategy	✓ Individual manager strategies have been considered
• Adoption of ISC statement by consultants	✗ Not addressed, will be considered at the November 2010 committee meeting
• Awareness of ISC Code on the Responsibilities of Institutional Investors	✗ Not addressed, will be considered at the November 2010 committee meeting
• Ensuring policies not overridden by managers	✓ Not applicable as policy is not to restrict managers
• Separation of voting action	✓ The custodian votes in accordance with Dorset's voting policy
• Monitoring action taken	✓ Action is monitored periodically
• Collaboration with other investors	✓ The Dorset Pension Fund is a member of the LAPFF

Principle 6: Transparency and reporting**Fully Compliant**

Administering authorities should

- act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives; and
- provide regular communication to scheme members in the form they consider most appropriate.

CIPFA guidance	Dorset practice
<ul style="list-style-type: none"> • Maintaining the Governance Compliance Statement 	<ul style="list-style-type: none"> ✓ The Statement is maintained and reported annually
<ul style="list-style-type: none"> • Content of Communication Statement 	<ul style="list-style-type: none"> ✓ The Statement is fully compliant and reported annually
<ul style="list-style-type: none"> • Interests and involvement of stakeholders 	<ul style="list-style-type: none"> ✓ Reviewed in 2009
<ul style="list-style-type: none"> • Communication with stakeholders, and peer group review 	<ul style="list-style-type: none"> ✓ Communication is an integral part of the Committee's governance arrangements and is reviewed independently with reference to other funds
<ul style="list-style-type: none"> • Content of annual reports 	<ul style="list-style-type: none"> ✓ Independent review annually
<ul style="list-style-type: none"> • Disclosure of delegation arrangements, asset allocation assumptions, manager mandates, fee structures 	<ul style="list-style-type: none"> ✓ Disclosed in the published statements as required by regulation
<ul style="list-style-type: none"> • Availability of the SIP to members 	<ul style="list-style-type: none"> ✓ SIP published in annual report, available on request
<ul style="list-style-type: none"> • Compliance with governance guidance requirements 	<ul style="list-style-type: none"> ✓ The Governance Compliance Statement complies with CLG guidance

Communication Policy Statement - March 2015

Introduction

The Dorset County Pension Fund currently has 199 scheme employers and 24,361 active members as at 31 March 2014. 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

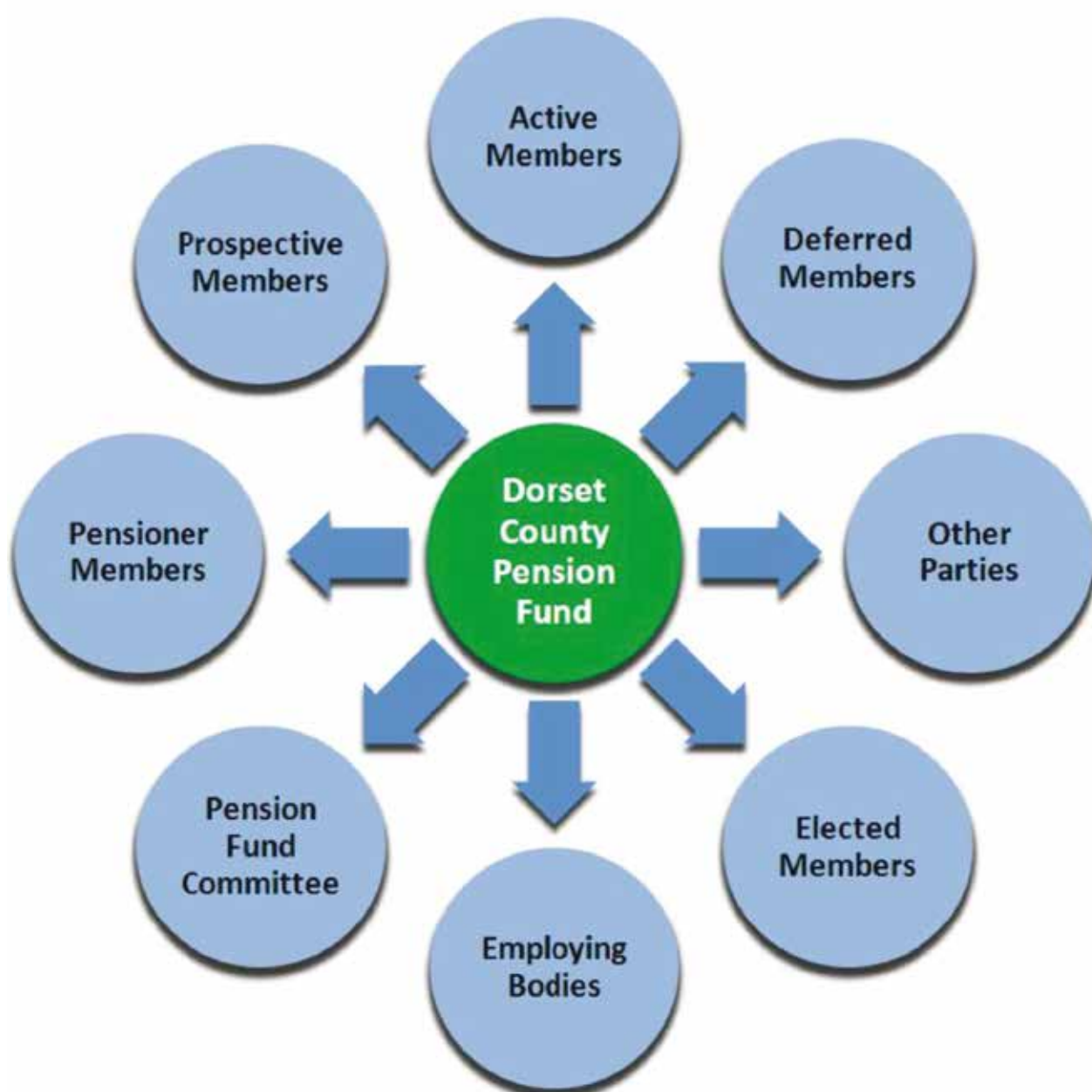
To communicate Pensions Legislation and policies in a clear informative style to ensure that key stakeholders are well informed about current and future changes to the Local Government Pension Scheme.

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

Our Key Audience Groups



Methods of Communication

We communicate with our current and former scheme members, and their representatives, through various means and aim to provide a high quality service.

Active Scheme Members

Annual Benefit Statements

These are issued to our members during the period August to March. Feedback from our members about our statements has helped us improve our procedures for this process.

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 forthcoming changes in scheme regulation or operation as any issues arise.

Pension Fund Publications

Information guides, leaflets and forms are available on request covering different aspects of the LGPS; these can also be found on our website.

Annual Report

An Annual report containing information on the management, administration and performance of the pension fund and pension benefits is published annually. This report can be found online at our pensions website.

Pension Fund Website

Our pension fund website can be found at www.yourfund.org.uk/Dorset and is available to view at all times. It is regularly updated and revised.

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@dorsetcc.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.

Deferred Scheme Members

Deferred Annual Benefit Illustration

These are issued to our deferred members annually.

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.

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.

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

www.yourpension.org.uk/Dorset/Employers

Email Contact List

The Dorset Pension Fund has set up an e-mail contact list for the scheme employers. This enables us to circulate technical advice and guidance to our pensions liaison officers around the county.

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://dorset.yourfund.org.uk>**

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 Pensions Section.

Presentations

Throughout the year the Dorset Pension Fund offer a variety of presentations to employers in different locations.

Employer Meeting

An employers meeting is held annually in autumn 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.

Communications and Performance Officer

Since 2007 there has been a member of staff dedicated to communications and performance. 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 Chief Treasury and Pensions Manager is a member of the Financial Services Management Team and attends regular meetings convened by the Chief Financial Officer. The Chief Treasury and Pensions Manager is able to bring any matters of concern / importance to the attention of the Chief Financial Officer through this mechanism.

Other Parties

South West Area Pensions Officer Group (SWAPOG)

The SWAPOG which meets regularly to discuss and share information on pensions administration. Sub groups of the SWAPOG meet to discuss specific topics such as communications or pensions software.

South West Investment Managers (SWIM) Group

The SWIM group meets twice a year, and communicate regularly in connection with all investment related matters. The group regularly has guest speakers keeping the members up to date with market developments.

National Association of Pension Funds (NAPF)

The Fund is a member of the NAPF, and officers regularly attend national and regional events to keep up to date with all pension related matters. The Chief Treasury and Pensions Manager is a member of the NAPF Local Authority steering group and as such is involved in helping the NAPF focus their LGPS work. This enables the Fund to be in regular contact with a number of other Local Authority funds, and in doing so be aware of the latest developments.

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, Secretary of State and DCLG 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 Chief Treasury and 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.aspx

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.

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 and Factsheets	✓	✓	✓	Constantly available	Annually
Pensioner Forms and 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 and 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;

- Internet 'self service' facilities - allowing scheme members to view their pension record on the internet at any time.
- Improved general information on the pension scheme on our website.

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, with Quick Response (QR) code for easy access on Smart phones
- paper based feedback form provided at presentations
- tear out form in all Annual Benefit Illustrations.

Data Protection

To protect any personal information held on computer, Dorset County Council is registered under the Data Protection Act 1998. This allows members to check that their details held are accurate. The fund may, if it chooses, pass certain details to a third party, if the third party is carrying out an administrative function of the Fund, for example, the Fund's AVC provider. Members who wish to apply to access their data on Data Protection grounds should contact the Dorset County Pension Fund on 01305 224845 or via email at **pensionshelpline@dorsetcc.gov.uk**

This authority is under a duty to protect the public fund it administers, and to this end may use information for the prevention and detection of fraud. It may also share this information with other bodies administering public funds solely for these purposes.

Contact Details

Write to us at:

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

Tel: 01305 224845

Fax: 01305 224049

Email:

pensionshelpline@dorsetcc.gov.uk

Web:

www.yourpension.org.uk/Dorset

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.

- 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. 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;

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 County 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 Statement of Investment Principles (SIP), 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 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.

4.2 The nomination process for each Committee member is :

- The 5 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.
- The members from Bournemouth and Poole are nominated by their Council.
- The member representing the District Councils is nominated by the Dorset Leaders and Chief Executives group.
- 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,
 - 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 Council. 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 falls 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 web site.

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.

Funding Strategy Statement - June 2014

1. Introduction

- 1.1 This is the Funding Strategy Statement for the Dorset County Pension Fund. It has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 ("the Regulations") and describes Dorset County Council's strategy, in its capacity as Administering Authority, for the funding of the Dorset County Pension Fund ("the Fund").
- 1.2 In accordance with Regulation 58(3), all employers participating within the Dorset County Pension Fund have been consulted on the contents of this Statement and their views have been taken into account in formulating the Statement. However, the Statement describes a single strategy for the Fund as a whole.
- 1.3. The Fund Actuary, Barnett Waddingham LLP, has also been consulted on the contents of this Statement.

2. Purpose of the Funding Strategy Statement

- 2.1. The purpose of this Funding Strategy Statement is to explain the funding objectives of the Fund and in particular:
 - How the costs of the benefits provided under the Local Government Pension Scheme (the "Scheme") are met through the Fund;

- The objectives in setting employer contribution rates; and
- The funding strategy that is adopted to meet these objectives.

3. Purpose of the Fund

- 3.1. The purpose of the Fund is to:
 - Pay pensions, lump sums and other benefits provided under the Regulations;
 - Meet the costs associated in administering the Fund; and
 - Receive contributions, transfer values and investment income.

4. Funding Objectives

- 4.1. 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.
- 4.2. The funding objectives are to:
 - Set levels of employer contribution that will build up a fund of assets that will be sufficient to meet all future benefit payments from the Fund;
 - Build up the required assets in such a way that employer contribution rates are kept as low and stable as possible.

5. Key Parties

- 5.1. The key parties involved in the funding process and their responsibilities are as follows:

The Administering Authority

- 5.2. The Administering Authority for the Pension Fund is Dorset County Council. The main responsibilities of the Administering Authority are to:
- Collect employee and employer contributions;
 - Invest the Fund's assets;
 - Pay the benefits due to Scheme members;
 - Manage the actuarial valuation process in conjunction with the Fund Actuary;
 - Prepare and maintain this FSS and also the SIP after consultation with other interested parties; and
 - Monitor all aspects of the Fund's performance.

Scheme Employers

- 5.3. In addition to the Administering Authority, a number of other Scheme Employers, including Admission Bodies, participate in the Fund.
- 5.4. The responsibilities of each Scheme 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;
- Exercise any discretions permitted under the Regulations; and
- Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures.

Fund Actuary

- 5.5. The Fund Actuary for the Pension Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are to:
- Advise interested parties on funding strategy and completion of actuarial valuations in accordance with the FSS and the Regulations; and
 - Advise on other actuarial matters affecting the financial position of the Fund.

6. Funding Strategy

- 6.1. 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.
- 6.2. The actuarial valuation involves a projection of future cash flows 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.

7. Funding Method

- 7.1. The key objective in determining employers' contribution rates is to establish a funding target and then set levels of employer contribution to meet that target over an agreed period.
- 7.2. The funding target is to have sufficient assets in the Fund to meet the accrued liabilities for each employer in the Fund. The funding target may, however, depend on certain employer circumstances and in particular, whether an employer is an "open" employer – one which allows new recruits access to the Fund, or a "closed" employer 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 chosen funding target.
- 7.3. For open employers, the actuarial funding method that is adopted is known as the Projected Unit Funding Method which considers separately the benefits in respect of service completed before the valuation date ("past service") and benefits in respect of service expected to be completed after the valuation date ("future service"). This approach focuses on:
- 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 for pensions in payment. A funding level in excess of 100 per cent indicates a surplus of assets over liabilities; whilst a funding level of less than 100 per cent indicates a deficit; and;
 - The future service funding rate. This is the level of contributions required from the individual employers which, in combination with employee contributions is expected to support the cost of benefits accruing in future.
- 7.4. The key feature of this method is that, in assessing the future service cost, the contribution rate represents the cost of one year's benefit accrual.
- 7.5. For closed employers, the 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 the remaining expected working lifetime of active members.

8. Valuation Assumptions and Funding Model

- 8.1. In completing the actuarial valuation it is necessary to formulate assumptions about the factors affecting the Fund's future finances such as inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover etc.
- 8.2. The assumptions adopted at the valuation can therefore be considered as:
- The statistical assumptions which are essentially estimates of the likelihood 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

- 8.3. The base assumption in any valuation is the future level of price inflation over a period commensurate with the duration of the liabilities. This is derived by considering the average difference in yields over the appropriate period from conventional and index linked gilts during the six months straddling the valuation date to provide an estimate of future price inflation as measured by the Retail Price Index (or "RPI").

Future Pay Inflation

- 8.4. 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 inflation. Historically, there has been a close link between price and pay inflation with pay increases exceeding price inflation in the longer term.

Future Pension Increases

- 8.5. 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. An adjustment is therefore made to the RPI assumption to derive the CPI assumption.

Future Investment Returns/Discount Rate

- 8.6. 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.
- 8.7. The discount rate that is adopted will depend on the funding target adopted for each employer.
- 8.8. For open employers, 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 underlying 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.
- 8.9. For closed employers, an adjustment may be made to the discount rate in relation to the remaining liabilities, once all active members are assumed to have retired if at that time (the projected "termination date"), the employer becomes an exiting employer under Regulation 64.
- 8.10. The Fund Actuary will incorporate such an adjustment after consultation with the Administering Authority.
- 8.11. The adjustment to the discount rate for closed employers is to set a higher funding target at the projected termination date, so that there are sufficient assets to fund the remaining liabilities on

a “minimum risk” rather than on an ongoing basis. The aim is to minimise the risk of deficits arising after the termination date.

Asset Valuation

- 8.12. For the purposes 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.

Statistical Assumptions

- 8.13. The statistical assumptions incorporated into the valuation, such as future mortality rates, are based on national statistics. These are adjusted as appropriate to reflect the individual circumstances of the Fund and/or individual employers.
- 8.14. Further details of all of the assumptions adopted are included in the latest actuarial valuation report.

9. Deficit Recovery/Surplus Amortisation Periods

- 9.1. 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. Accordingly the Fund will normally either be in surplus or in deficit.

- 9.2. Where the actuarial valuation discloses a significant surplus or deficit then the levels of required employers’ contributions will include an adjustment to either amortise the surplus or fund the deficit over a period of years.

- 9.3. The 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 and any limited period of participation in the Fund; and
 - The implications in terms of stability of future levels of employers’ contributions.

10. Pooling of Individual Employers

- 10.1. 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.
- 10.2. 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.
- 10.3. The main purpose of pooling is to produce more stable employer contribution levels in the longer

term whilst, recognising that ultimately there will be some level of cross-subsidy of pension cost amongst pooled employers.

11. Cessation Valuations

- 11.1. On the cessation of an employer's participation in the Scheme, the Fund Actuary will be asked to make a termination assessment. Any deficit in the Fund in respect of the employer will be due to the Fund as a termination contribution, unless it is agreed by the Administering Authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Fund to another participating employer.
- 11.2. In assessing the financial position on termination, the Fund Actuary may adopt a discount rate based on gilt yields and adopt different assumptions to those used at the previous valuation in order to protect the other employers in the Fund from having to fund any future deficits which may arise from the liabilities that will remain in the Fund.

12. Links with the SIP

- 12.1. The main link between the Funding Strategy Statement (FSS) and the SIP 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 underlying investment strategy as set out in the SIP.

- 12.2. As explained above, the ongoing discount rate that is adopted in the actuarial valuation is derived by considering the expected return from the underlying investment strategy. This ensures consistency between the funding strategy and investment strategy.

13. Risks and Counter Measures

- 13.1. 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.
- 13.2. The major risks to the funding strategy are financial, although there are other external factors including demographic risks, regulatory risks and governance risks.

14. Financial Risks

- 14.1. 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.

14.2. The valuation results are most sensitive to the real discount rate. Broadly speaking an increase/decrease of 0.5 per cent per annum in the real discount rate will decrease/increase the valuation of the liabilities by 10 per cent, and decrease/increase the required employer contribution by around 2.5 per cent of payroll.

14.3. However, the 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.

14.4. The Committee may also seek advice from the Fund Actuary on valuation related matters.

14.5. In addition, the Fund Actuary provides funding updates between valuations to check whether the funding strategy continues to meet the funding objectives.

15. Demographic Risks

15.1. 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 reduce the funding level by approximately 1%.

15.2. The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review.

15.3. The liabilities of the Fund can also increase by more than has been planned as a result of early retirements.

15.4. 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.

16. Regulatory Risks

16.1. 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.

16.2. 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.

16.3. 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.

17. Governance

- 17.1. 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.
- 17.2. 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.
- 17.3. 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.

18. Monitoring and Review

- 18.1. 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.
- 18.2. The Administering Authority also monitors the financial position of the Fund between actuarial valuations and may review the FSS more frequently if necessary.

UK Stewardship Code Principles

Statement of Compliance July 2011

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 Statement of Investment Principles. The Fund's policy is to apply the Code both through its arrangements with its asset managers and through membership of the Local Authority Pension Fund Forum (LAPFF).

The Fund's UK Equities are managed by a combination of asset managers and the internal manager. The Dorset Fund uses membership of the LAPFF to keep informed of potential issues of concern at individual companies and across the market, but delegates day to day responsibility for monitoring and intervening in companies to asset managers where applicable.

Principle 2: The fund should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed

The stewardship code assumes that conflicts of interest will arise from time to time. Dorset County Council's Constitution sets out policies for personal and prejudicial Interests. Any conflict of interest would be dealt with in accordance with the Council's Constitution.

Principle 3: The fund should monitor its investee companies

Day to day responsibility for managing the Fund's equity holdings is delegated to the appointed asset managers, and the Fund expects them to monitor companies, intervene where necessary, and report back on activity undertaken. Asset Managers report to the Pension Fund Committee and meet with officers regularly to discuss activity. The Dorset Fund uses membership of the LAPFF

to keep informed of potential issues of concern at individual companies and across the market, and regular reports are received from the LAPFF. Officers attend meetings of the LAPFF at least annually to keep up to date with the forum's activities.

Principle 4: The fund should establish clear guidelines on when and how it will escalate activities as a method of protecting and enhancing shareholder value.

If a matter is considered to affect shareholder value, the concern will be referred to the LAPFF. In addition, where a governance matter dictates that a resolution merits a dissent vote in accordance with the Fund's Voting Policy, the resolution will be voted against.

Principle 5: The fund should be willing to act collectively with other investors where appropriate.

The Fund seeks to work collaboratively with other institutional shareholders in order to maximise the influence that it can have on individual companies. The Fund seeks to achieve this through membership of the LAPFF, which engages with other companies over environmental, social and governance issues on behalf of its members. The Dorset Fund's principal means of collaborate engagement is through membership of the LAPFF. LAPFF coordinates collaborative engagement with companies, regulators and policies. LAPFF periodically issue voting alerts, which are analysed with regard to the Fund's own engagement policy. The

decision to participate in such collective decisions is made on a case by case basis.

Principle 6: The fund should have a clear policy on voting and disclosure of voting activity

The Dorset Fund exercises all votes attaching to its UK equity holdings, and seeks to vote where practical in overseas markets. Responsibility for the exercise of voting rights has been delegated to RREV (Research, Recommendations, Electronic Voting) in the UK, and to Fund Manager Pictet Asset Management in respect of overseas markets. This includes consideration of company explanations of compliance with the Corporate Governance Code. Votes are exercised in accordance with the Fund's Voting Policy, however it is possible for Officers to override the vote of RREV to support the actions of the LAPFF. Real Time reports are available detailing how votes have been cast.

Principle 7: The fund should report periodically on their stewardship and voting activities.

The Fund discloses voting data periodically, but intends to formally make statistics available to the Pension Fund Committee annually in future. In addition, the Fund intends to report annually on stewardship activity through a specific section on voting and engagement activity undertaken during the year in the report and accounts. This will include both fund specific information including engagement with companies, and details of activity undertaken through the Local Authority Pension Fund Forum.

Responsible Investing

The primary aim of the Committee is to maximise the value of investments made for the benefit of the many stakeholders, including the Council tax payers, employer bodies, the current employee contributors and pensioners. Although the individuals involved in the management of the Fund may take a different personal view on ethical,

sustainability or political grounds, these must in law be put to one side in the management of the Fund.

This has recently been confirmed by Counsel's opinion obtained by the LGPS Shadow Board, which was posted on their website in early April.

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 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.

Summary of Voting for the year 2015/16

- 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 in Appendix 1 of this report. To manage the voting process Proxy Voting services are provided by ISS for the UK equity portfolio and by Pictet et Cie for the Overseas Equities, which includes those under management of Pictet Asset Management and Janus Intech (up to December 2015), Allianz, Investec and Wellington (from December 2015).
- 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, Pictet and Janus Intech (up to December 2015), Allianz, Investec and Wellington (from December 2015). However, the equities managed by AXA Framlington, Standard Life (up to April 2016) and Schroders in the UK, and JP Morgan 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 During the year to 31 March 2016, there were 6,376 individual votes on the UK portfolio, and ISS voted against 116 and abstained on 28 of the resolutions during this period. In addition there were 9,765 individual votes on the Overseas portfolio, and Pictet voted against 476 and abstained on 200 of the resolutions during this period. A summary of the Fund's voting activity for the year ended 31 March 2016 is included in Appendix 2 to this report.
- 1.5 Typical reasons for voting against a resolution include non independence of directors who are required to be independent for their duties, inappropriate remuneration

packages, undemanding targets, and share issues to majority shareholders or groups of shareholders without making a general offer to other shareholders.

- 1.6 During the twelve months ended 31 March 2016 for the UK portfolio there were 70 votes against, or abstention from, the appointment or re-election of directors where the resolution proposed was contrary to UK best practice on corporate governance, for example, dual role of chairman and CEO (e.g. JD Sports) or the appointment of a non-independent members of the remuneration committee (e.g. Associated British Foods).
- 1.7 In addition there were 54 votes against, or abstention from, resolutions relating to salary and compensation schemes. The main reasons for voting against the remuneration

reports were due to pay increases and bonus structures considered to be insufficiently justified or transparent, for example, the non-disclosure of targets for bonuses (e.g. Tate & Lyle), uncapped bonuses (e.g. Nostrum Oil & Gas), and significant salary increases for executive directors not explained in detail (e.g. Dixons Carphone).

- 1.8 Each pooled manager was asked for details of voting activity in the year 2015/16, 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 within Appendix 3 to this report.

Appendix 1 - 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.

Appendix 2

Summary of Voting for year ended 31 March 2016 – UK Equities

This summary concerns 402 Individual Company Meetings at which there were 6,376 Proposed Resolutions.

Meeting Type	Total Meetings
Annual General Meeting	330
AGM/Special Meetings	1
Special Meetings	57
Court	14
Total	402

Proponent	Total Resolutions
Management	6,367
Shareholders	9
Total	6,376

Proposal	Voted for	Voted against	Abstained	Total Votes
Takeover / Reorganisation / Merger / Disposal	50	11	0	61
Capitalisation / Share Capital	1,054	3	0	1,057
Directors	2,853	50	20	2,923
Salary and Compensation	490	47	7	544
Environmental, Social, and Governance	3	0	0	3
Routine / Business	1,782	5	1	1,788
Total	6,232	116	28	6,376

Summary of Voting for year ended 31 March 2016 – Overseas Equities

This summary concerns 779 Individual Company Meetings at which there were 9,765 Proposed Resolutions.

Country	Total
Austria	11
Bermuda	140
Canada	1,145
Cayman Islands	7
Curacao	14
Denmark	12
Finland	19
France	176
Germany	13
Ireland	178
Italy	41
Japan	638
Jersey	15
Liberia	12
Luxembourg	42
Netherlands	102
Panama	17
Portugal	21
Singapore	22
Spain	136
Sweden	35
Switzerland	172
United Kingdom	80
USA	6,711
Virgin Islands (UK)	6
Grand Total	9,765

Proponent	Total
Management	9,212
Share Holder	553
Grand Total	9,765

Meeting Type	Total
Annual	699
Annual/Special	37
Court	1
Proxy Contest	3
Special	39
Grand Total	779

Proposed Code Category	For	Against	One Year	Withhold/ Abstain	Total
Takeover/Reorganisation Merger/Disposal	131	9	-	-	140
Capitalisation/Share Capital	128	17	-	2	147
Directors	6,695	165	-	184	7,044
Salary and Compensation	945	156	19	2	1,122
Environmental, Social and Governance	75	48	-	2	125
Routine/Business	1,096	81	-	10	1,187
Grand Total	9,070	476	19	200	9,765

Appendix 3

Summary of Engagement by Pooled Fund Managers

Standard Life

Summary of Engagement

Standard Life Investments conduct an Annual Governance and Stewardship Review and report to investors their key engagements and activity for the calendar year. The review document considers all companies and summarises contact with companies and voting activity. Standard Life seeks to improve shareholder value through consulting and engaging with companies, and seek to meet with representatives of investee companies at least once a year. Some key engagements during 2015 are shown below.

Ryanair Holdings: Ryanair is Europe's biggest low-cost airline, operating a low-fare business model which has delivered significant growth over the past 30 years.

Action: Ryanair has been a very successful company but there are a number of unusual aspects to governance arrangements which have the potential to add to investment risk. These include a high profile CEO, a number of long-serving non-executive board members and poor disclosure, particularly on remuneration. We met the Senior Independent Director (SID) to discuss these and other issues and subsequently wrote to reinforce our views. The company responded in a positive way, welcoming our feedback which was circulated to the board as a whole. Subsequently, we had a call with the SID (who is also the Chairman of the Remuneration

Committee) to clarify a number of issues as part of our voting analysis ahead of the AGM.

Outcome: We were reassured of the board's ability to hold management to account and that board succession planning is on its agenda. We conveyed views regarding the transparency of reporting, especially on remuneration policy, and received assurances that our views will be considered. We will monitor disclosures in the annual report next year and hope to see some improvement.

Volkswagen: Volkswagen AG, and its subsidiaries, manufactures and sells cars and commercial vehicles in Europe, North America, South America and Asia Pacific. It operates through four segments: passenger cars, commercial vehicles, power engineering and financial services.

Action: We were investors in both Volkswagen equity and bonds. The revelation of the manipulation of emissions test data on diesel cars in the US, and the fact that the relevant software is also installed in many other Volkswagen diesel vehicles, raised a number of questions about internal controls and risk oversight as well as culture and values. One urgent issue is the lack of independence on the Supervisory Board and its board committees. We also question whether the appointment, following the revelations, of the former CFO as Chairman of the Supervisory Board, is appropriate.

¹ The full review can be found at http://www.standardlifeinvestments.com/Governance_Stewardship_Review/getLatest.pdf

Outcome: We wrote to the Interim Chairman of the Supervisory Board outlining our concerns and stating that we would contact them with a view to progressing our engagement. We asked that our letter be circulated to the Supervisory Board and were subsequently advised that this had been done. We intend to progress this engagement in 2016.

WPP: WPP is one of the world's largest communication services groups, employing 179,000 people globally. Its operations include advertising, PR, branding, marketing and communications.

Action: We have had longstanding concerns about remuneration policy at WPP, in particular the size of the potential award for threshold performance under its Long-Term Incentive Plan. We have engaged with the company on these issues but there has been no positive change. In addition, over time, the issue of succession planning for the CEO has become progressively more pressing. The CEO has been central to the growth and success of the company and hence his succession is a key governance risk. We were not convinced that this risk was being managed in a robust and transparent fashion. We met with the incoming Chairman to discuss this and we also attended the AGM where we made a public statement on this matter.

Outcome: The board has acknowledged our concerns and we continue to engage to seek appropriate assurances.

Royal Dutch Shell: Royal Dutch Shell is a global group of energy and petrochemical companies. During 2015, it made a recommended offer for the BG Group. The offer was approved at shareholder meetings in January 2016.

Action: We made a statement at the Shell AGM regarding the appointment of a new audit partner by PwC who had previously been the audit partner for Bumi and the auditor of Rio Tinto when Shell's Audit Committee Chairman was its Chief Financial Officer. We stated that we would have expected Shell's Audit Committee to provide a meaningful explanation about its evaluation of the new partner's perceived independence and track record. In addition to our comments about the new audit partner, our statement addressed the scope of the audit undertaken by PwC which we felt was lower than other FTSE 100 companies. At the AGM, Shell announced the conditional appointment of Ernst & Young (EY) as auditors, replacing PwC for the 2016 financial year. Mindful that EY are the auditors to BG, we asked what had been done to ensure safeguards were in place to address any conflicts of interest. Following the AGM, we engaged further with the Chairman and Audit Committee Chair Designate on the issues relating to audit scope and the appointment of EY. We also engaged with BG and EY to obtain their input into the management of conflicts, and we discussed our concerns with the Financial Reporting Council.

Outcome: As a result of our concerns regarding the new PwC audit partner, at the 2015 AGM we instructed our proxy to vote against the reappointment of PwC and the re-election of the Audit Committee Chair and to abstain on the re-election of the remaining Audit Committee members. While obtaining, through our engagement, additional comfort around the future approach and focus of Shell's Audit Committee, we continue to have concerns about the appointment of EY as auditors of Shell. We shall continue to focus our engagement on audit quality at Shell.

Schroders

Summary of Engagement

Schroders issue a quarterly Corporate Governance, Voting, and Stewardship Report summarising contact with companies. Schroders engage with companies concerning matters such as changes in management, performance, health & safety, and remuneration.

Schroders say that their policy is to engage with companies ahead of our votes; in many cases, such dialogue results in changes before their vote, often paving a smoother path towards a company's AGM. Where companies are not open to changes, Schroders may decide to vote against certain resolutions on the agenda. Debate in these areas looks set to continue, and they continuously consider new approaches to create long-term incentives for management that are fully aligned with long-term shareholder value. Below they highlight some of the more contentious votes:

GlaxoSmithKline (GSK)

Having been concerned with the lack of succession planning for some time and having engaged extensively on the issue, we believe GSK is on a road of refreshment. Sir Philip Hampton became chairman and there was a high turnover of non-executive board members. Long-term CEO Andrew Witty also announced he would be stepping down in 2017. Despite some progress, we believed it was important to exercise our vote against five directors of long tenures due to a lack of results in this area. One of the directors we voted against has now announced his intention to retire from the company in 2017.

For the second year running we voted against the remuneration report. We were concerned the committee has not communicated detailed target information for incentivised pay, which is well behind market practice. The CEO received maximum bonus payments but, as the company failed to disclose details of an individual performance multiplier element used in respect of the 2015 bonuses, we found it impossible to determine the stretch of these payments.

Standard Chartered

In late 2015, Schroders met with Standard Chartered to discuss past senior management. In light of recent capital raising and writedowns we were keen to discuss the issue of malus and clawback provisions. We felt that past management had been rewarded substantially while leaving a legacy of heavy losses for shareholders.

² <http://www.bcass-pension.org.uk/schroders-voting-engagement-records.htm>

Our dialogue with Standard Chartered's remuneration committee reassured us that the company does spend significant time analysing what executives receive based on past long term incentive plans. We were disappointed that the company was not more publicly transparent about its consideration of malus and clawback for the departed senior management team. As such, we voted against the remuneration report.

This year, a new remuneration policy has been implemented which simplifies incentive arrangements with a clearer separation of Long-Term Incentive Plan (LTIP) awards and annual bonuses. More than 60% of variable remuneration is now based on forward-looking performance targets – which led to us voting in favour of the remuneration policy.

AXA Framlington

Summary of Engagement

AXA Framlington hold regular discussions with the board and management of investee companies as part of their regular investor relations programme, and also hold additional meetings with companies in which they have significant holdings. These meetings are an opportunity to discuss and clarify any emerging concerns. During 2015 AXA Framlington voted at 4,911 General Meetings and either abstained or voted against at least one item in 2,083 General Meetings.

Their engagement priorities during the relevant period include:

- **Carbon Risk Mitigation:** A collaborative engagement with leading responsible investors urging companies in the extractives sectors to improve their strategy, reporting and disclosure around the challenges posed to their business by the global push to mitigate climate change risks
- **Proxy Access:** They promoted the 'concept' of Proxy Access whereby boards will provide long-term shareholders the opportunity to nominate directors to the board. They believe that this is an important mechanism to improve corporate governance and board responsiveness to shareholders
- **Regulatory risk in the Automobile Sector:** They held discussions with companies in this sector encouraging them to review and align their strategy with emerging emissions standards aiming to limit the ability of companies to externalise their environmental impacts.
- **Equality Principle (one share, one vote):** Engagement reinforcing the position that shareholders should have ownership and voting rights in direct proportion to their shareholding in a company.

In addition to these priorities, they held the following discussions with companies in the relevant fund:

Company	Concern	Action
BP plc	Company strategy on emerging regulations on climate change.	Engagement with Board seeking improved disclosure on company approach and strategy to tackling climate change risks.
Experian	Award of additional matching shares to executives.	Meeting with Remuneration Committee asking for the withdrawal of the company's share matching scheme as it rewards executives twice for the same performance adds needless complexity to the company's remuneration arrangements.
HSBC	Meeting with Remuneration Committee asking for the withdrawal of the company's share matching scheme as it rewards executives twice for the same performance adds needless complexity to the company's remuneration arrangements.	Meetings with the Chairman and Senior Independent Director seeking the appointment of a new independent chairman.
ITV	New share incentive scheme.	Discussions with Remuneration Committee on setting more challenging performance conditions to align executive performance and rewards with long-term shareholder interests.
RoyalDutchShell	Company strategy on emerging regulations on climate change.	Engagement with Board seeking improved disclosure on company approach and strategy to tackling climate change risks.
Wolseley	Payment of significant non-audit fees to company auditors.	Relayed concerns on the impact on auditor objectivity posed by a high-level of non-audit fees.

Pensions Administration Strategy Report

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.

End of year submissions: All employers submitted their 2015/16 End of Year data on time. This is not the end of the process as Dorset County Pension Fund then liaises with the employers to resolve the numerous individual queries generated by the data submission. This was carried out successfully, allowing the LGPS Annual

Benefit Illustrations to be sent to members by the 31 August deadline.

Employer contacts: 95% of employers have designated a named individual to act as the main point of contact (Pension Liaison Officer (PLO) with regard to any aspect of administering the LGPS.

Fund and Employer Responsibilities

The LGPS Regulations identify a number of responsibilities for the Fund and employers along with expected performance standards. Key Performance Indicators (KPIs) are also provided for these tasks.

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 or approved paper 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 apply for any Transfer Value details within 10 working days of receipt of all the relevant information from the member and to produce a Membership Certificate and forward to member's home address, within thirteen weeks of joining the LGPS, as stated within the Regulations.

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
<p>To ensure that the Fund is informed of any changes in the circumstances of employees on approved forms or by agreed electronic templates within 1 calendar month of the change. Forms can be found at www.yourpension.org.uk/Dorset/Employers/Employer-Forms</p> <p>The changes include:</p> <p>Status:</p> <ul style="list-style-type: none"> • Change of Name • Marital Status • National Insurance Number • Address <p>Conditions of Service:</p> <ul style="list-style-type: none"> • Contractual Hours • Remuneration changes due to down grading • Contribution Rate • Employee Number and/or Post Number • Date Joined Scheme (if adjusted) <p>Absence:</p> <ul style="list-style-type: none"> • Maternity, Paternity and Adoption • Unpaid leave of absence • Industrial Action • Any other material period of absence <p>Each employer must ensure that the relevant contributions are deducted, if required.</p> <p>End of Year End of Year contribution return to be sent to the Fund by the 15th May of each year and by 8th May in a Valuation year. Employer to respond to End of Year queries within 15 working days of request.</p>	<p>To provide forms for recording any key change in circumstances and/or to provide a template for the secure submission of data electronically.</p> <p>To accurately record and update member records on the pension administration system within 30 working days of notification or any shorter period as requested by the employer with regard to specific requirements.</p> <p>To issue Annual Benefit Illustrations by the 5th October of the year concerned for all members where the employer has sent end of year contribution return by 15th May of that same year.</p> <p>To calculate the LGPS member's Annual Allowance under HMRC Legislation and notify members, where appropriate by the 5th October of the year concerned or within 3 months of member's request.</p>

Retirement Estimates	
Employers' Responsibility	Fund's Responsibility
<p>To submit a request using the Estimate Request Form, found on www.yourpension.org.uk/Dorset/Employers/Employer-Forms by post or attaching it to an e-mail.</p> <p>(Only 1 estimate request per member per rolling year allowed, additional requests chargeable as per Charging Schedule - Appendix A)</p> <p>For larger bulk estimates, requests can be made in alternative formats.</p>	<p>To issue the quotations within 15 working days of receiving the request or by separate agreed timescales for bulk requests.</p> <p>To provide large employers with the appropriate software to produce retirement estimates without the resource of Fund staff.</p> <p>To provide large employers with the appropriate software to produce retirement estimates without the resource of Fund staff.</p>
Actual Retirement	
Employers' Responsibility	Fund's Responsibility
<p>To submit the appropriate form to the Fund at least one month before retirement where possible but in all cases no later than 15 working days after retirement date.</p> <p>Further information can be found in the Employers Guide: www.yourpension.org.uk/Dorset/Employers</p>	<p>To issue the member with a letter and retirement information within 10 days of notification.</p> <p>To make payment of any lump sum within 5 working days of the date of retirement provided all relevant forms and certificates have been received from the member.</p> <p>To pay any pension payment on the last working day of each month, following retirement.</p>

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

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

Former Members with Deferred Benefits	
Employers' Responsibility	Fund's Responsibility
<p>To keep adequate records of the following for members who leave the Scheme with deferred benefits as early payment of benefits may be required:</p> <ul style="list-style-type: none"> • 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 <p>On application from the former employee to have their deferred benefits paid early, a determination as to whether or not they are eligible for early payment on ill health grounds after seeking a suitable medical opinion from an (IRMP) approved by the Administering Authority, to determine whether benefits should be released early on compassionate grounds and whether any early retirement reduction should be waived.</p>	<p>To record and update member records on pension administration system.</p> <p>Issue deferred benefit notification within 2 months of notification by employer.</p> <p>To provide former members, where possible, an annual benefit illustration of their deferred benefits updated by accrued annual pensions increase award.</p> <p>To provide estimates of benefits that may be payable and any resulting employer costs within 10 working days of request.</p>

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

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

Additional Benefits (Arcs And Asbcs)	
Employers' Responsibility	Fund's Responsibility
<p>To collect from the employee payroll, contributions and to arrange the prompt payment to the Fund no later than the 19th of the month following deduction.</p> <p>More information can be found in the Employers Guide, www.yourpension.org.uk/Dorset/employers</p>	<p>To provide information on Additional Regular Contributions (ARCs) and Additional Survivor Benefit Contributions (ASBC's) on request to the LGPS member and employers and issue quotations within 10 working days.</p>

Discretions Policy	
Employers' Responsibility	Fund's Responsibility
<p>Formulate, publish and update (as necessary) an Employer Discretions Policy as required under the LGPS Regulations and provide a copy using the Discretions template to the Fund. More information can be found in the Employers Guide, www.yourpension.org.uk/Dorset/employers. See Appendix B for details of Discretions.</p> <p>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.</p> <p>And</p> <p>No later than 6 months after being informed by the Fund of any relevant change in the Regulations.</p>	<p>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.</p> <p>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 early retirement (pre age 60), additional pension awards, flexible retirement and waiving of actuarial reductions on any of these.</p>

Key Performance Indicators

Pensions Administration Key Performance Indicators (KPIs) are shown below:

Top Ten Case Types: April 2015 to March 2016	Cases completed in period	Performance (%)	KPI (days)	Cases completed on time or early
Admissions	5,452	77.13	30	4,205
Transfers In Quote	687	80.06	15	549
Transfers In	124	0.00	20	0
Transfers Out Quote	290	55.86	10	162
Transfers Out	113	41.59	10	47
Estimates Requested by Employee	710	61.83	15	439
Estimates Requested by Employer	981	63.10	15	619
Retirements	2,193	69.17	5	1,517
Deferred Benefits	1,574	66.65	40	1,049
Refunds	1,249	74.94	15	936
Deaths	61	98.36	5	60
Correspondence	3,816	96.65	30	3,688
Total	17,250	76.93		13,271

Pensions Administration Strategy

Fund Administration Performance - Task Standards

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

Task	Standard (Working Days)
Letters/emails acknowledged	10 Days
New Starters processed - electronic/paper	30 Days
Payment of transfer values	10 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
ARC 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	5 Days
Notification of death processed	5 Days
Processing of survivor pensions	5 Days
Processing of death grants	5 Days
Estimate requests processed	15 Days

Custodian

HSBC Bank plc and Pictet & Cie
Banquiers in its role as Global
Custodians are responsible for safe
keeping, settlement of transactions,
income collection, overseas tax reclaim,
general custodial services and other
administrative actions in relation to all
the Fund's shareholdings.

Committee Training Policy

As an administering authority of the Local Government Pension Scheme, Dorset County 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.

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Audit Opinion

Independent auditor's report to the members of Dorset County Council on the pension fund financial statements published with the Pension Fund Annual Report

We have examined the pension fund financial statements for the year ended 31 March 2016 on pages 123 to 141.

Respective responsibilities of the Chief Financial Officer and the auditor

The Chief Financial Officer is responsible for the preparation of the pension fund financial statements in accordance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements included in the Pension Fund Report and Accounts with the pension fund financial statements included in the annual published statement of accounts of Dorset County Council, and their compliance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

In addition, we read the information given in the Pension Fund Annual Report to identify material inconsistencies with the pension fund financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our report on the administering authority's annual published statement of accounts describes the basis of our opinion on those financial statements.

Opinion

In our opinion, the pension fund financial statements are consistent with the pension

fund financial statements included in the annual published statement of accounts of Dorset County Council for the year ended 31 March 2016 and comply with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

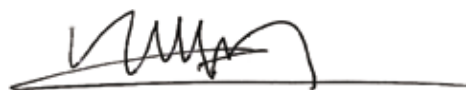
We have not considered the effects of any events between the date we signed our report on the full annual published statement of accounts and the date of this report.

Matters on which we are required to report by exception

The Code of Audit Practice requires us to report to you if:

- the information given in the Pension Fund Annual Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters relating to the pension fund have been reported in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit.

We have nothing to report in respect of these matters.



Harry Mears
For and on behalf of KPMG LLP,
Statutory Auditor
 Chartered Accountants
 Gateway House, Tollgate
 Chandlers Ford SO53 3TG
 15 November 2016

Fund Account

31 March 2015			31 March 2016	
£'000	£'000		£'000	£'000
Contributions				
76,140		Employers, normal	77,413	
2,858		Employers, other	2,582	
26,333	105,331	Employees, normal	26,677	106,672
	5,874	Transfers from other schemes		4,728
	111,205	Total Income		111,400
Benefits				
79,096		Pensions	83,924	
18,202		Commutations and Retirement Grants	17,831	
2,724	100,022	Death Benefits	2,402	104,157
Payments to and on account of leavers				
143		Refunds of Contributions	234	
17	160	State Scheme Premiums	48	282
	37,125	Transfers to other schemes		3,158
	(26,102)	Net additions / (withdrawals) - dealings with members		3,803
	10,294	Management Expenses		11,108
Returns on Investments *				
21,723		Dividends from equities	23,364	
12,460		Rents from properties	13,560	
457		Interest	356	
221		Other investment income	191	
Change in market value of investments				
35,798		Profits realised and reinvested	208,238	
175,042		Variation in valuation account	(273,090)	
	245,701	Net Return on Investments		(27,381)
	209,305	Net increase in fund during the year		(34,686)
	2,091,827	Opening net assets 1 April		2,301,132
	2,301,132	Closing Net Assets 31 March		2,266,446

* The absence of fixed interest income is a result of all of the Fund's fixed interest holdings in this category of investment being held in Pooled Investment Vehicles. These vehicles retain income within their structure and consequently are not separately identified in the financial statements but are reflected in the valuation of the units in that pooled investment.

Net Assets Statement

31 March 2015			31 March 2016	
£'000	£'000		£'000	£'000
Investment at market value				
401,418		UK equities - Quoted	365,654	
464,090		Overseas equities - Quoted	560,389	
1,115,335		Pooled Investment Vehicles	971,428	
4,817		Absolute Return (Hedge) Funds	10	
59,156		Private Equity	65,432	
204,700		Property	221,125	
5,000		Temporary Investments	31,600	
3,590		Other Investment Asset Balances	1,680	
Investments liabilities				
		Forward Foreign Exchange		
(3,835)		Other Investment Liability Balances	(2,625)	
	2,254,271			2,214,693
5,790		Long Term Debtor	4,825	
(17,828)		Long Term Deferred Income	-	
Current Assets				
10,250		Trade and Other Receivables	9,447	
70,524		Cash Deposits	60,226	
Current Liabilities				
(5,288)		Trade and Other Payables	(4,891)	
(16,587)		Deferred Income	(17,854)	
	46,861			51,753
	2,301,132	Net Assets as at 31 March		2,266,446

The above Fund Account and Net Assets Statement, and the following Notes, form part of the financial statements. These financial statements summarise the Fund's transactions during the year and the position as at 31 March 2016.

The Net Asset Statement does not reflect any obligations to meet pension and benefit costs beyond the end of the 2015/16 financial year. However, under the requirements of the IFRS accounting standard and in compliance with IAS26 this liability for future benefits is shown in an appendix to the accounts and notes in the form of the disclosure report produced by the Fund's Actuary, Barnett Waddingham. This report forms part of the accounts.

Notes to the accounts

1. General

The Dorset County Pension Fund is a Local Government Pension Scheme (LGPS) governed by statute. The County Council administers the Fund on behalf of its own full time and part-time staff and employees of other local authorities and similar bodies within the County (known as scheduled bodies), including the Unitary, District and Borough Councils, School Academies and Police and Fire non-uniformed staff. The uniformed police and fire services and teachers are not included as they are members of their own unfunded schemes.

In addition to the scheduled bodies, there are a number of 'admitted' bodies. These are mainly charities and external employers who have taken over certain functions of the administering or scheduled bodies and the relevant staff employed on those functions.

As the administering body the County Council has responsibilities which include the collection of contributions, investment of surplus funds, payment of pension benefits, managing the fund valuation, monitoring all aspects of performance and managing communications with employers, members and pensioners. These activities are governed by the Public Services Pensions Act 2013, the LGPS Regulations 2013 (as amended), the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) and the LGPS (Management and Investment of Funds) Regulations 2009 (as amended).

The above responsibilities are carried out by a committee comprising elected

members of the County Council and other local authorities together with a scheme member representative (nominated by the unions). Day to day administration of the fund's activities is carried out by several teams of officers headed by the Fund Administrator.

2. Basis of Preparation and Accounting Policies

The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the UK 2015/16 ("the Code"), section 6.5 Accounting and Reporting by Pension Funds.

Contributions: Contributions have been accounted for on an accrual basis based on the date of deductions from pay. This includes employers' normal and deficit amounts and employee normal contributions including additional voluntary payments. "Employers' other" contributions for early retirement costs are accrued for based on the date of retirement.

Transfer values: Transfer values both in and out are accounted for on a cash basis as the date of payment or receipt is deemed to be the time at which any liability is accepted or discharged.

Investment income: UK and Overseas dividends are accrued on an ex dividend basis. Interest on cash balances with custodians are however dealt with on a cash basis due to the lack of availability of timely detailed information.

Transaction costs: Transaction costs on the acquisition and disposal of

investments held in segregated portfolios are included under "Management Expenses" in the Fund Account.

Investments: Investments with a stock exchange listing are valued at bid prices as at the date of the Net Asset Statement. Pooled Investment Vehicles are stated at bid price for funds with bid / offer spreads, or single price where there are no bid / offer spreads, as provided by the fund manager.

Unquoted securities are included at an estimated fair value based on advice from the investment manager.

Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date. There were no open Forward foreign exchange contracts as at 31 March 2016.

All foreign currencies are translated at the rate ruling at the net assets statement date. Where investments with a bid price is available this has been used as a basis for valuation.

Direct Holdings of Property were valued by professionally qualified staff of BNP Paribas as at 31 March 2016. This was carried out on the basis of Open Market Value in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. CBRE Global Investors is the appointed Fund Manager and BNP Paribas are the independently appointed valuers. A copy of the valuation is available for inspection on request.

3. Actuarial Position

An Actuarial Valuation was carried out as at 31 March 2013 by the Fund's Actuary, Barnett Waddingham, and changes in contribution rates as a result of that valuation took effect from 1 April 2014 with contribution rates being set then for the three years to 31 March 2017.

A summary of the 2010 and 2013 Valuation is shown below.

2010 Valuation

The 2010 valuation resulted in an average contribution rate of 18.5% of payroll to be paid by each employing body participating in the Dorset County Pension Fund comprising of a "Future Service Contribution Rate" of 13.8% and a "Deficit Recovery (25 years) Rate" of 4.7%. Each employing body pays an individual rate of contributions to reflect its own particular circumstances and funding position within the Fund.

2013 Valuation

The 2013 Actuarial Valuation due as at 31 March 2013 has been completed and came into effect as of 1 April 2014. The 2013 valuation resulted in an average contribution rate of 18.6% of payroll to be paid by each employing body participating in the Dorset County Pension Fund. The future service cost element amounts to 13.3% and the past service deficit 5.3%. The past service deficit payment is fixed for each employer as a cash amount for the three years of the valuation period to reflect the general reduction in workforce that is taking place at a majority of employers.

Contribution Rates

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. This is 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.

The contribution rates were calculated using the Projected Unit Method taking account of market conditions at the valuation date.

Asset Value and Funding Level

The smoothed market value of the Fund's assets as at 31 March 2013 was £1,936m which represented 82% (2010 valuation 79%) of the Fund's accrued liabilities at that date allowing for future increases in pay and pensions in payment.

Financial Assumptions

For the purposes of the 2015/16 Financial Year the financial assumptions applied by the actuary were set at the 2013 valuation. The assumptions for both the 2010 and 2013 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. The key assumptions were as follows:

	2010 Valuation per annum	2013 Valuation per annum
Rate of return on investments	6.90%	6.00%
Rate of increases in pay (short term)	4.70%	2.70%
Rate of increases in pay (long term)	4.70%	4.20%
Rate of increases to pensions in payment	3.00%	2.70%

4. Membership

Under the new LGPS scheme effective 1 April 2014 membership of the Fund is automatic for staff with a contract of employment of more than three months. Those with a contract of less than three months can opt to join by request.

Employees of Scheduled bodies have the right to join the scheme and membership is automatic. Membership for employees of Designating bodies is also automatic but subject to the employer having opted for employees in general to be eligible to join the scheme. Admitted bodies' employees will have separate individual arrangements on admission depending on their employer's agreement in place. All employees can opt out of the scheme at any time.

Membership of the new LGPS scheme is offered to teachers where membership of their normal scheme is not available to them.

2014/15		2015/16
	Contributors	
9,492	Dorset County Council	8,483
15,168	Scheduled Bodies	18,568
1,037	Admitted Bodies	1,156
25,697	Total	28,207
	Pensioners	
7,049	Dorset County Council	6,793
9,508	Scheduled Bodies	9,844
1,026	Admitted Bodies	967
17,583	Total	17,604

In addition there are 21,802 deferred members (21,084 in 2014/15) who have entitlement to a benefit at some time in the future.

5. Employer Contributions

The normal contributions made by employers consist of two elements. One to fund pensions on future service and the other to meet deficits existing on past service costs. The triennial valuation of the fund sets a combined total contribution rate for individual employers and for various pooled groups of employers.

The average contribution rates for the years 2014/15, 2015/16 and 2016/17 set by the 2013 valuation were 13.3% for future service and 5.3% for deficit funding. These rates reflect funding levels at the valuation date of 82% and assumes full deficit recovery over a period not exceeding 25 years depending on each employer's circumstances.

Set out below is an analysis of the employers normal contributions:

2014/15		2015/16
£'000		£'000
53,495	Contributions re Future Service Costs	55,234
21,317	Contributions re Past Service Costs	22,011
1,328	Employer's Voluntary Additional Contributions	168
76,140	Total Contributions	77,413

"Employers other" contributions shown in the Fund Account (£2,858k) are amounts paid by employers to the Fund to meet the capital costs of early retirements.

The 2013 Actuarial Valuation set a fixed annual deficit contribution for employers for each of the three years of the valuation period. Employers were given the option to pay all these amounts

in advance in 2014 at a discount. The "Deferred Income" amounts in the Net Asset Statement are these payments in advance made by employers taking up the option (£16.587M re 2015/16 and £17.828M re 2016/17).

6. Management Expenses

Set out below is an analysis of the Management Expenses:

2014/15		2015/16
£'000		£'000
1,509	Administration Expenses	1,337
502	Oversight and Governance	497
8,283	Investment Management Expenses	9,274
10,294	Total Expenses	11,108

Investment Management Expenses are shown on the face of the accounts and in the above analysis in accordance with the CIPFA guidance "Accounting for LGPS Management Costs". Investment Management Expenses for 2015/16 consist of management fees of £6.8M, performance related fees of £0.5M, transaction costs of £0.4M, custody fees of £0.1M, direct operating expenses relating to investment properties of £1.3M and other fees and costs of £0.2M.

7. Reconciliation of Investments held at beginning and end of year

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

	Value 1 April 2015	Purchases & Derivative payments	Sales & Derivative receipts	Change in market value	Value 31 March 2016
	£'000	£'000	£'000	£'000	£'000
UK equities - Quoted	401,418	12,160	15,519	(32,405)	365,654
Overseas equities - Quoted	464,090	551,942	444,088	(11,555)	560,389
Pooled Investment Vehicles	1,115,335	13,653	107,421	(50,139)	971,428
Absolute Return (Hedge) Funds	4,817	-	4,679	(128)	10
Private Equity	59,156	13,921	19,766	12,121	65,432
Property	204,700	4,233	3,166	15,358	221,125
Forward Foreign Exchange	-	20,583	16,322	(4,261)	-
	2,249,516	616,492	610,961	(71,009)	2,184,038
Temporary investments	5,000	31,600	5,000	-	31,600
Cash Deposits	70,524	267,758	278,056	-	60,226
	2,325,040				2,275,864

The 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 Pension Fund Account.

8. Contingent Assets and Liabilities

The Pension 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 do not reflect any potential recovery of tax.

9. Financial Risk Management

The activities of Dorset County Pension Fund are exposed to a variety of financial risks; market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk.

The Fund's investments are managed on behalf of scheme members by the Investment Managers. During the year ended 31 March 2016, investments were held by Pictet et Cie Banquiers and HSBC Global Investor Services, who acted as custodians on behalf of the Dorset Fund. Each investment manager is required to invest the assets managed by them in accordance with the terms of a written investment mandate or duly authorised prospectus.

The Dorset County Pension Fund's Pension Fund Committee has determined that appointment of these managers is appropriate for the Fund and is in accordance with its investment strategy.

The Dorset County Pension Fund Committee obtains regular reports from each investment manager and from its Independent Adviser on the nature of the investments made and associated risks. The Fund is exposed to interest rate

risk, currency risk and other price risk due to its underlying assets and liabilities. The analysis below is provided to meet the disclosure requirements of IFRS 7 Financial Instruments:

Disclosures, and should not be used for any other purpose. The analysis is not intended to constitute advice and is not guaranteed.

(a) Market Risk

Market risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Fund is exposed, particularly through its equity portfolio, to market risk influencing investment valuations. In addition to the effects of movements in interest rates, the Fund is exposed to currency risk and other price risk. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of exposure to different markets through different Investment Managers. Risk of exposure to specific markets is limited by applying strategic targets to asset allocation, which are monitored by the Pension Fund 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 its issuer or factors affecting all instruments in the market.

The Fund is exposed to price risk which arises from investments for which the prices in the future are uncertain. All securities investments present a risk of loss of capital, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Investment Managers mitigate this risk through diversification in line with their own investment strategies.

(a) (ii) Other Price Risk - Sensitivity Analysis

Following analysis of data from HSBC Performance Measurement and Risk Services, it has been determined that the following movements in market price risk were reasonably possible for the 2015/16 reporting period:

Internally Managed UK Equities	15%
AXA Framlington UK Equities	15%
Schroders UK Equities	15%
Standard Life UK Equities	20%
Allianz Global Equity	15%
Investec Global Equity	15%
Wellington Global Equity	15%
HarbourVest Private Equity	15%
Standard Life Private Equity	20%
Royal London Bonds	10%
Insight Investments	n/a
Gottex Hedge Funds	5%

IAM Hedge Funds	10%
Pioneer Hedge Funds	10%
CBRE Property	10%
JP Morgan Emerging Markets Equity	25%
Baring Asset Management	5%
Hermes Infrastructure Fund	10%
Temporary Investments	0%

A price change disclosed above is broadly consistent with a one-standard deviation movement in the value of the assets. This analysis assumes that all other variables, in particular foreign currency exchange rates, and interest rates remain constant.

The increase or decrease in the market price against the investments of the Fund at 31 March would have increased or decreased the change for the year in net assets available to pay benefits by the amount shown below.

As at 31 March 2016	Value £'000	Percentage Change %	Increase £'000	Decrease £'000
Internally Managed UK Equities	365,654	15	54,848	(54,848)
AXA Framlington UK Equities	107,992	15	16,199	(16,199)
Schroders UK Equities	38,612	15	5,792	(5,792)
Standard Life UK Equities	71,935	20	14,387	(14,387)
Allianz Global Equity	227,083	15	34,062	(34,062)
Investec Global Equity	166,965	15	25,045	(25,045)
Wellington Global Equity	166,341	15	24,951	(24,951)
HarbourVest Private Equity	38,337	15	5,751	(5,751)
Standard Life Private Equity	27,095	20	5,419	(5,419)
Royal London Bonds	286,117	10	28,612	(28,612)
Insight Investments	237,991	n/a	-	-
Gottex Hedge Funds	956	5	48	(48)
IAM Hedge Funds	10	10	1	(1)
Pioneer Hedge Funds	815	10	82	(82)
CBREi Property	246,330	10	24,633	(24,633)
JP Morgan Emerging Markets Equity	65,186	25	16,297	(16,297)
Baring Asset Management	107,588	5	5,379	(5,379)
Hermes Infrastructure Fund	29,030	10	2,903	(2,903)
Temporary Investments (inc. Cash)	91,826	0	-	-
Total	2,275,863		264,409	(264,409)

As at 31 March 2015	Value £'000	Percentage Change %	Increase £'000	Decrease £'000
Internally Managed UK Equities	401,418	15	60,213	(60,213)
AXA Framlington UK Equities	108,713	15	16,307	(16,307)
Schroders UK Equities	34,872	15	5,231	(5,231)
Standard Life UK Equities	78,504	20	15,701	(15,701)
Pictet Global ex UK Equity	412,313	15	61,847	(61,847)
Janus Intech US Equity	145,244	15	21,787	(21,787)
HarbourVest Private Equity	34,571	15	5,186	(5,186)
Standard Life Private Equity	24,585	20	4,917	(4,917)
Royal London Bonds	286,133	10	28,613	(28,613)
Insight Investments	276,460	n/a	-	-
Gottex Hedge Funds	1,961	5	98	(98)
IAM Hedge Funds	4,817	10	482	(482)
Pioneer Hedge Funds	1,549	10	155	(155)
CBREi Property	228,774	10	22,877	(22,877)
JP Morgan Emerging Markets Equity	71,205	25	17,801	(17,801)
Baring Asset Management	111,640	5	5,582	(5,582)
Hermes Infrastructure Fund	26,757	10	2,676	(2,676)
Temporary Investments (inc. Cash)	75,524	0	-	-
Total	2,325,040		269,473	(269,473)

(a) (iii) Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments on behalf of scheme members. These investments are subject to interest rate risks, which represent the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's exposure to interest rate movements on those investments at 31 March 2016 and 2015 are provided below. These disclosures present interest rate risk based on underlying financial assets (at fair value).

	31/03/2016 £'000	31/03/2015 £'000
Cash and Cash Equivalents	60,226	70,524
Fixed Interest	524,108	562,593
Loans	31,600	5,000
Total	615,934	638,117

(a) (iv) Interest Rate Risk - Sensitivity Analysis

Interest rates vary and can impact the value of the net assets available to pay benefits to scheme members. This analysis assumes that all other variables, in particular foreign currency

rates, remain constant. The analysis is performed on the same basis for the year ended 31 March 2015.

An increase or decrease of 1% (100 basis points) in interest rates at the reporting date would have increased or decreased the change for the year in net assets available to pay benefits by the amount shown below.

(a) (v) Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in a currency other than the functional currency (Great British Pound) of the Fund. The Fund holds both monetary and non-monetary assets denominated in currencies other than Pounds Sterling.

Included within the Fund's Investment Strategy is a strategic decision to hedge 50% of the currency risk in relation to Overseas Equities. The below exposures are net of this 50% hedge. The Fund also hedges 100% of its exposure to the US Dollar generated by the holding in the IAM Hedge Fund, which is denominated in US Dollars.

	As at 31 March 2016			As at 31 March 2015		
	Value £'000	Change for the year in net assets available to pay benefits £'000		Value £'000	Change for the year in net assets available to pay benefits £'000	
		+1%	-1%		+1%	-1%
Cash and Cash Equivalents	60,226	602	(602)	70,524	705	(705)
Fixed Interest	524,108	5,241	(5,241)	562,593	5,626	(5,626)
Loans	31,600	316	(316)	5,000	50	(50)
Total	615,934	6,159	(6,159)	638,117	6,381	(6,381)

The following tables summarise the Fund's exposure at 31 March 2016 to currency exchange rate movements on its investments.

	Net Currency Exposure as at 31/03/2016	Net Currency Exposure as at 31/03/2015
	£'000	£'000
US Dollar	220,525	253,392
Euro	60,247	39,591
Japanese Yen	22,461	42,450
Canadian Dollar	21,016	6,792
Swiss Franc	6,379	11,588
Australian Dollar	6,190	0
Swedish Krona	3,156	1,099
Israeli Shekel	2,920	0
Danish Krone	2,066	1,531
Norwegian Krone	1,846	0
Hong Kong Dollar	1,770	0
Singapore Dollar	1,127	184
Total	349,703	356,627

(a) (vi) Currency Risk - Sensitivity Analysis

Following analysis of historical data, it is considered that likely volatility associated with foreign currency rate movements (as measured by one standard deviation) are set out overleaf.

These changes in the currencies are considered to be reasonable based on historical movements in exchange rates over the past three years. This analysis assumes that all other variables, in particular interest rates, remain

constant. The analysis is performed on the same basis for the year ended 31 March 2015.

To mitigate the affect 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.

A strengthening or weakening of the GBP against the various currencies by one standard deviation (measured in percentages below) at 31 March 2016 would have increased or decreased the change for the year in net assets available to pay benefits by the amount shown below:

As at 31 March 2016	Percentage Change	Change for the year in net assets available to pay benefits	
		+ 1 Standard Deviation	- 1 Standard Deviation
US Dollar	2.4	5,293	(5,293)
Euro	2.2	1,331	(1,331)
Japanese Yen	2.8	624	(624)
Canadian Dollar	2.2	464	(464)
Swiss Franc	1.7	111	(111)
Australian Dollar	2.7	167	(167)
Swedish Krona	0.3	10	(10)
Israeli Shekel	0.4	11	(11)
Danish Krone	0.3	6	(6)
Norwegian Krone	0.5	8	(8)
Hong Kong Dollar	0.3	5	(5)
Singapore Dollar	1.4	16	(16)
Total		8,046	(8,046)

As at 31 March 2015	Percentage Change	Change for the year in net assets available to pay benefits	
		+ 1 Standard Deviation	- 1 Standard Deviation
US Dollar	2.1	5,321	(5,321)
Euro	3.1	863	(863)
Japanese Yen	2.2	1,316	(1,316)
Canadian Dollar	1.6	124	(124)
Swiss Franc	1.8	181	(181)
Australian Dollar	0.3	-	-
Swedish Krona	0.4	4	(4)
Israeli Shekel	0.4	-	-
Danish Krone	0.3	4	(4)
Norwegian Krone	2.5	-	-
Hong Kong Dollar	1.3	-	-
Singapore Dollar	0.5	2	(2)
Total		7,815	(7,815)

(b) Credit Risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Pension Fund to incur a financial loss. Market prices generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of the financial assets and liabilities as they are marked to market.

The net market value of financial assets represents the Fund's exposure to credit risk in relation to those assets.

The selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle transactions in a timely manner. The Fund's exposure to concentrations of

credit risk to individual counterparties comprises of Temporary Investments and Bonds held in Pooled Investment Vehicles. The contractual credit risk is represented by the net payment or receipt that remains outstanding. Deposits are not made with banks and financial institutions unless they conform with the Pension Fund's investment criteria. The Fund also sets limits as to the maximum percentage of deposits placed with any one individual institution. In addition, to enable diversification, the Fund is able to invest in Money Market Funds, all of which have a AAA rating from the leading credit rating agencies.

The Fund's exposure to credit risk at 31 March 2016 is the carrying amount of the financial assets.

	31/03/2016	31/03/2015
	£'000	£'000
Temporary Investments	31,600	5,000
Bank Account Deposits	2,426	13,133
Cash held as part of Overseas Equities portfolio	0	42,391
Money Market Funds	57,800	15,000
Bonds held in Pooled Investment Vehicles	524,109	562,593
Total	615,935	638,117

An analysis of the Fair Value of bonds held as at 31 March 2016 and 2015 by credit grading within the credit risk is shown below.

	31/03/2016		31/03/2015	
Bond Rating:	%	£'M	%	£'M
Government bonds	45.4	238	49.0	276
Corporate bonds:				
AAA	5.0	26	4.3	24
AA	5.9	31	4.8	27
A	15.5	81	16.5	93
BBB	20.5	108	17.6	99
BB or less	2.7	14	2.8	16
Unrated	5.0	26	5.0	28
Total	100.0	524	100	563

(c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. In assessing each individual investment, a key consideration is to ensure that the liability of the Fund is limited to the amount of the investment in the asset.

The liquidity risks associated with the need to pay members' benefits are mitigated by maintaining a detailed cashflow model that ensures there is a constant pool of liquid cash available to meet on going liabilities as they arise.

The following table analyses the Fund's financial liabilities, grouped into relevant maturity dates.

	Carrying Amount £'000	Less than 12 Months £'000	Greater than 12 Months £'000
Creditors and Receipts in Advance	7,516	7,516	-

(d) Fair Value Hierarchy

The Code requires the Fund to classify fair value measurements using a hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability;
- Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable).

The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement. Observable data is considered to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The above sets out the Fund's financial assets and liabilities (by class) measured

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total
UK Equities - Quoted	365,654			365,654
Overseas Equities - Quoted	560,389			560,389
Pooled Investment Vehicles	868,692	102,736		971,428
Absolute Return (Hedge) Funds		10		10
Private Equity			65,432	65,432
Property		221,125		221,125
Temporary Investments	31,600			31,600
Sub Total	1,826,335	323,871	65,432	2,215,638
Cash in hand	60,226			60,226
	1,886,561	323,871	65,432	2,275,864

at fair value according to the fair value hierarchy at 31 March 2016.

Investments whose values are based on quoted market prices in active markets, are therefore classified within Level 1.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. As level 2 investments include positions that are not traded in active markets and / or are subject to transfer restrictions, valuation may be adjusted to reflect illiquidity and / or non - transferability, which are generally based on available market information. Investments classified within Level 3 have significant unobservable inputs, as they

are infrequently traded. As observable prices are not available for these securities, the responsible entity has used valuation techniques to derive fair value.

During the year ended 31 March 2016 there were no transfers between Levels 1, 2 or 3 of the fair value hierarchy .

Derivative Activity

The Fund does not engage in any direct derivative activity other than Forward Foreign Exchange contracts disclosed above.

Pooled Investment Vehicles in which the Fund has investments do have a mandate to undertake other derivative activity but these are not reported in detail.

10. Analysis of Contributions and Benefits

The following table shows the total contributions receivable and benefits payable, analysed between the administering authority (Dorset County Council), scheduled bodies and admitted bodies.

2014/15			2015/16	
Contributions (£'000)	Benefits (£'000)		Contributions (£'000)	Benefits (£'000)
36,267	36,431	Dorset County Council	33,447	36,246
63,265	57,658	Scheduled Bodies	67,490	61,452
5,799	5,933	Admitted Bodies	5,735	6,459
105,331	100,022	Total	106,672	104,157

11. Additional Voluntary Contributions

The County Council administers an In-House AVC Scheme with two designated providers. 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 Pension Fund Accounts.

Each employer in the Pension Fund is responsible for collecting from their own employees and paying to the AVC provider those contributions due on AVC plans. Dorset County Council as employer deducted and paid to the AVC providers a total of £352,080 in 2015/16 (£414,863 in 2014/15).

12. Review of Investment Performance

The investment performance of the Fund for the year to 31 March 2016 showed a total return of + 0.08% against a benchmark of - 0.92%. Over the last three years performance had an annualised return of 6.48% per annum against a benchmark of 5.53%, and over the last five years performance was 8.24% per annum compared to a benchmark of 7.83%. Over the three and five year periods the Fund's return is ahead of the Actuary's long term target return at the last valuation of 6.10%.

The Pension Fund Committee receives quarterly reports on the overall performance of the Fund and the underlying investment managers. These reports consider the quarterly, annual, three year and five year performance, with comparisons against the Fund's bespoke benchmark and the LGPS average. Whilst the quarterly data is of interest the Committee focus is on the longer term performance analysis and assessment of trends.

13. Investments

The principal powers to invest are contained within the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. Details of these Regulations and all aspects relating to the investment of the Fund can be found in this report, copies of which are available from the Chief Financial Officer, Dorset County Council, County Hall, Colliton Park, Dorchester, Dorset, DT1 1XJ

14. Stock Lending

The fund continues to lend UK and overseas equity stock held in the portfolio. All benefits as a stockholder are retained except for the voting rights. The income from stock lending was £191,041 comprising £145,351 from UK equities and £45,690 from overseas, net of charges. The value of stock on loan as at 31 March 2016 was £277.5M, comprised of £270.7M in the UK and £6.8M overseas. This is secured by collateral worth £291.4M.

15. Related Parties

Related party issues arise primarily around the fact that the County Council is the Administering Authority for the Pension Fund. The County Council has various operational, contractual and financial dealings with a number of Scheduled and Admitted Bodies of the Pension Fund. These activities, however, do not relate to the County Council's role as Administering Authority.

The County Council remits contributions to the Fund monthly (£1.8M re the March contributions were outstanding as at the 31 March 2016) and management and administration costs are incurred by the County Council and recharged to the Fund on an actual basis. This was £1.5m for 2015/16 and was due to Dorset County Council on 31 March 2016.

Day to day investment decisions are taken by the Chief Financial Officer (acting in this regard as 'Fund Administrator') in consultation with the external managers who advise on and are responsible for the portfolios detailed below.

In addition to normal debtor / creditor amounts as above at any given time there may be amounts which have been paid or received by both the County Council And the Pension Fund where indebtedness arises between the two. These can arise due to operational necessity or where single transactions have elements relating to both the County Council and the Pension Fund. These are settled on a regular basis.

Senior officers of the Pension Fund are members of the Fund as employee contributors. As at 31 March 2016, three members of the Pension Fund Committee were contributing members of the Fund and one member of the Pension Fund Committee was a deferred member of the Fund.

16. Management Arrangements and Pooled Investments Analysis

Responsibility for the investment policy of the Fund rests with the Pension Committee, made up of County, Unitary and District councillors and a scheme member representative.

Management Arrangements and Pooled Investments Analysis Responsibility for the investment policy of the Fund rests with the Pension Committee, made up of County, Unitary and District councillors and a scheme member representative.

2014/15		Portfolio/Manager	Type of Pooled Vehicle	2015/16	
	Market Value			Market Value	
%	£'000			£'000	%
Segregated Investments					
17.8	401,418	UK equities - Quoted		365,654	16.5
		Chief Executive's Treasury and Investments Team			
20.5	464,090	Overseas equities - Quoted		560,389	25.3
		Allianz, Investec, Wellington			
0.2	4,817	Absolute Return (Hedge) Funds		10	0.0
		International Asset Management			
2.6	59,156	Private Equity		65,432	3.0
		HarbourVest, Standard Life			
9.1	204,700	Property Portfolio		221,125	10.0
		CBRE Real Estate Investment Management			
0.2	5,000	Temporary investments		31,600	1.4
		Chief Executive's Treasury and Investments Team			
Pooled Investments					
24.9	562,593	Fixed Interest		524,109	23.7
		rlam	Unit Linked Inv Fund - Life Policy		
		Insight	LDI Active 16 Fund		
6.4	143,585	UK Equities - Listed		146,604	6.6
		AXA Framlington	Unit Trust		
		Schroders	Unit Trust		
3.5	78,504	UK Equities - Unlisted		71,935	3.2
		Standard Life	Trustee Inv Plan		
4.1	93,467	Overseas Equity Portfolio - Unlisted		-	0.0
		Pictet Asset Management	Luxemburg SICAV		
3.2	71,205	Overseas Equity Portfolio - Listed		65,186	2.9
		JP Morgan	Unit Trust		
0.2	3,510	Absolute Return Funds		1,771	0.1
		Gottex Fund Management	Open Ended Fund		
		Pioneer Alternative Inv.	Mutual Fund		
1.1	24,074	Property		25,205	1.1
		Lend Lease Retail Partnership	CBRE (UK) Property Value Added Fund		
		Standard Life	UK Shopping Centre Trust		
5.0	111,640	Diversified Growth Funds		107,588	4.9
		Baring Asset Management	Non UCITS (PIF)		
1.2	26,757	Infrastructure		29,030	1.3
		Hermes GPE Infrastructure Fund	Non UCITS (PIF)		
100.0	2,254,516			2,215,638	100.0

IAS26 Disclosures as at 31 March 2016

1. Introduction

We have been instructed by Dorset County 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 2016.

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.

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 all Generic Technical Actuarial Standards (TASs) and the Pensions TAS.

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013, is contracted out of the State Second Pension until 6 April 2016 and currently provides benefits based on career average revalued salary and length of service on retirement.

2. 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 County Council:

- The results of the valuation as at 31 March 2013 which was carried out for funding purposes;
- Estimated whole Fund income and expenditure items for the period to 31 March 2016;
- Estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2016 and
- Details of any new early retirements for the period to 31 March 2016 that have been paid out on an unreduced basis, which are not anticipated in the normal employer 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.

Employer membership statistics

The table below summarises the membership data, as at 31 March 2013, the date of the last full valuation

Member Data Summary	Number	Salaries/Pensions £000's	Average Age
Actives	23,369	382,852	46
Deferred pensioners	24,453	25,809	45
Pensioners	16,745	75,667	71

Early Retirements

We requested data on any early retirements in respect of the Employer from the administering authority for the year ending 31 March 2016.

We have been notified of 125 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 £968,900.

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2016 is estimated to be 0%. 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 2016 is as follows:

Employer Asset Share - Bid Value	31 March 2016		31 March 2015	
	£000's	%	£000's	%
Equities	1,275,200	56	1,311,425	57
Gilts	237,991	10	276,460	12
Cash	82,409	4	51,569	2
Other Bonds	286,117	13	286,133	12
Diversified Growth Fund	107,588	5	111,640	5
Absolute Return Portfolio	-	-	3,510	1
Property	246,330	11	228,774	10
Infrastructure	29,030	1	26,757	1
Hedge Fund	1,781	0	4,817	0
Total	2,266,446	100	2,301,085	100

We have estimated the bid values where necessary. The final asset allocation of the Fund assets as at 31 March 2016 is likely to 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.

3. Actuarial methods and assumptions

Valuation approach

To assess the value of the Fund's liabilities at 31 March 2016, we have rolled forward the value of Fund's liabilities calculated for the funding valuation as at 31 March 2013, 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 2016 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2016 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.

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 2013. The post retirement mortality tables adopted are the S1PA tables. These base tables are then projected using the CMI 2012 Model, allowing for a long-term rate of improvement of 1.5% p.a.

The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)		31 March 2016	31 March 2015
Retiring today	Males	22.9	22.8
	Females	25.3	25.2
Retiring in 20 years	Males	25.2	25.1
	Females	27.7	27.6

We have also assumed that:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- 10% of active members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

Financial assumptions

The financial assumptions used to calculate the results in Section 4 and the Appendices are as follows:

Assumptions as at	31 March 2016		31 March 2015		31 March 2014	
	% p.a.	Real %	% p.a.	Real %	% p.a.	Real %
RPI increases	3.3	-	3.2	-	3.6	-
CPI increases	2.4	-0.9	2.4	-0.8	2.8	-0.8
Salary increases	3.9	0.6	3.9	0.7	4.3	0.7
Pension increases	2.4	-0.9	2.4	-0.8	2.8	-0.8
Discount rate	3.7	0.4	3.3	0.1	4.5	0.9

These assumptions are set with reference to market conditions at 31 March 2016. Our estimate of the duration of the Fund's liabilities is 19 years.

The discount rate is the annualised yield at the 19 year point on the Merrill Lynch AA-rated corporate bond yield curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Fund's liabilities. This is consistent with the approach used at the last accounting date.

The Retail Prices Index (RPI) increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England (BoE), specifically the 19 year point on the BoE market implied inflation curve. The RPI assumption is therefore 3.3% p.a. This is consistent with the approach used at the last accounting date.

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 0.9% p.a. below RPI i.e. 2.4% p.a. This is a slightly higher differential than last year. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts.

Salaries are assumed to increase at 1.5% p.a. above CPI in addition to a promotional scale.

Curtailments

We have calculated the cost of curtailments arising as a result of the payment of unreduced pensions on

early retirement. The Employer may also have to account for non-pension related costs (e.g. lump sum payments on redundancy) but for the avoidance of doubt, we have only calculated the cost of curtailments which affect the Employer's LGPS pension liabilities.

We calculate the cost of curtailments at the point of exit, with interest applied to the accounting date accounted for separately.

Over the year, we understand that 125 former employees became entitled to unreduced early retirement benefits.

4. Results and disclosures

We estimate that the net liability as at 31 March 2016 is a liability of £1,535,637,000.

The results of our calculations for the year ended 31 March 2016 are set out in the appendices below:

- Appendix 1 sets out the Statement of financial position as at 31 March 2016; and
- Appendix 2 details a reconciliation of assets and liabilities during the year.

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.



Mark Norquay FFA - Associate

Appendix 1 Statement of financial position as at 31 March 2016

Net Pension Asset	As at 31 March 2016	As at 31 March 2015	As at 31 March 2014
	£000's	£000's	£000's
Present Value of Funded Obligation	3,802,083	3,246,251	3,134,942
Fair Value of Scheme Assets (bid value)	2,266,446	2,092,439	1,937,318
Net Liability in balance sheet	1,535,637	1,153,812	1,197,624

*Present value of funded obligation consists of £3,673,903,000 in respect of vested obligation and £128,180,000 in respect of non-vested obligation.

Appendix 2 Asset and benefit obligation reconciliation for the year to 31 March 2016

Reconciliation of opening and closing balances of the present value of the defined benefit obligation	Year to 31 March 2016	Year to 31 March 2015
	£000's	£000's
Opening defined benefit obligation	3,904,470	3,246,251
Current service cost	134,427	105,849
Interest cost	127,655	143,352
Change in financial assumptions	(292,671)	530,470
Change in demographic assumptions	-	-
Experience loss/(gain) on defined benefit obligation	-	-
Liabilities assumed / (extinguished) on settlements	-	(54,884)
Estimated benefits paid net of transfers in	(103,315)	(97,408)
Past service costs, including curtailments	4,693	4,507
Contributions by Scheme participants	26,824	26,333
Unfunded pension payments	-	-
Closing defined benefit obligation	3,802,083	3,904,470

Reconciliation of opening and closing balances of the fair value of Scheme assets	Year to 31 March 2016	Year to 31 March 2015
	£000's	£000's
Opening fair value of Fund assets	2,301,085	2,092,439
Interest on assets	76,002	93,551
Return on assets less interest	(113,056)	142,798
Other actuarial gains/(losses)	-	-
Administration expenses	(1,600)	(1,600)
Contributions by employer including unfunded	80,506	78,998
Contributions by Scheme participants	26,824	26,333
Estimated benefits paid plus unfunded net of transfers in	(103,315)	(97,408)
Settlement prices received / (paid)	-	(34,026)
Closing Fair value of Fund assets	2,266,446	2,301,085

Appendix 3 Sensitivity Analysis

	£000s	£000s	£000s
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	3,732,854	3,802,083	3,872,664
Projected service cost	117,654	120,400	123,213
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	3,811,073	3,802,083	3,793,150
Projected service cost	120,458	120,400	120,342
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	3,864,508	3,802,083	3,740,849
Projected service cost	123,189	120,400	117,674
Adjustment to life expectancy assumptions	+1 Year	None	-1 Year
Present value of total obligation	3,916,240	3,802,083	3,691,358
Projected service cost	123,473	120,400	117,404

Portfolio Valuation

	Market Value 31/03/2015		Market Value 31/03/2016	
	£'000s	%	£'000s	%
Fixed interest				
Fixed Interest	286,133	12.31	286,117	12.57
Inflation Hedging Bonds	276,460	11.89	237,991	10.46
Total	562,593	24.20	524,108	23.03
UK Equities				
In-house Tracker Fund	401,418	17.26	365,654	16.06
Standard Life	78,504	3.38	71,935	3.16
AXA Framlington	108,713	4.68	107,992	4.74
Schroders	34,872	1.50	38,612	1.70
Total	623,507	26.82	584,193	25.66
Overseas equities				
Pictet	412,314	17.73	-	-
Intech	145,244	6.25	-	-
Allianz Global Equity	-	-	227,083	9.98
Investec Global Equity	-	-	166,965	7.34
Wellington Global Equity	-	-	166,341	7.31
JP Morgan (Emerging Markets)	71,205	3.06	65,186	2.86
Total	628,763	27.04	625,575	27.49
Property	228,774	9.84	246,330	10.82
Private Equity	59,156	2.54	65,432	2.88
Cash	75,524	3.25	91,826	4.03
Absolute Return Funds	8,327	0.36	1,781	0.08
Diversified Growth Fund	111,640	4.80	107,588	4.73
Infrastructure	26,757	1.15	29,030	1.28
Total	2,325,041	100.00	2,275,863	100.00

Glossary of terms

Actuary

An Actuary is an expert on pension scheme assets and liabilities, life expectancy and probabilities (the likelihood of things happening) for insurance purposes. An actuary works out whether enough money is being paid into a pension scheme to pay the pension when they are due.

Active Investing

This is a system of investment that could be used for a pension fund. It involves buying and selling investments to try and get better growth.

Asset Allocation

Term used to describe the breakdown of different investments within a fund.

Assets

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

Assumed Pensionable Pay

An average pay figure used to calculate pensions in cases of reduced contractual pay as a result of sickness or injury.

Bonds

Loans made to an issuer (often the 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). However, in common parlance, the term bond is more likely to be used with reference to a corporate bond, while the term gilt refers exclusively to government investments, including index-linked gilts.

Career Average Scheme

This is the name for a scheme where the pension benefits earned for a year depend on how much the members pensionable earnings were for that year.

Consumer Price Index (CPI)

A consumer price index (CPI) measures changes in the price level of a market basket of consumer goods and services purchased by households. The CPI is a statistical estimate constructed using the prices of a sample of representative items whose prices are collected periodically.

Corporate Bonds

A debt security issued by a corporation and sold to investors. The backing for the bond is usually the payment ability of the company, which is typically money to be earned from future operations. In some cases, the company's physical assets may be used as collateral for bonds. Corporate bonds are considered higher risk than government bonds. As a result, interest rates are almost always higher, even for top-flight credit quality companies.

Deferred Pension

A benefit relating to the past service of members of an occupational pension scheme who are no longer active members but have not yet retired. The benefits are payable at retirement or earlier death.

Equities

Another name for shares, stocks or units of ownership in a company.

Final Salary Pension Scheme

A pension scheme providing benefits based on a members service and salary close to retirement

Fixed Interest Government Securities

Fixed interest securities, also known as bonds, are loans, usually taken out by a government or company which normally pay a fixed rate of interest over a given time period, at the end of which the loan is repaid. They can offer a more predictable income for investors when compared to riskier asset classes, such as equities, and help to bring an important element of diversification to your investment portfolio.

Fund Benchmark

The Fund benchmark reflects the asset mix determined by the Fund. It is expressed by asset proportions and market indices.

Indexation

This is a way of measuring changes in prices or earnings and adjusting pensions in line with these changes.

Liabilities

These are amounts which the pension fund will have to pay now or at some time in the future. The most common liability is paying members pensions.

Market Value

This is the price an asset is bought or sold for on the open market.

Normal Pension Age

This is the earliest age that a member can usually take their full pension benefits. Somebody retiring before this age will usually get a lower pension.

Passive Investing

The management of assets, eg equities, gilts, by holding an exact replica of a given index, eg FTSE100, FTSE350, with the result that the assets in question move exactly in line with the chosen index.

Pooled Funds

A pooled fund is a unit trust which investors contribute funds that are then invested, or managed, by a third party.

Retail Price Index

This is a measure of inflation measuring the change in the cost of a representative sample of retail goods and services.

Stock Lending

A temporary transfer of securities (for example equities) by an owner (typically a pension fund) to a borrower (usually a fund manager). The borrower undertakes to return those securities to the lender at a pre-agreed time.

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Dorset County Council

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