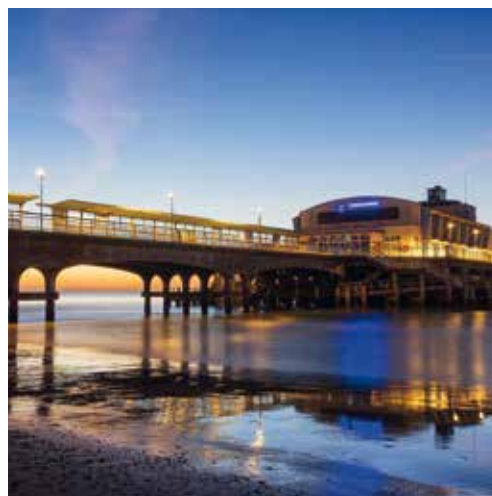


Dorset County Pension Fund



Annual Report 2017-2018



Dorset County Pension Fund
Administered by Dorset County Council

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Portland Bill

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Preface:

Chairman's Statement



This is a period of unprecedented change for the Local Government Pension Scheme nationally. For Dorset it has again been a year dominated by the Government's requirement for funds to pool investments, in order to reduce costs, whilst maintaining overall investment returns. The Dorset County Pension Fund has joined nine other funds in the South West to form the Brunel Pension Partnership, one of eight such pools across England and Wales.

At 31 March 2018, the combined investments of the ten funds within the Brunel pool stood at just over £29 billion, with Dorset's assets accounting for approximately 10% of that total. The foundations for the pool to be a success are in place with Brunel achieving Financial Conduct Authority (FCA) approval in March 2018 to manage investments on behalf of the ten client funds, and investments will begin the

transition to Brunel managed portfolios during 2018-19.

Locally, the value of the Dorset County Pension Fund's assets was £2.9 billion at 31 March 2018, with the Fund's annual return of 4.5% exceeding the benchmark return of 3.3% by 1.2%. Over the longer term, the Fund returned an annualised 8.7% over the three years to March 2018, ahead of the benchmark return of 8.1%, and 9.2% against the benchmark of 8.4% over the five years to the end of March 2018.

A review of the Fund's strategic asset allocation was completed during the first half of the year and approved by the Committee in September 2018. The biggest change was a new 5% allocation to Multi Asset Credit (MAC), and CQS were awarded the mandate in December 2017. In addition, an increased allocation to Diversified Growth Funds (DGF) was met in part by investing a further £50M in the Baring Dynamic Asset Allocation Fund in February 2018.

There is no doubt that markets will witness more volatility as Brexit negotiations continue. However, I am sure that the Fund's revised investment strategy is well positioned to cope with the inevitable movements across investment markets in the future. I know that we need to ensure the Fund remains flexible in its approach to continue to be successful.

As part of the implementation plans for investment pooling, Brunel on behalf of the ten client funds have appointed State Street Bank & Trust Company as

a common custodian bank. Custody of Dorset's investment assets were successfully transferred to State Street in January 2018 from HSBC and Pictet, the outgoing custodians for UK and overseas holdings respectively. I am also pleased to report that in response to the requirements of the Markets in Financial Instruments Directive (MiFID) II, the Fund was successfully "opted up" to professional status by all our external investment managers and key advisers ahead of the January 2018 deadline.

I would like to offer my gratitude to all Committee members and the Local Pension Board in helping secure the efficient and effect management of the scheme. I would also like to thank the Fund Administrator and his staff for their continued contribution towards delivering excellent management throughout the year.

The past year saw some changes to the Committee with Cllr Tony Ferrari stepping down as one of Dorset County Council's representatives, to be replaced by Cllr Mark Roberts, whilst Johnny Stephens, the scheme member representative, was replaced by Andrew Turner. Tom Wilkinson, the interim Chief Treasury and Pensions Manager, also left Dorset County Council in 2017. I would like to thank Tony, Johnny and Tom for their valued contributions over the years and I welcome Mark and Andrew to the Committee.

Let us all hope for profitable markets in the year ahead.



Councillor John Beesley
Chairman, Dorset County Pension Fund

Introduction

The Dorset County Pension Fund is part of the national Local Government Pension Scheme (LGPS), administered by Dorset County Council. It is a contributory defined benefit pension scheme established under statute, which provides for the payment of benefits to employees and former employees of Dorset County Council and the admitted and scheduled bodies in the Fund. Separate arrangements are made for teachers, fire-fighters and police officers.

Publication of this report gives the Council the opportunity to demonstrate the high standard of governance and financial management applied to the Fund. It brings together a number of separate reporting strands into one comprehensive document that enables both the public and employees to see how the Fund is managed and how well it is performing.

It is in the interest of both employees and the Public that the Fund is well managed and continues to provide high returns and excellent value for money.

Executive Summary

- The total value of the Fund rose by 4.3% over the year and reached £2.85 billion as at 31 March 2018, compared to the previous year end valuation of £2.74 billion.
- The Fund achieved a return on investments for the 2017-18 financial year of 4.5%, 1.2% above the benchmark return of 3.3%.
- The Fund outperformed its benchmarks over three years with a performance of 8.7% against its benchmark of 8.1%. Over five years the performance was 9.2% against a benchmark of 8.4%.
- The number of active contributors in the Fund rose from an adjusted 25,266 in 2016-17 to 25,670, a rise of 1.6%, whilst the number of pensioners rose by 4.7% to 20,954.
- At the most recent actuarial valuation, as at 31 March 2016, the funding level was 83%, an increase from 82% as at 31 March 2013, with the deficit recovery period reduced from 25 years to 22 years.
- In response to the requirements of MiFID II, the Fund has successfully "opted up" to professional investor status with all the Fund's external managers and key advisers by the 3 January 2018 deadline.
- CBRE, the Fund Property manager made the following investment commitments in 2017-18:
 - Purchased an Industrial Estate at 401-409 Oldfield Lane, Greenford, Greater London for £8.4M reflecting a net initial yield of 3.9%;
 - Sold an Industrial Unit at 131 Great Suffolk Street, London SE1 for £4.95M. The sale price was 111% above the purchase price in 2014.
 - Purchased four public houses and a restaurant in Central London for £14.55M which reflects a net initial yield of 3.4%.

Changes to the Fund in 2017-18

- A new 5% allocation to Multi Asset Credit Manager CQS was achieved in full with an investment of £135M on 1 December 2017, funded from a partial disinvestment from the corporate bonds mandate with Royal London Asset Management (£120M) and existing cash balances £15M).
- The increased allocation to Diversified Growth Funds (DGF) was met in part by investing a further £50M in the Baring Dynamic Asset Allocation Fund in February 2018 funded by partial disinvestment from the Internally Managed UK equities portfolio.



Builders Arms, Chelsea - Purchased for £4.37M



Casa Cruz, Holland Park - Purchased for £2.08M

Management:

Governance Arrangements

Administering Authority

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

Pension Fund Committee

The Dorset County Pension Fund Committee Members as at 31 March 2018.

Committee Member	Representing
John Beesley (Chairman)	Bournemouth Borough Council
Peter Wharf (Vice Chairman)	Dorset County Council
Andrew Turner**	Scheme Member Representative
Andy Canning	Dorset County Council
Colin Jamieson	Dorset County Council
John Lofts	Dorset District Councils
Johnny Stephens*	Scheme Member Representative
May Haines	Borough of Poole
Spencer Flower	Dorset County Council
Tony Ferrari***	Dorset County Council

*Johnny Stephens resigned from the Committee.

** Andrew Turner joined the Committee.

*** Mark Roberts has replaced Tony Ferrari on the Committee since 31 March 2018.



Pension Fund Committee

Back row (Left to right): Andrew Turner, David Wilkes, Colin Jamieson, Andy Canning, Mark Roberts, John Lofts.

Front row (Left to right): Peter Wharf, John Beesley, Richard Bates, Alan Saunders.

A Committee of elected members, five County Councillors, two Councillors representing Bournemouth and Poole Councils, one District Councillor and one voting Scheme Member representative are responsible for making investment policy, appointing managers and monitoring performance. The Committee is supported by an investment management expert who is not involved in the management of the Fund's Assets. Responsibilities of the Committee include;

- Meeting quarterly, or otherwise as necessary, to effectively monitor the management and administration of the Fund;
- Monitoring investment policy and monitor overall investment performance;
- Overseeing the appointment and termination of investment managers;
- Reviewing performance benchmarks and targets for investment managers;
- Reviewing the funds governance arrangements and the effective use of its advisers to ensure good decision making;
- Reviewing and advising on the development of an Investment Strategy Statement, Funding Strategy Statement, Communications Policy Statement, Pensions Administration Policy Statement, Governance Policy Statement and to publish a Pension Fund Annual Report.

Committee Members Attendance

The table below summarises the meetings which have taken place in 2017-18 including attendance by members of the Committee.

Committee Members Attendance						
Committee Member	21-06-2017	13-09-2017	23-11-2017	28-02-2018	Total	Voting Rights
Andrew Turner**				✓	1	✓
Andy Canning	✓	✓	✓	✓	4	✓
Colin Jamieson	×	✓	×	✓	2	✓
John Beesley	✓	✓	✓	✓	4	✓
John Loftis	✓	✓	✓	✓	4	✓
Johnny Stephens*	✓	✓			2	✓
May Haines	×	✓	✓	✓	3	✓
Peter Wharf	✓	✓	✓	×	3	✓
Spencer Flower	✓	✓	×	✓	3	✓
Tony Ferrari	✓	✓	✓	✓	4	✓

*Johnny Stephens resigned from the Committee before the 23-11-2017 meeting.

** Andrew Turner joined the Committee prior to the 28-02-2018 meeting.

The Local Pension Board

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

Function of the Pension Board

The function of the Local Pension Board as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013 is to assist the Scheme Manager:

- to secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS;
- to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator;
- in such other matters as the LGPS regulations may specify; and
- to ensure it complies effectively and efficiently with the code of practice on the governance and administration of local government pension schemes issued by the Pension Regulator.

The Local Pension Board will also help ensure that the Dorset County Pension Fund (DCPF) is managed and administered effectively and efficiently and complies with the code of practice on the governance and administration of local government pension schemes issued by the Pension Regulator and with due regard to guidance issued by government, The Pensions Regulator and the LGPS Advisory Board.

In accordance with Governance Regulation 106 (6), the Local Pension Board has the power to do anything which is calculated to facilitate, or is conducive to, the discharge of any of its functions.

Assisting the Scheme Manager is

interpreted as helping the Scheme Manager, including doing work requested by the Scheme Manager. However, the Local Pension Board does not replace the Scheme Manager nor make decisions which are the responsibility of the Scheme Manager.

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

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

Membership of the Local Pension Board

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

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

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

Scheme employer representatives shall comprise of Dorset County Council and the two Unitary Authorities, as the top tier authorities in Dorset, and the three largest employers in the Fund, representing around 70% of the scheme membership. One member will be nominated by Dorset County Council, one by Bournemouth Borough Council and one nominated by Borough of Poole. Scheme member representatives shall

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

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

As part of the process for selecting members of the Local Pension Board,

Dorset County Council, via the Standards and Governance Committee, will be asked to nominate their member, and DCPF will contact:

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

The current membership of the Pensions Board

Board Member	Representing
Councillor Andrew Cattaway (Chairman)	Employer Representative - Dorset County Council
Paul Kent (Vice-Chairman)	Scheme Member Representative Self-Nominated Retired Scheme Member
Adam Richens	Employer Representative - Bournemouth Borough Council/Borough of Poole
Jeff Morley	Scheme Member Representative Nominated by Unison - Active Scheme Member
John Jones	Employer Representative - Dorset Police
James Stevens	Scheme Member Representative - Active Scheme Member
Jason Vaughan	Employer Representative - Dorset Councils Partnership

Board Members Attendance

Board Member	Attendance 2017-18
Adam Richens	1/2
Councillor Andrew Cattaway	1/2
James Stevens	1/2
Jason Vaughan	1/2
Jeff Morley	2/2
John Jones	2/2
Paul Kent	1/2

The table opposite summarises the meetings which have taken place including attendance by members of the Board.

Management Organisation

Investment Managers

There are sixteen managers that are employed to manage the assets of the Dorset County Pension Fund.

Investment Managers	Asset Class	Address
Internally Managed	UK Equities	County Hall, Dorchester, Dorset DT1 1XJ
AXA Framlington Investment Managers Limited	UK Equities	7 Newgate Street, London EC1A 7NX
Schroders	UK Equities	31 Gresham Street, London EC2V 7QA
Royal London Asset Management	Bonds	55 Gracechurch Street, London EC3V 0RL
J.P.Morgan Asset Management	Overseas Equities	25 Bank Street, Canary Wharf, London E14 5JP
Allianz Global Investors	Overseas Equities	199 Bishopsgate, London EC2M 3TY
Investec Asset Management	Overseas Equities	25 Basinghall Street, London EC2V 5HA
Wellington Asset Management	Overseas Equities	80 Victoria Street, London SW1E 5JL
HarbourVest Partners, LLC	Private Equity	One Financial Center Boston, MA 02111, USA
Aberdeen Standard Investments	Private Equity	1 George Street, Edinburgh EH2 2LL
CBRE Global Investors	Property	Third Floor, One New Change, London EC4M 9AF
Baring Asset Management Limited	DGF	155 Bishopsgate, London EC2M 3XY
CQS	Multi Asset Credit	4th Floor, One Strand, London WC2N 5HR
Hermes Investment Management	Infrastructure	Sixth Floor, 150 Cheapside, London EC2V 6ET
IFM Investors	Infrastructure	3rd Floor, 60 Gresham Street, London EC2V 7BB
Insight Investment Management Limited	LDI	160 Queen Victoria Street, London EC4V 4LA

Other Services

The following provide services to the Pension Fund.

Service	Address
Actuary	
Barnett Waddingham LLP	Cheapside House, 138 Cheapside, London EC2V 6BW
AVC Providers	
Prudential Plc	5 Laurence Pountney Hill, London EC4R 0HH
Auditors	
KPMG LLP	66 Queen Square, Bristol BS1 4BE
Bankers	
National Westminster Bank - Main Bankers	49 South Street, Dorchester, Dorset DT1 1DW
Pictet et Cie - Overseas Equities	Route des Acacias 60, 1211 Geneva - Switzerland
HSBC Bank Plc to January 2018 - UK Equities and Bond Custodian	Level 29, 8 Canada Square, Canary Wharf, London E14 5HQ
State Street from January 2018 - UK Equities and Bond Custodian	Quartermile 3, 10 Nightingale Way, Edinburgh EH3 9EG
Custodian	
HSBC Bank Plc to January 2018	Level 29, 8 Canada Square, Canary Wharf, London E14 5HQ
State Street Global Services from January 2018	Quartermile 3, 10 Nightingale Way, Edinburgh EH3 9EG
Fund Legal Advisers	
Osborne Clarke	2 Temple Back East, Bristol BS1 6EG
Independent Adviser	
Mr Alan Saunders MJ Hudson Allenbridge	8 Old Jewry, London EC2R 8DN
Corporate Governance and Responsible Investment	
Institutional Shareholder Services	1 London Bridge, London SE1 9BG



Dorset County Council's Treasury and Pension Team

Responsibilities of the Treasury and Pension Team

- Continued implementation of the Brunel Pension Partnership
- To monitor performance of Investment Managers
- Collection and reconciliation of contributions
- Triennial Actuarial valuation reports
- Closedown of Pension Fund Accounts
- Publication of Pension Fund Annual report
- Daily treasury and cashflow management
- Production of quarterly Pension Fund Committee papers and attendance of meetings
- Production of monthly valuation of the Pension Fund
- Providing benefit calculations, including retirements, transfer values and divorce calculations
- Deal with members enquiries face to face, by telephone and email
- Maintain a knowledge of relevant legislation
- Key Performance Indicator reports
- The promotion and facilitation of relationships and working arrangements between Dorset County Council and its Employers
- Responsible for the design, procurement and issuing of fact sheets, newsletters and guidance to scheme members and employers
- Comprehensive knowledge of processes involved with any TUPE and outsourcing of staff within the Local Government Pension Scheme.

Custodian Services

State Street Bank & Trust Company has been appointed as global custodian (replacing HSBC Plc and Pictet et Cie), independent to the investment managers, to be responsible for the safekeeping of all the Fund's investments. State Street are also responsible for the settlement of all investment transactions and the collection of income.

Brunel Pension Partnership

At the additional meeting on 9 January 2017 the Committee resolved that the Brunel Pension Partnership investment pool be developed, funded and implemented in accordance with the Full Business Case (FBC), including the setting up of a Financial Conduct Authority (FCA) regulated company to be named Brunel Pension Partnership Limited (Brunel Ltd). This was then ratified by the County Council on 16 February 2017. The FBC was also approved by the nine other participating administering authorities.

Brunel Ltd was formally created on 18 July 2017, with representatives from the administering authorities of each of the ten founding funds signing the shareholders agreement to establish the company. The leadership team has been established in full and all operational staff have now been recruited.

Brunel Ltd received authorisation on 16 March 2018 from the FCA to act as a full scope investment firm. This allows Brunel to provide advisory and discretionary investment management services to Dorset and the nine other client funds. FCA authorisation was also a specified requirement of central government for all investment pools.

Following receipt of FCA authorisation, Brunel Ltd has made good progress to develop the portfolios for Dorset and the nine other client funds to invest in.

Risk Management

Risk management is the process of identifying risks, evaluating their likelihood and potential impact and determining the most effective methods of controlling or responding to them. The measures that it has in place to control

key risks are summarised below under the following headings:

- a) Financial Risks;
- b) Workforce Risks; and
- c) Other Risks.

Pension Fund Risk Register

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

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

No	Risk Description	Risk Status Open or Closed	Risk Lead	Date Identified	Current Controls How do we currently manage this risk?	Current Risk High / Medium / Low	Movement Since Last Review Improving / Deteriorating / No Change	Is the current level of risk acceptable? i.e. Yes or No, based on the current controls	Any Issues to Highlight Since Last Review?	Further actions identified to achieve an acceptable level of risk	Target Date for further actions
A) Financial Risks											
A01	Treasury Management and the Risk of Financial Default of Partners and Counterparties	Open	Fund Administrator	Oct-11	See detailed Corporate Risk Register entry	Medium	No Change	Yes		Continual monitoring of treasury management policy and routine monitoring of business critical counter parties.	On-going
A02	Increasing Longevity of Members, with the potential to mean that the liabilities will continue to be greater than the assets of the Fund.	Open	Fund Administrator	Oct-11	Controlled at a National Level by changes to the scheme benefits and contribution levels. Locally by ensuring the actuarial valuations are realistic and factor in the changes so the Fund remains sustainable.	Medium	No Change	Yes		Encourage sign up to the Fund of new members by adopting policies such as auto enrolment and communications strategy to maintain membership of active members.	On-going
A03	Excessive Inflation increases Member Benefits	Open	Fund Administrator	Oct-11	Invested in Liability Driven investments to hedge inflation risk to offset some of the impact of high inflation.	Medium	No Change	Yes		Further expansion of LDI mandate and investment in inflation proofed asset classes such as infrastructure and certain property investments.	On-going
A04	Failure to track the FTSE 350 index	Open	Fund Administrator	Oct-11	Incorrect transactions would be picked up during the day; regular monitoring; quarterly reporting to Pension Fund Committee; balancing procedures; staffing cover.	Medium	No Change	Yes	Investment in passively managed UK equities will be considered for transfer to the Brunel Pensions Partnership (BPP).	Consider the use of Bloomberg to allow live analysis of the tracking error of portfolio.	On-going
A05	Failure to comply with accounting standards	Open	Fund Administrator	Oct-11	Keeping up with changes to the Code, attendance of CIPFA training events, developing cover within the team.	Low	No Change	Yes		None	On-going

A06	Inadequate governance of the fund	Open	Fund Administrator	Oct-11	CIPFA governance statement; undertaken by independent observer; LGPS statement; Local Pension Board	Low	No Change	Yes	The establishment of BPP with effect from April 2018 will impact on governance arrangements.	On-going review of strategies and governance arrangements including Pension Board and the Pensions Regulator.	On-going
A07	Failure to produce the expected rate of investment return	Open	Fund Administrator	Oct-11	Pension Fund Committee monitor investment returns achieved by fund managers; diverse investment strategy	High	No Change	Yes	Transition costs associated with the establishment of BPP may impact on investment returns.	Continuous monitoring of performance and risk, and regular reviews of strategy to ensure best fit.	On-going
A08	Loss of funds through fraud or misappropriation	Open	Fund Administrator	Oct-11	Internal and External Audit; Assurance that current systems provide appropriate level of internal control; reporting and monitoring; reporting to Audit & Scrutiny Committee; policies and procedures	Low	No Change	Yes	The establishment of BPP will require revised protections against fraud or misappropriation of funds.	Continual review of potential exposures	On-going
B) Workforce Risks											
B01	Health and safety of staff	Open	Fund Administrator	Oct-11	Work station assessments; PDR trigger interviews; absence management; DCC health & safety policies	Low	No Change	Yes		None	
B02	Failure to recruit, develop and retain suitably skilled staff. There is also a requirement to ensure that Committee members and Board members are appropriately trained to undertake their duties effectively.	Open	Fund Administrator	Oct-11	Access to Management Development / Training; PDR; structure review	Low	No Change	Yes	The establishment of BPP should ensure greater resilience against the loss of key staff re. investments.	Training / development to support this risk, where appropriate, via PDRs; Work shadowing and ensure staff have ability to cover in the absence of key people; Ensure appropriate succession & resilience planning for key people risks	On-going

B03	Failure to maintain the balance between workload and staff capacity	Open	Fund Administrator	Oct-11	Service planning and PDR process; continual review of workloads within teams; additional posts can be funded from pension fund where particular capacity demands are identified, at the approval of the Pension Fund Administrator	Low	No Change	Yes		Review potential for secondments etc. to meet particular areas where capacity is stretched.	On-going
C) Other Risks											
C01	Inability to provide service, due to a loss of Council facilities (IT; building) or staff	Open	Fund Administrator	Oct-11	Business continuity plans maintained for critical services; Nat West Banking facilities can be accessed from home/ remotely; contact numbers held for the team. Disaster recovery in place for Altair	Low	No Change	Yes		Regular review of business continuity plans. Corporate business continuity plans.	
C02	Poor services, or perception of poor service	Open	Fund Administrator	Oct-11	Service planning and PDR process; external audit; internal audit reviews; processes and procedures	Low	No Change	Yes		None	
C03	Secure management and handling of confidential and/or personal information	Open	Fund Administrator	Oct-11	Data awareness guidance promoted corporately; secure email; secure payments portal to actuary	Medium	No Change	Yes		Ensure all appropriate team members undertake the Data Protection training	On-going
C04	Enforced restructuring of Pension Funds nationally, or enforced pooling of investments, revised governance regulations.	Open	Fund Administrator	Sep-15	Proactive membership of national groups and attendance at national meetings to influence policy.	Medium	Improving	Yes		Officers and members engaging at local, regional and national level to attempt to inform and influence government policy.	On-going

The Annual Report

The Local Government Pension scheme Regulations 2013 require administering authorities to prepare a document known as “the Pension Fund Annual Report”. From 1 April 2014, this report must contain information about the fund on the following:

- The management and financial performance during the year;
- The authority’s investment policy and a review of performance of the fund assets;
- Administration arrangements;
- A statement by the Actuary of the assets, liabilities and funding level;
- The current version of the Governance Compliance Statement;
- The Fund Account and Net Asset Statement and supporting notes and disclosures in accordance with proper practices;
- The current version of the Investment Strategy Statement;
- The current version of the Communications Statement;
- The current version of the Funding Strategy Statement; and
- Other material considered appropriate.

Member and Officer Training

During 2017-18 knowledge was gained at various meetings with investment managers in addition to individual attendance at conferences and seminars. A further two meetings were held for training purposes the day prior to the Pension Fund Committees being held in London. The aim of the additional training and education is to reflect current issues at seminars and conferences held by industry recognised professionals and by the Funds existing advisers and fund managers. Special

meetings are convened if considered necessary.

Conflicts of Interest

The Pension Fund is governed by elected members acting as trustees and the code of conduct for elected members’ sets out how any conflicts of interest should be addressed.

The code includes general provisions on ethics and standards of behaviour which require elected members to treat others with respect and not to bully, intimidate or do anything to compromise the impartiality of those who work for or on behalf of the Council. The Code also contains rules about “disclosable pecuniary interests” and sets out the action an elected member must take when they have such an interest in Council business, for instance withdrawing from the room or chamber when the matter is discussed and decided in committee, unless dispensation has been obtained from the Council’s Monitoring Officer.

Responsible Investing

The Council has a paramount fiduciary duty to obtain the best possible financial return on Fund investments without exposing assets to unnecessary risk. The Council believes that following good practice in terms of social, environmental and ethical issues is generally likely to have a favourable effect on the long-term financial performance of a company and will improve investment returns to its shareholders.

The Fund investment managers, acting in the best financial interests of the Fund, are expected to consider, amongst other factors, the effects of social, environmental and ethical issues on the performance of a company when undertaking the acquisition, retention or realisation of investments for the Fund.

Performance:

Investment Performance

This Year's Fund Information

£117_M



Fund value
increase

£2.854_{Bn}



Total
fund value

4.3%



Fund Value
increase

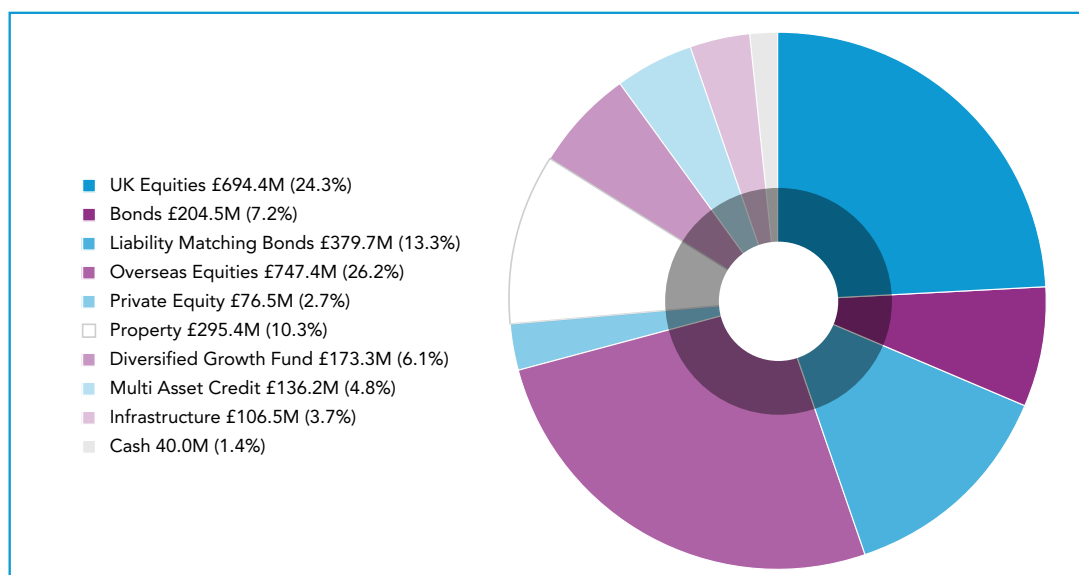
1.2%



Overperformed
benchmark

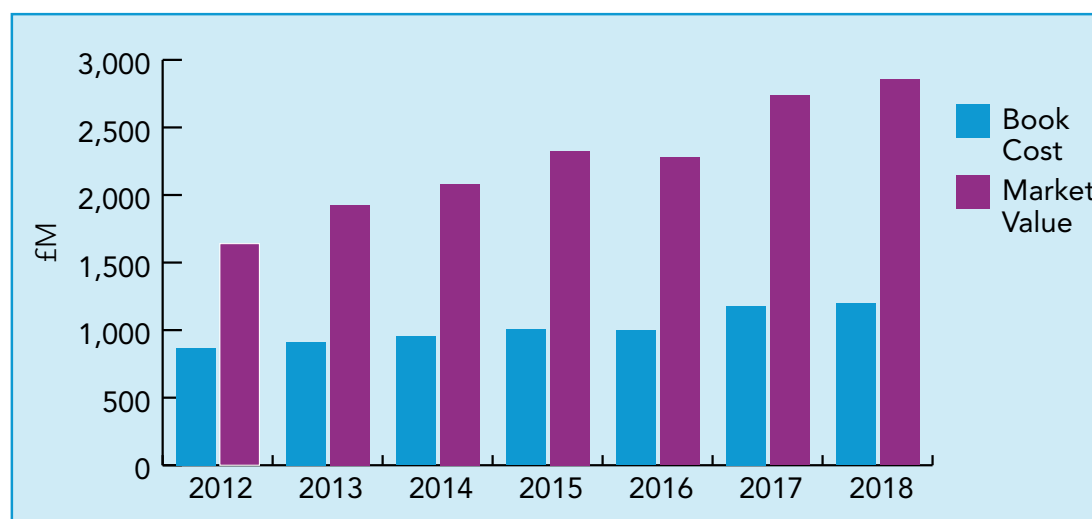
Total Asset Distribution as at 31 March 2018

The distribution of the assets in the Pension Fund is shown in the pie chart and table below.



Fund Growth (year ended 31 March)

The diagram below shows the change in value of the Fund over the last seven years and highlights the contribution made over time by the appreciation of assets (value less cost).



Performance Monitoring

Investment manager performance is reviewed quarterly by the Pension Fund Committee. The Committee review comprehensive quarterly and longer period reports that includes the performance of each manager measured against their benchmark and target.

Fund Benchmarks

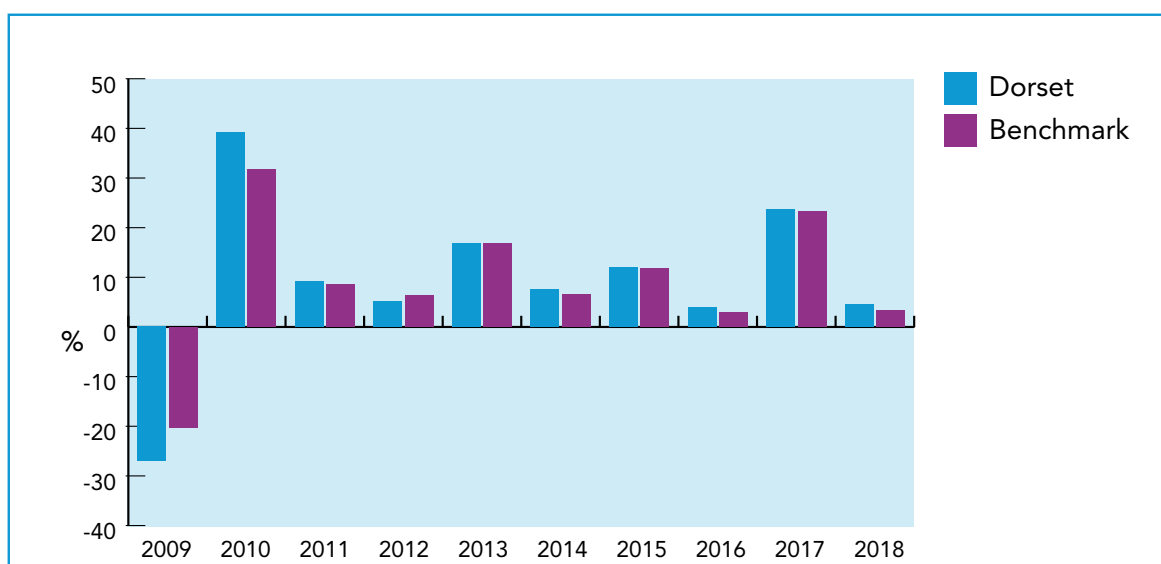
The Fund utilises external investment managers to undertake the day to day management of the Fund's assets. Each manager has a specific benchmark and performance target against which their performance is regularly monitored.

Manager	Description	Benchmark Indices	Date of Appointment
Allianz Global Investors	Overseas Equities	MSCI World Net	2015
AXA Framlington	UK Equities	FTSE All Share	2006
Baring Asset Management	Diversified Growth Fund	3 month LIBOR +4%	2012
CBRE	Property	IPD Quarterly Universe	2000
CQS	Multi Asset Credit	1 month LIBOR +4%	2017
HarbourVest	Private Equity	FTSE All Share	2006
Hermes	Infrastructure	10% Absolute Return	2014
IFM	Infrastructure	10% Absolute Return	2016
Insight	LDI	Fund Liabilities	2012
Internal Manager	UK Equities	FTSE350	1987
Investec Asset Management	Overseas Equities	MSCI World Net	2015
JPMorgan Asset Management	Overseas Equities	MSCI Emerging Markets Net	2012
Royal London Asset Management	Bonds	iBoxx Sterling Non-Gilt over 5 Year Index	2007
Schroders	UK Equities	FTSE Small Cap ex Investment Trusts	2006
Aberdeen Standard Investments	Private Equity	FTSE All Share	2006
Wellington Investment Management	Overseas Equities	MSCI World Net	2015

Total Annual Returns

The diagram below shows the total return of the Fund compared with its benchmark for each of the last ten years as at 31 March.

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



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	1.3	1.1	5.8	5.7	6.6	6.5
	AXA Framlington	2.8	1.3	3.9	5.9	6.7	6.6
	Schroders	16.2	2.2	17.0	9.0	16.4	11.6
Overseas Equities	Allianz	3.8	1.3	N/A	N/A	N/A	N/A
	Investec	0.8	1.3	N/A	N/A	N/A	N/A
	Wellington	2.5	1.3	N/A	N/A	N/A	N/A
Emerging Markets	JP Morgan	13.2	11.4	13.2	10.9	7.7	6.7
Bonds	rlam	3.7	1.7	5.3	4.3	7.3	6.1
Multi Asset Credit	CQS ¹	0.7	1.1	N/A	N/A	N/A	N/A
Private Equity	HarbourVest	3.1	1.3	15.6	5.9	14.8	6.6
	Standard Life	0.3	1.3	11.6	5.9	9.7	6.6
Property	CBRE Global Investors	10.6	9.9	9.2	8.6	12.2	11.2
Diversified Growth Fund	Baring Asset Management	4.2	4.4	3.6	4.5	4.2	4.5
Inflation Hedging Bonds	Insight	-0.2	-0.2	7.4	7.4	4.0	3.8
Infrastructure	Hermes Fund	13.3	10.0	11.8	10.0	N/A	N/A
	IFM Fund	9.2	10.0	N/A	N/A	N/A	N/A
Total Assets		4.5	3.3	8.7	8.1	9.2	8.4

¹ New mandate December 2017

Rates of Return One Year Summary

During the year, the Fund outperformed its bespoke benchmark with a return of 4.5% compared to a benchmark of 3.3%. Positives to performance have been attributable to mainly three managers. UK equity manager, Schroders returned 16.2% against a benchmark of 2.2%, whilst Infrastructure manager Hermes outperformed its benchmark by 3.3% and Bond manager Royal London Asset Management outperformed its benchmark by 2.0%.

The main detractors to performance were Private Equity manager Standard Life who underperformed their index by 1.0% whilst Infrastructure manager IFM underperformed their benchmark by 0.8%.

Rates of Return Three Year Summary

Over the three-year period, the Fund returned 8.7% against its bespoke benchmark of 8.1%. Positives to performance included both Private Equity managers HarbourVest and Standard life who outperformed their benchmarks by 9.7% and 5.7% respectively, whilst Schroders outperformed its benchmark by 8.0%.

The main detractors to performance were UK Equity Manager AXA Framlington who underperformed its benchmark by 2.0% and Diversified Growth manager Baring Asset Management who underperformed their benchmark by 0.9%.

Rates of Return Five Year Summary

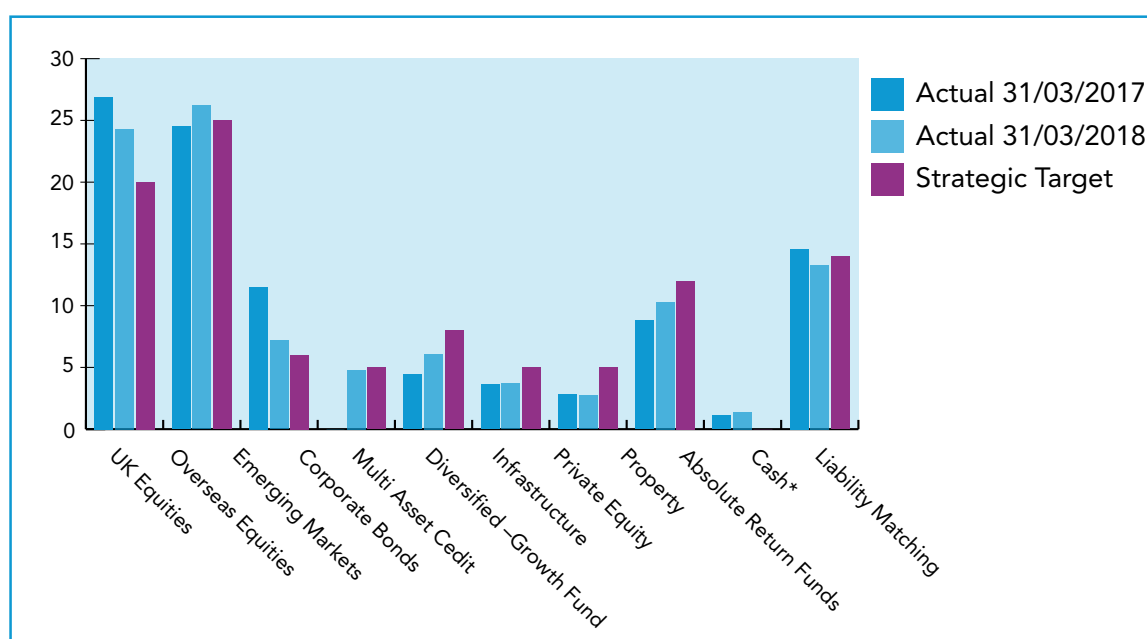
During the five-year period, the Fund outperformed its bespoke benchmark with a return of 9.2% compared to a benchmark of 8.4%. Positives to performance were Harbourvest, Schroders and Standard Life who outperformed their benchmarks by 8.2%, 4.8% and 3.1% respectively.

The main detractor to performance was Baring Asset Management who underperformed their benchmark by 0.3%.

Asset Allocation

The Fund outperformed its strategic benchmark in 2017-18, returning 4.5% against a benchmark return of 3.3%. Asset allocation accounted for the vast majority of the benchmark.

The asset mix of the portfolio is shown in the diagram below.



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

The table below summarises the Fund's Asset Allocation.

Asset Class	Manager	31-Mar-17		31-Mar-18		Target Allocation	
		£M	%	£M	%	£M	%
UK Equities	Several	737.3	26.9	694.4	24.3	570.8	20.00
Overseas Equities	Several	671.8	24.5	691.3	24.2	627.9	22.00
Emerging Markets	JP Morgan	48.6	1.8	56.1	2.0	85.6	3.00
Corporate Bonds	RLAM	313.5	11.5	204.5	7.2	171.2	6.00
Multi Asset Credit	CQS	-	0.0	136.2	4.8	142.7	5.00
Diversified Growth	Barings	119.1	4.4	173.3	6.1	228.3	8.00
Infrastructure	Several	98.0	3.6	106.6	3.7	142.7	5.00
Private Equity	Several	77.0	2.8	76.5	2.7	142.7	5.00
Property	CBRE	241.1	8.8	295.4	10.3	342.5	12.00
Absolute Return Funds	Several	0.4	0.0	-	0.0	-	0.00
Cash	Internal	30.3	1.1	40.0	1.4	-	0.00
Total Return Seeking Assets		2,337.1	85.4	2,474.3	86.7	2,454.4	86.00
Liability Matching Assets	Insight	399.8	14.6	379.7	13.3	399.6	14.00
Total Asset Valuation		2,736.9	100.0	2,854.0	100.0	2,854.0	100.0

Largest Holdings

The Fund's ten largest holdings in the passive Internally Managed Fund as at 31 March 2018, together with a comparable holding as at 31 March 2017, were as follows:

Name of Holding	Value 31 March 2018	Value 31 March 2017
	£000's	£000's
Royal Dutch Shell PLC	34,311	35,890
HSBC Holdings PLC	24,345	27,002
British American Tobacco PLC	17,238	20,442
BP PLC	16,836	18,064
GlaxoSmithKline PLC	12,296	16,691
AstraZeneca PLC	11,307	12,826
Diageo PLC	10,870	11,901
Vodafone PLC	9,432	11,437
Lloyds Banking Group PLC	8,427	8,782
Prudential PLC	8,388	8,990

The Fund's ten largest holdings by the Global equity managers Allianz, Investec and Wellington as at 31 March 2018 were as follows:

Name of Holding	Value 31 March 2018	Value 31 March 2017
	£000's	£000's
Apple Inc	11,729	14,238
Microsoft Corp	11,061	7,711
Bank of America	10,863	7,815
Alphabet	10,808	5,786
Amazon.com	9,883	4,639
UnitedHealth Group Inc	9,109	8,031
Facebook	9,097	5,359
JPMorgan Chase & Co	6,547	2,673
Johnson & Johnson	6,119	7,307
British American Tobacco	5,448	6,034

Scheme Administration:

Scheme Membership and Benefits

The Scheme

The Local Government Pension Scheme is a defined benefit scheme and is fully administered by Dorset County Council. The Scheme is governed by the Public Services Pension Act 2013. The fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension scheme (Management and Investment of Funds) Regulations 2016.

On 1 April 2014, the new Local Government Pension Scheme 2014 came into effect, allowing more flexibility around paying into the scheme and drawing benefits. Normal pension age is linked to the state pension age but benefits can be drawn earlier or later, between age 55 and 75. The normal retirement age is the age a member can access their pension in full; if it is accessed before that date benefits will usually be reduced and if accessed after normal retirement age benefits may increase. All service built up to 31 March 2014 in the LGPS is fully protected and will continue to be based on a member's final year's pay when the individual leaves the LGPS.

Benefits

Benefits built up before April 2014 also retain their protected Normal Pension Age, which for most members is 65, although certain members have a retirement age of 60 for all or part of their membership. There is an additional protection for members who were active on 31 March 2012 and were within ten years of their protected Normal Pension Age on 1 April 2012. These members will get a pension at least equal to the pension they would have received in the LGPS had it not changed on 1 April 2014, subject to meeting certain criteria.

Membership builds up an annual pension at a rate of 1/49th of the amount of pensionable pay received for each year of membership (or half that rate under the 50/50 option). This annual pension amount is added to an individual's pension account and revalued at the end of each year in line with inflation.

Pension is determined at a rate of 1/60th of final pay for each year of membership between 1 April 2008 and 31 March 2014 and 1/80th of final pay for each year of membership before 1 April 2008.

Retirement grants are based on 3/80th of final pay for each year of membership before 1 April 2008. Although an automatic lump sum is not a feature of the retirement benefits after that date, retirees have the option to take a lump sum from the scheme up to certain limits, getting £12 of tax free lump sum for every £1 of annual (taxable) pension given up.

Where a member dies in service, a lump sum in the form of a death grant would be paid. This death grant is equal to three years' pay. Survivor's pensions are payable on the death of a scheme member to the scheme member's husband, wife, civil partner or eligible co-habiting partner at an accrual rate of 1/160th. The survivor pension for an eligible co-habiting partner only takes account of the member's pensionable service after 5 April 1988. Children's pensions are also payable to eligible children of deceased scheme members.

In the main, benefits can be paid upon leaving to a member with at least 2 years qualifying membership in the following circumstances:

- on reaching State Pension Age, without any early retirement reductions applied;
- between the age of 55 and State Pension Age, however early retirement reductions will normally apply where someone draws their pension benefits before State Pension Age. The amount of reduction that applies depends on the individual's age, sex, length of pensionable service and the date they joined the scheme;
- at any age, if the member retires on the grounds of permanent ill-health. Three different levels of ill-health benefit are payable, depending on how soon it is judged that an individual will be able to obtain gainful employment again in future. In the case of death in service, dependants' benefits are paid even if the membership is less than 3 months.
- at the age of 55 and, if the member retires by reason of redundancy or business efficiency.

Benefits accrued from post 1 April 2014 increase each year, based on 49th of 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.

The table below compares the LGPS 2008 and the LGPS 2014 Schemes.

Provision	LGPS 2008	LGPS 2014
Basis of the Pension	Final Salary	A Career Average Revalue Earnings scheme. Prior to 31st March 2014, the scheme was a final salary scheme).
Accrual rate	The accrual rate was 1/60th	The accrual rate is 1/49th.
Revaluation rate (the rate of increase for accumulated pension)	Based on Final Salary	Consumer Price Index
Normal Pension Age	65	There is no normal scheme pension age, instead each member's Normal Pension Age (NPA) will be their State Pension Age.
Employee Contribution Rates	Between 5.5% and 7.5%	Between 5.5% and 12.5%
Opting Out	No	Members who have already or are considering opting out of the scheme can instead elect to pay half the contributions for half the pension, while still retaining the full value of other benefits. This is known as the 50/50 option.
Lump Sum Trade Off	Trade £1 of pension for £12 lump sum	Trade £1 of pension for £12 lump sum
Death in Service Lump Sum	3 x Pensionable Pay	3 x Pensionable Pay
Death in Service Survivor Benefits	1/160th accrual based on Tier 1 ill health pension enhancement	1/160th accrual based on Tier 1 ill health pension enhancement
Ill Health provision	<p>Tier 1 - Immediate payment with service enhanced to Normal Pension Age (65)</p> <p>Tier 2 - Immediate payment with 25% service enhancement to Normal Pension Age (65)</p> <p>Tier 3 - Temporary payment of pension for up to 3 years</p>	<p>Tier 1 - Immediate payment with service enhanced to Normal Pension Age (65)</p> <p>Tier 2 - Immediate payment with 25% service enhancement to Normal Pension Age (65)</p> <p>Tier 3 - Temporary payment of pension for up to 3 years</p>
Indexation of pension in Payment	CPI (RPI for pre-2011 increases)	CPI
Vesting Period	3 Months	2 Years

Pension benefits are increased annually to take into account rises in inflation. The cost of living increase for 2018 was 3.0%. This was based on the Consumer Prices Index (CPI) as at September 2017.

Pension Increase

The table below shows the rate of increases that have applied since April 2001.

Year Beginning April	Rate of Increase %	Index
2001	3.3	RPI
2002	1.7	RPI
2003	1.7	RPI
2004	2.8	RPI
2005	3.1	RPI
2006	2.7	RPI
2007	3.6	RPI
2008	3.9	RPI
2009	5.0	RPI
2010	0.0	RPI
2011	3.1	CPI
2012	5.2	CPI
2013	2.2	CPI
2014	2.7	CPI
2015	1.2	CPI
2016	0.0	CPI
2017	1.0	CPI
2018	3.0	CPI

Scheme members may purchase additional pension of up to a maximum of £6,755 per annum, in blocks of £250, through Additional Pension Contributions. As an alternative, Scheme members may increase their benefits by paying Additional Voluntary Contributions (AVC). The AVC provider, appointed by the County Council as the administering authority, is Prudential.

Membership

Entry to the LGPS is automatic for all employees under the age of 75 and with a contract of employment for more than three months. Any employees with a contract for less than three months are able to elect to join the scheme. Employees who do not wish to remain in

the scheme can opt out; if this is done within two years of joining they can claim a refund of the contributions they have paid. Fire fighters and teachers, who have their own pension schemes, are not entitled to be members of the LGPS.

The cost of membership for employees is in banded contributions ranging from 5.5% to 12.5%, depending on their earnings. Employers' contributions are payable at the rate specified for each employing authority by the Fund's actuary (Barnett Waddingham LLP). A valuation was undertaken as at 31 March 2016 that sets out the employers' contribution rate for the three-year period commencing 1 April 2017.

Contribution Table

The pay bands and the rates that applied from April 2017 to March 2018 are shown in the table below on pages 30 to 36.

The membership of the Scheme is analysed below over the three main categories of Active Members, Deferred Members and Pensioners.

- **Active Members:** Those in employment with the Council or one of the scheme employers making contributions to the Pension Fund.
- **Deferred Members:** Those who have left the Council or one of the scheme employers, but have not yet become entitled to receive their pension from the Scheme.
- **Pensioners:** Those who receive a pension from the Scheme (including spouses' and dependants' pension).

The tables below shows the Scheduled Bodies and Admitted Bodies numbers.

Employer Contribution Rates - Year Ended 31 March 2018

Scheduled Bodies	Number of Active Members	Number of Pensioners	Contribution Rate Paid %
Principal Councils			
Dorset County Council - Post LGR 01/04/1997	7,155	5,631	21.5
Dorset County Council - Pre LGR 01/04/1997	0	2,567	N/A
Borough Of Poole	1,968	2,470	15.9
Bournemouth Borough Council	2,230	3,384	15.2
Christchurch Borough Council	217	294	15.2
Dorset & Wiltshire Fire and Rescue	201	90	17.1
East Dorset District Council	235	303	15.2
North Dorset District Council	0	216	N/A
Police & Crime Commissioner for Dorset	1,329	653	13.3
Purbeck District Council	122	190	15.8
Tricuro	1,180	160	17.7
West Dorset District Council	0	399	N/A
Weymouth & West	626	30	15.3
Weymouth And Portland Borough Council	0	560	N/A

Scheduled Bodies	Number of Active Members	Number of Pensioners	Contribution Rate Paid %
Parish and Town Councils			
Aldersholt Parish Council	4	0	22.0
Arne Parish Council	1	0	22.0
Bere Regis Parish Council	1	0	22.0
Blandford Town Council	14	12	22.0
Bridport Town Council	16	6	22.0
Chickerell Town Council	3	0	22.0
Colehill Parish Council	1	2	22.0
Corfe Mullen Parish Council	7	1	22.0
Crossways Parish Council	1	0	22.0
Dorchester Town Council	28	24	22.0
East Stoke Parish Council	1	0	22.0
Ferndown Town Council	5	7	22.0
Gillingham Town Council	10	7	22.0
Lyme Regis Town Council	14	12	22.0
Lytchett Matravers Parish Council	1	0	22.0
Lytchett Minster & Upton Town Council	5	1	22.0
Milborne St Andrew Parish Council	1	0	22.0
Portland Town Council	2	3	22.0
Shaftesbury Town Council	8	2	22.0

Scheduled Bodies	Number of Active Members	Number of Pensioners	Contribution Rate Paid %
Sherborne Town Council	15	19	22.0
St Leonards Parish Council	1	0	22.0
Stalbridge Town Council	1	0	22.0
Sturminster Marshall Parish Council	1	0	22.0
Sturminster Newton Parish Council	0	2	N/A
Swanage Town Council	25	60	22.0
Verwood Town Council	3	0	22.0
Wareham St Martin Parish Council	0	1	N/A
Wareham Town Council	6	8	22.0
West Moors Parish Council	2	0	22.0
West Parley Parish Council	1	0	22.0
Wimborne Minster Town Council	9	2	22.0
Wool Parish Council	1	1	22.0

Scheduled Bodies	Number of Active Members	Number of Pensioners	Contribution Rate Paid %
Further and Higher Education Establishments			
Arts Institute At Bournemouth	246	52	14.1
Bournemouth & Poole Adult Learning	93	24	19.6
Bournemouth And Poole College	384	371	15.5
Bournemouth University	1,500	485	13.1
Harewood College	0	3	N/A
Kingston Maurward College	171	96	15.1
Weymouth College	195	198	15.3
Winton Arts & Media College	49	2	18.8

Scheduled Bodies	Number of Active Members	Number of Pensioners	Contribution Rate Paid %
Academies and Schools			
Ad Astra Infant School (Teach Trust)	47	2	18.8
Allenbourn Middle School	59	3	18.8
Ambitions Academies Trust	102	2	18.8
Atlantic Academy Portland	75	27	18.8
Avonbourne Academy	169	15	18.8
Avonbourne School	0	24	N/A
Baden Powell & St Peter School	58	3	18.8
Beaminster St Mary's Academy	19	5	18.8
Beaucroft School	0	11	N/A
Bethany CE Junior School	31	4	18.8
Blandford Education Trust	117	4	18.8
Bournemouth Primary Multi Academy Trust	3	0	18.8
Bournemouth School	0	18	N/A
Bournemouth School Academy	42	4	18.8
Bournemouth School For Girls	0	13	N/A

Scheduled Bodies	Number of Active Members	Number of Pensioners	Contribution Rate Paid %
Bournemouth School For Girls Academy	51	12	18.8
Broadstone First School	35	2	18.8
Broadstone Middle School	22	0	18.8
Budmouth College	136	40	21.5
Canford Heath Infant School (Teach Trust)	49	2	18.8
Canford Heath Junior School (Teach Trust)	45	1	18.8
Carter Community School	39	6	18.8
Castleman Academy Trust	8	1	18.8
Chickerell Primary Academy	41	6	18.8
Colehill First School	24	3	18.8
Corfe Castle CE Primary School	11	0	18.8
Corfe Hills Academy	68	55	18.8
Courthill Infant School	45	2	18.8
Diocese Of Salisbury Academy Trust	8	0	18.8
Dorchester Middle School	44	6	18.8
Dorset Studio School	8	0	18.8
Elmrise Academy Leaf	6	0	18.8
Emmanuel C of E Middle School	30	0	18.8
Epiphany School	54	5	18.8
Glenmoor Academy	10	3	18.8
Hamwic Education Trust	223	1	18.8
Harbourside Learning Partnership	4	0	18.8
Hayeswood First School	19	2	18.8
Haymoor Junior School (Teach Trust)	41	6	18.8
Heatherlands Primary School	43	0	18.8
Heathlands Primary Academy	32	5	18.8
Highcliffe School	67	33	18.8
Highcliffe St Mark Primary School	0	4	N/A
Hill View Primary School	56	2	18.8
Hillary Trust	164	2	18.8
Jewell Academy	63	0	18.8
Kings Park Academy	64	5	18.8
Kingsleigh Primary School	73	3	18.8
Kinson Primary School	41	3	18.8
LeAF Studio	2	0	18.8
Lilliput C of E Infant School	46	0	18.8
Loders CE Primary Trust	14	0	18.8
Longfleet Primary School	68	2	18.8
Longspee Academy	16	0	18.8
Lytchett Minster School	73	16	21.5
Magna Academy	46	9	18.8
Malmesbury Park Primary School	78	8	18.8
Manorside Academy	24	6	18.8

Scheduled Bodies	Number of Active Members	Number of Pensioners	Contribution Rate Paid %
Marshwood C of E Primary School	8	0	18.8
Merley First School	36	1	18.8
Montacute	66	24	18.8
Moordown St John's C of E Primary School	45	2	18.8
Muscliff Primary School	68	3	18.8
Oakdale Junior School	39	0	18.8
Oakmead Academy Leaf	3	4	18.8
Ocean Academy Poole	23	0	18.8
Ocean Learning Trust	3	0	18.8
Old Town Infant School and Nursery	33	2	18.8
Parkfield School	27	2	18.8
Parkstone Grammar Academy	64	20	18.8
Plymouth CAST - Dorset	186	14	18.8
Plymouth CAST - Bournemouth	87	3	18.8
Plymouth CAST - Poole	113	4	18.8
Pokesdown Community Primary School	57	9	18.8
Poole Grammar School	69	35	18.8
Poole High School	126	28	20.2
Puddletown C of E First School	0	1	N/A
Queen Elizabeth's School	77	4	18.8
Queens Park Infant Academy	34	4	18.8
Queens Park Junior Academy	42	1	18.8
Saturn Education Trust	27	0	18.8
Shaftesbury School	196	16	18.8
Shillingstone C of E Primary School	16	6	21.5
St Aldhelm's Academy	36	5	18.8
St Andrews C of E Primary School	0	2	N/A
St Clements And St John's C of E Infant School	27	4	18.8
St Edward's RC & C of E School	60	1	20.2
St Gregory's Primary School	0	1	N/A
St James' C of E Primary School	36	3	18.8
St John's CE VC First School	21	2	18.8
St Luke's C of E Primary School	45	0	18.8
St Mark's C of E Primary School	70	0	18.8
St Mark's C of E Primary School Swanage	12	2	18.8
St Mary's Middle School Puddletown	143	3	18.8
St Michael's Middle School	38	3	18.8
St Michael's Primary School	0	5	N/A
St Michael's Primary (Septenary Trust)	90	0	18.8
St Osmunds C of E Middle School	65	9	18.8
St Peter's Catholic School	137	51	18.8
St Walburgas Catholic Primary School	0	4	N/A
Stalbridge Primary School	0	1	N/A

Scheduled Bodies	Number of Active Members	Number of Pensioners	Contribution Rate Paid %
Stanley Green Infant Academy	30	2	18.8
Stourfield Infant School	0	2	N/A
TEACH Trust	3	0	18.8
The Bicknell School	0	7	N/A
The Bishop Of Winchester Academy	99	8	18.8
The Bourne Academy	55	6	18.8
The Dunbury Academy	25	1	18.8
The Gryphon School	297	27	18.8
The Heath Academy Trust	160	7	18.8
The Quay School	25	3	18.8
The Sir John Colfox Academy	201	7	18.8
The Swanage School	23	0	18.8
The Thomas Hardy Academy	103	34	18.8
Tregonwell Academy	81	7	18.8
Trent Youngs CE School	21	0	18.8
Twynham School	267	31	18.8
Wareham St Mary CE Primary School	20	2	18.8
Westfield Arts College	105	36	21.5
Wey Valley School and Sports College	69	13	18.8
Wimborne Multi Academy Trust	5	0	18.8
Winton Primary School	52	2	18.8
Witchampton C of E VA First School	10	2	18.8
Woodroffe School	50	40	21.5
Wyvern Academy	92	8	18.8

Scheduled Bodies	Number of Active Members	Number of Pensioners	Contribution Rate Paid %
Other			
Bournemouth Airport	0	38	N/A
Bournemouth Health	0	1	N/A
Bournemouth Motor Tax	0	1	N/A
Bournemouth Transport	3	206	23.2
Compass Contract Services Ltd	7	1	18.2
Dorchester Joint Burial Committee	0	1	N/A
Dorset CC Former Motor Tax Staff	0	1	N/A
Dorset CC Health	0	2	N/A
Dorset Magistrates Court	0	94	N/A
Dorset Valuation Panel	0	1	N/A
Edward & Ward Ltd	1	0	25.9
Millbrook Healthcare (DCC)	6	2	16.8
Millbrook Healthcare W&PBC	2	0	16.8
Poole Housing Partnership	94	54	14.4
Stour Valley Poole Partnership	119	14	15.8

Scheduled Bodies	Number of Active Members	Number of Pensioners	Contribution Rate Paid %
The Colliton Club	2	0	15.9
Wareham Joint Burial Committee	0	2	N/A
Wimborne Cemetery JMC	0	1	N/A
Total Scheduled Bodies	25,054	19,677	

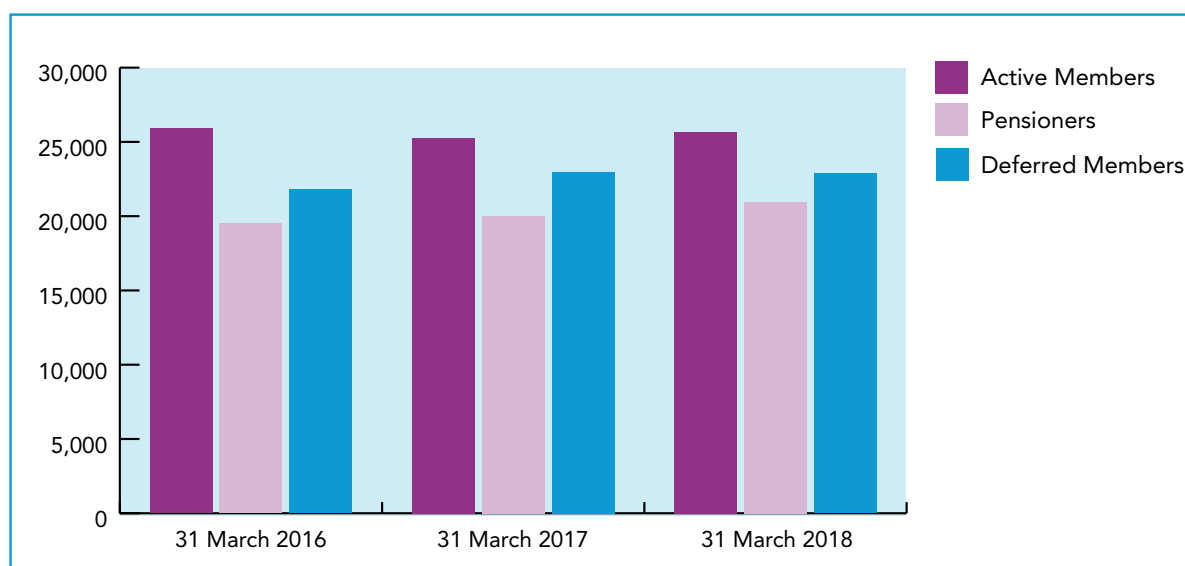
Admitted Bodies	Number of Active Members	Number of Pensioners	Contribution Rate Paid %
1610 Ltd	8	4	14.2
A P Chant	0	2	N/A
A Q S Homecare	0	3	N/A
Action for Children	1	0	21.0
Addaction	0	1	N/A
Age UK Bournemouth	1	4	23.6
AECC University College	34	27	20.5
Ansbury	77	70	15.0
Aster Group	48	33	17.1
Barnardo's	0	1	N/A
BH Live	141	41	15.4
Bridport Museum	0	1	N/A
Care Quality Commission	1	0	14.4
Care South	18	350	21.1
Care UK	7	36	17.4
Churchill Cleaning	0	2	N/A
Churchill Contract Services	0	1	N/A
Churchills (Bearwood)	0	1	N/A
Churchills (Poole)	0	1	N/A
Citizens Advice Bournemouth and Poole	0	5	N/A
Convex Leisure Ltd	0	2	N/A
CSCI	0	14	N/A
DC Leisure Management Ltd	0	6	N/A
Dorset Association of Parish and Town Councils	2	5	23.6
Dorset Community Action	2	26	23.6
Dorset County Museum	7	14	23.6
Dorset Fire And Rescue	4	0	17.1
Dorset Lighting	0	1	N/A
East Boro Housing Trust	50	6	17.7
East Dorset Housing Association	0	41	N/A
Health Living Wessex	0	1	N/A
Innovate Services Ltd	5	0	21.2
Interclean	0	2	N/A
Links4Learning	0	1	N/A
Lymearts Community Trust Ltd	0	1	N/A

Admitted Bodies	Number of Active Members	Number of Pensioners	Contribution Rate Paid %
Mack Trading	3	1	18.1
Magna Housing Association	70	225	17.2
Magna Housing Group	11	29	16.6
Mouchel	0	67	N/A
Nviro Limited	5	0	21.9
Places For People	12	0	17.7
Poole Harbour Commissioners	0	7	N/A
Purbeck Housing Trust	0	15	N/A
Sequal Solutions Ltd	0	2	N/A
Signpost Care Partnerships	0	2	N/A
Signpost Housing Association	0	50	N/A
Signpost Services Ltd	0	7	N/A
SLM Charitable Trust Weymouth	6	2	13.0
SLM Community & Leisure Blandford	17	2	16.0
SLM Community Leisure Charitable Trust	26	2	16.0
SLM Food And Beverage Ltd	1	1	16.0
South Dorset Community Sports Trust	1	0	26.6
Sovereign Housing Association	3	45	16.3
Spectrum Housing Group	14	14	17.3
Stonewater	2	27	14.7
The Arts Development Company	4	1	19.8
Wessex Education Shared Services	25	4	19.4
Wessex Water	0	6	N/A
Weyco Services Ltd	8	1	15.3
Weymouth And Portland Housing Advice	0	49	N/A
Weymouth Port Health Authority	2	15	23.6
Total Admitted Bodies	616	1,277	
Overall Total	25,670	20,954	

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

Membership Summary			
	31 March 2016	*31 March 2017	31 March 2018
Active Members	25,898	25,266	25,670
Pensioners	19,511	20,019	20,954
Deferred Members	21,802	22,970	22,877

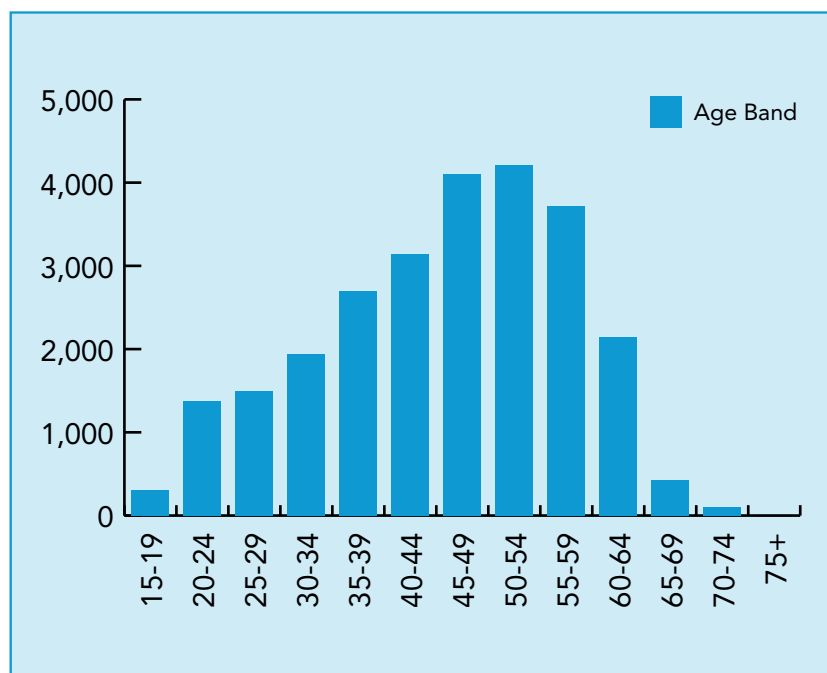
*Adjusted figures



Age Profile of Fund Active Membership at 31 March 2018

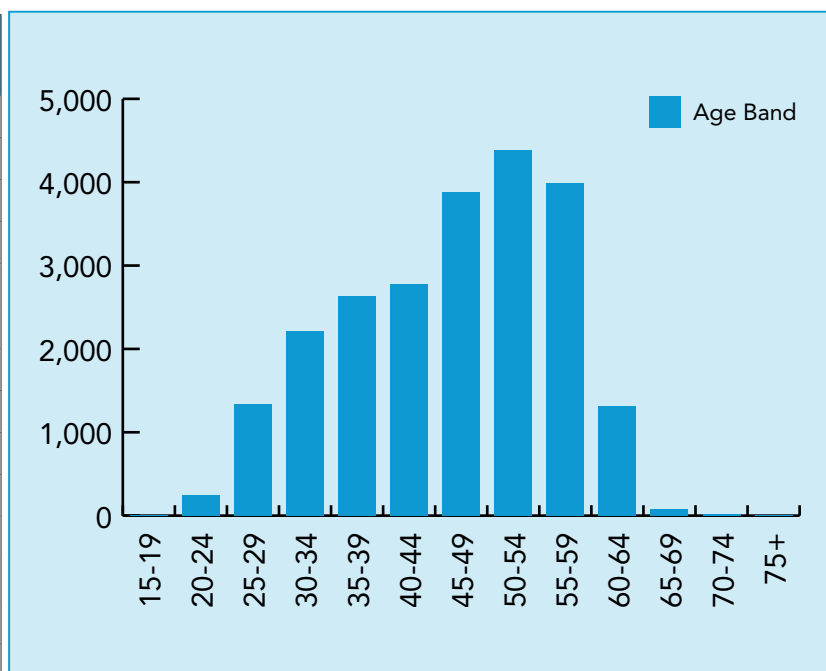
The tables below show the Age Profile of members and pensioners.

Age Band	No.	%
15-19	312	1.2
20-24	1,376	5.4
25-29	1,493	5.8
30-34	1,942	7.6
35-39	2,692	10.5
40-44	3,142	12.2
45-49	4,101	16.0
50-54	4,215	16.4
55-59	3,719	14.5
60-64	2,149	8.4
65-69	422	1.6
70-74	107	0.4
75+	0	0.0
Total	25,670	100.0



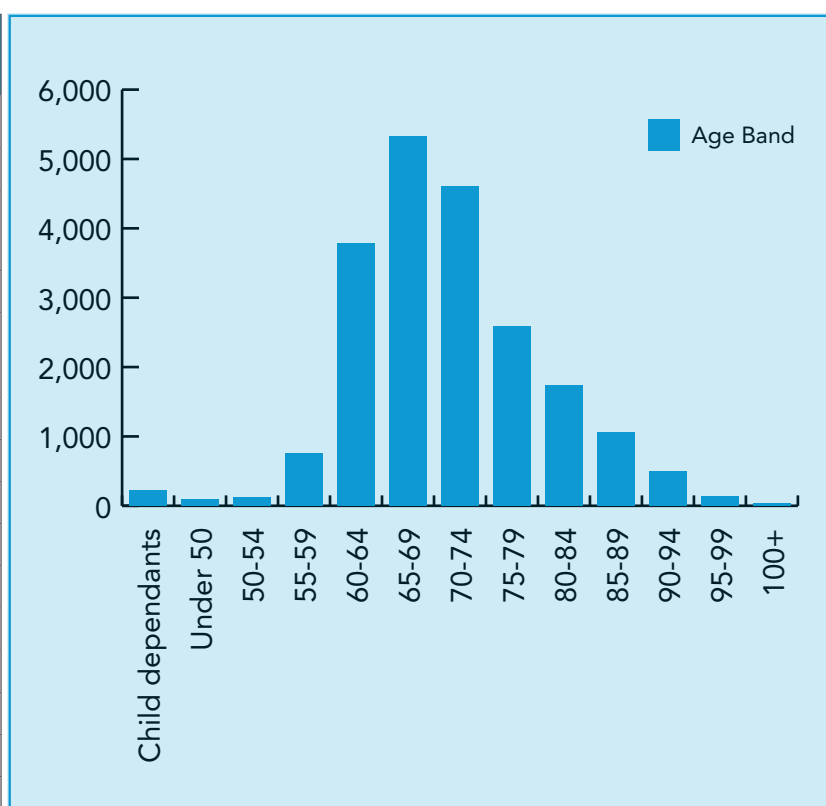
Age Profile of Deferred Members at 31 March 2018

Age Band	No.	%
15-19	3	0.0
20-24	242	1.1
25-29	1,339	5.9
30-34	2,215	9.7
35-39	2,637	11.5
40-44	2,773	12.1
45-49	3,877	17.0
50-54	4,390	19.2
55-59	3,994	17.4
60-64	1,311	5.7
65-69	74	0.3
70-74	19	0.1
75+	3	0.0
Total	22,877	100.0



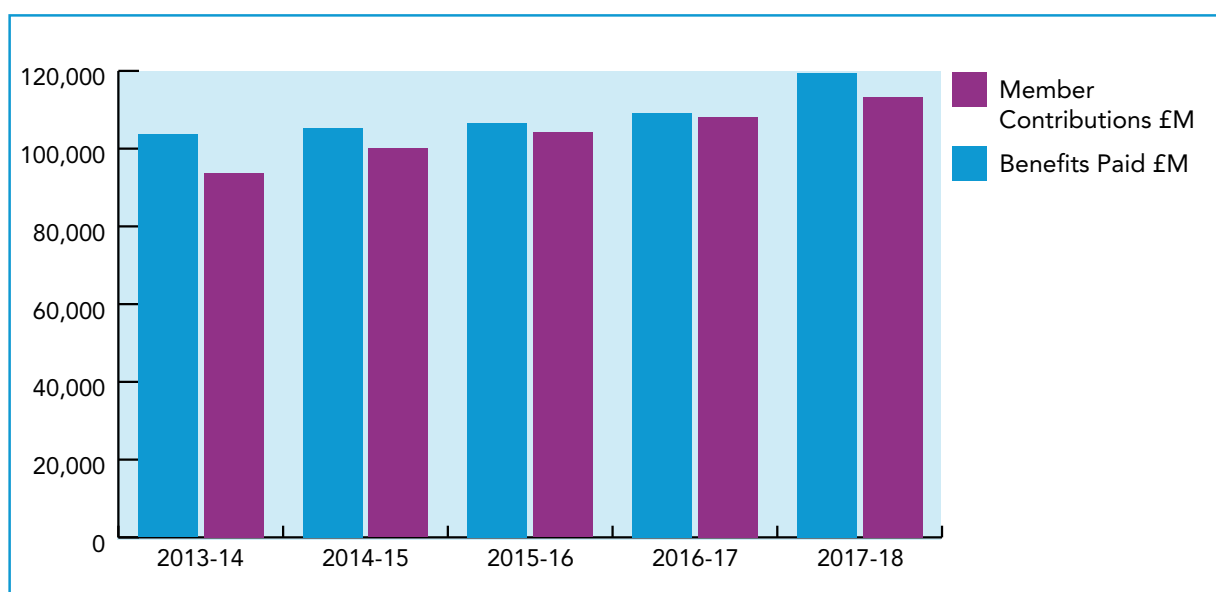
Age Profile of Pensioners at 31 March 2018

Age Band	No.	%
Child Dependants		
	217	1.0
The Pensioners and Spouses		
Under 50	95	0.4
50-54	120	0.6
55-59	759	3.6
60-64	3,788	18.1
65-69	5,327	25.4
70-74	4,602	22.0
75-79	2,582	12.3
80-84	1,732	8.3
85-89	1,061	5.1
90-94	491	2.3
95-99	138	0.7
100+	42	0.2
Total	20,954	100.0



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

Year	Member Contributions £M	Benefits Paid £M
2013-14	103,617	93,702
2014-15	105,331	100,022
2015-16	106,672	104,157
2016-17	109,146	108,075
2017-18	119,537	113,223



Pension Fund Account

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Pension Fund Accounts: Audit Opinion

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

We have examined the pension fund financial statements for the year ended 31 March 2018 which comprise the Fund Account, Net Asset Statement and the related notes, including the accounting policies in note 2.

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 2018 and comply with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

Respective responsibilities of the Chief Financial Officer and the auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities the Chief Financial Officer is responsible for the preparation of the pension fund financial statements in accordance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements included in the Pension Fund Report & 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 2017-18. In addition, we read the information given in the Pension Fund Report & Accounts 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, the purpose of our audit work and to whom we owe our responsibilities.

Matters on which we are required to report by exception

The Code of Audit Practice requires us to report to you if we have exercised our responsibilities in respect of the pension fund in the following areas:

- any matters 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;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014;
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.



Jonathan Brown

For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants 66 Queen Square Bristol,
BS1 4BE. 6 September 2018

Fund Account

31 March 2016-17			Note	31 March 2017-18	
£'000	£'000			£'000	£'000
		Contributions	8 & 9		
82,168		Employer contributions		92,166	
26,978	109,146	Member contributions		27,371	119,537
	3,494	Transfers in from other pension funds	8		8,615
	112,640	Total additions from dealing with members etc.			128,152
		Benefits	9		
87,976		Pensions		92,186	
17,421		Commutations and retirement grants		18,989	
2,678	108,075	Death benefits		2,048	113,223
Payments to and on account of leavers					
364		Refunds of contributions		340	
71	435	State scheme premiums		111	451
	4,024	Transfers to other pension funds			6,237
	106	Net additions/(withdrawals) from dealings with members etc.			8,241
	13,751	Management expenses	10		14,388
	(13,645)	Net additions/(withdrawals) including Fund management expenses			(6,147)
Investment Income *					
33,632		Dividends from equities		36,751	
11,828		Rents from properties		12,584	
228		Interest		134	
197	45,885	Other investment income	14	184	49,653
Profit on disposal of and changes in the market value of investments					
54,234		Profit/(loss) on disposal of investments		176,585	
383,077	437,311	Increase/(decrease) in market value of investments		(87,870)	88,715
	483,196	Net return on investments			138,368
	469,551	Net increase/(decrease) in assets available for benefits during the year			132,221
	2,266,446	Opening net assets of the fund 1 April			2,735,997
	2,735,997	Closing net assets of the fund 31 March			2,868,218

* 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 2017		Note	31 March 2018	
£'000	£'000		£'000	£'000
		Long term investments	11	
-		Brunel Pension Partnership Ltd		840
		Investment assets	12	
504,282		UK equities (quoted)		448,550
629,158		Overseas equities (quoted)		644,160
1,279,377		Pooled investment vehicles		1,388,985
77,003		Private equity		76,486
216,790		Property		255,830
-		Temporary investments		-
2,369	2,708,979	Other investment asset balances		6,053
	(4,109)	Investment liabilities		(3,778)
	2,704,870	Total net investments		2,817,126
	3,860	Long term debtor		2,895
		Current assets		
9,287		Trade & other receivables		12,249
29,778		Cash & cash equivalents		39,995
	39,065			52,244
		Current liabilities		
(4,213)		Trade & other payables		(4,047)
(7,585)	(11,798)	Deferred income		-
	2,735,997	Net assets available to fund benefits at 31 March		2,868,218

The above Pension 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 2018.

The Net Asset Statement does not reflect any obligations to meet pension and benefit costs beyond the end of the 2017-18 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

Fund Account

1. General

The Dorset County Pension Fund ("the Fund") is part of the Local Government Pension Scheme (LGPS) and is administered by Dorset County Council ("the Council").

The 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.

In its role as the administering authority, the Council's responsibilities include the collection of contributions, the payment of pension benefits, the investment of surplus funds, 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 and administered in accordance with 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 2016 (as amended).

Performance of these above responsibilities is overseen by the Dorset County Pension Fund Committee ("the Committee") comprising elected members of the Council and other local authorities together with a scheme member representative (nominated by the unions), with day to day administration of the Fund's activities undertaken by Council officers headed by the Fund Administrator. Also, with effect from 1 April 2015, a Local Pension Board ("the Board") was established by the Committee to secure compliance with regulations, legislation and other requirements relating to the governance and administration of the Fund.

2. Basis of preparation

The statement of accounts summarise the Fund's transactions for the 2017-18 financial year and its position at year-end as at 31 March 2018. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

3. Summary of significant accounting policies

Fund Account:

Contribution income: Contributions from both the members and the employers are accounted for on an accruals basis in the payroll period to which they relate. Contributions from employers for early retirement costs are accrued for based on the date of retirement.

Transfers to and from other schemes:

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: Dividend income is recognised on the date the shares are quoted ex-dividend, rents from properties are recognised on an accruals basis in the accounting period they relate to.

Benefits payable: Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as trade and other payables (current liabilities).

Management expenses: Fund management expenses are accounted for in accordance with the CIPFA guidance "LGPS Management Expenses".

Net Assets Statement:

Financial assets: Financial assets are included in the net assets statement on a fair value basis as at the reporting date. Investments with a stock exchange listing are valued at bid prices as at the reporting date, investments in pooled 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 investment manager. Unquoted securities are included at an estimated fair value based on advice from the investment manager. All foreign currencies are translated at the rate ruling at the net assets statement date.

Freehold and leasehold properties:

Direct holdings of property are valued annually as at the year-end date by independent external valuers on a fair value basis and in accordance with the prevailing valuation standards of the Royal Institution of Chartered Surveyors (RICS).

Derivatives: The Fund uses derivative financial instruments to manage its exposure to currency risk. 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 2018.

Cash and cash equivalents: Cash comprises cash in hand and demand deposits, and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, subject to minimal risk of changes in value.

4. Critical judgements in applying accounting policies

The Fund's net liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines. This estimate is subject to significant variances based on changes to the

underlying assumptions which are agreed with the actuary and have been summarised in note 17 below. These actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant investment management policies.

5. Assumptions made about the future and other major sources of uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end date and the amounts reported for the revenue and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Fund assets. A firm of consulting actuaries, Barnett Waddingham, is engaged to provide the Fund with expert advice about the assumptions to be applied.

6. Events after the reporting date

There are events, both favourable and unfavourable, that can occur between the end of the reporting period and the date when the financial statements are authorised for issue. Such events are classified as:

Adjusting events: events that provide evidence of conditions that existed at the end of the reporting period, for example new information coming to light regarding the methodology employed in the valuation of an asset.

Non-adjusting events: events that are indicative of conditions that arose after the end of the reporting period, for example a marked decline in global stock markets that would impact on the market value of the Fund's investments were they to be valued as at the date when the accounts were authorised for issue.

There are no adjusting or non-adjusting events after the reporting date to disclose.

7. 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. Employees of admitted bodies will have separate individual arrangements on admission depending on their employer's agreement in place. Membership of the new LGPS scheme is offered to teachers where membership of their normal scheme is not available to them. All employees can opt out of the scheme at any time.

The following table summarises the numbers of contributors and pensioners in the scheme at 31 March 2018 and 31 March 2017.

31 March 2017		31 March 2018
	Contributors	
7,309	Dorset County Council	7,155
17,295	Scheduled Bodies	17,899
662	Admitted Bodies	616
25,266	Total Contributors	25,670
	Pensioners	
7,961	Dorset County Council	8,198
10,848	Scheduled Bodies	11,479
1,210	Admitted Bodies	1,277
20,019	Total Pensioners	20,954

In addition there were 22,877 deferred members as at 31 March 2018 who have entitlement to a benefit at some time in the future (22,970 as at 31 March 2017).

8. Employer contributions / transfers in from other pension funds

The normal contributions made by employers consist of two elements: (1) to fund pensions on future service and (2) 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 year 2017-18 set by the 2016 valuation were 15.6% for future service and 4.4% for deficit funding. These rates reflect funding levels at the valuation date of 83% and assumes full deficit recovery over a period not exceeding 22 years depending on each employer's circumstances.

The table below provides an analysis of all contributions from scheme employers.

2016-17		2017-18
£'000	Employer Contributions	£'000
56,938	Contributions re future service costs	66,550
22,690	Contributions re past service costs	18,771
148	Voluntary additional contributions	76
2,392	Capital cost of early retirements	3,562
-	Exit payments from employers	3,207
82,168	Total Contributions	92,166

All transfers in from other pension funds were individual transfers. There were no group transfers to the Fund.

9. 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.

2016-17			2017-18	
Contributions (£'000)	Benefits (£'000)		Contributions (£'000)	Benefits (£'000)
31,461	37,133	Dorset County Council	32,547	37,408
73,461	64,123	Scheduled Bodies	79,464	67,824
4,224	6,819	Admitted Bodies	7,526	7,991
109,146	108,075	Total	119,537	113,223

10. Management expenses

The table below shows a breakdown of the management expenses incurred during the year.

2016-17		2017-18
1,425	Administration Expenses	1,775
524	Oversight and Governance	532
11,802	Investment Management Expenses	12,081
13,751	Total Management Expenses	14,388

Investment Management Expenses for 2017-18 consist of management fees of £9.3M (£8.2M in 2016-17), performance related fees of £0.5M (£0.7M), transaction costs of £0.5M (£0.8M), custody fees of £0.2M (£0.2M), direct operating expenses relating to investment properties of £0.7M (£1.0M) and other fees and costs of £0.9M (£0.9M), in accordance with the CIPFA guidance "LGPS Management Expenses".

11. Long term investments

In response to the requirements of the investment regulations for LGPS funds to pool investment assets, Brunel Pension Partnership Ltd (Brunel Ltd) has been formed to oversee the investment assets for the Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire LGPS funds. Each of the ten funds own an equal share of Brunel Ltd, with share capital invested by each fund of £840k.

12. Investment assets

The following table summarises details of the market valuation of the Fund's investments as at the reporting date.

31 March 2017		Portfolio / Manager / Pooled Vehicle	31 March 2018	
Market Value			Market Value	
£'000	%		£'000	%
		Segregated Investments		
504,282	18.4	UK Equities - Quoted	448,550	15.7
461,719		Dorset County Council	401,402	
14,699		Allianz	16,771	
12,910		Investec	14,586	
14,954		Wellington	15,791	
629,158	23.0	Overseas Equities - Quoted	644,160	22.5
256,188		Allianz	265,107	
181,056		Investec	181,341	
191,914		Wellington	197,712	
77,003	2.8	Private Equity	76,486	2.7
42,903		HarbourVest	41,438	
34,100		Standard Life	35,048	
216,790	7.9	Property (directly owned)	255,830	9.0
216,790		CBRE Global Investors	255,830	
1,427,233	52.1	Total - Segregated Investments	1,425,026	49.9
		Pooled Investments		
313,505	11.5	Bonds	204,505	7.2
313,505		RLAM / Unit Linked Inv Fund - Life Policy	204,505	
233,028	8.5	UK Equities - Quoted	245,842	8.6
185,413		AXA Framlington / Unit Trust	190,746	
47,615		Schroders / Unit Trust	55,096	
91,232	3.3	Overseas Equities - Unquoted	103,281	3.6
91,232		JP Morgan / Unit Trust	103,281	
-	0.0	Multi Asset Credit (MAC)	136,206	4.8
-		CQS /	136,206	
426	0.0	Absolute Return Funds	-	0.0
426		Gottex Fund Management / Open Ended Fund	-	
24,281	0.9	Property	39,547	1.4
9,650		Lend Lease Retail Partnership	8,897	
14,631		Standard Life UK Shopping Centre Trust	14,577	
-		UK Long Income Property Fund	16,073	
119,069	4.4	Diversified Growth Funds	173,342	6.1
119,069		Baring Asset Management / Non UCITS (PIF)	173,342	
98,043	3.6	Infrastructure	106,545	3.7
36,711		Hermes GPE / Infrastructure Fund	32,964	
61,332		IFM / Global Infrastructure Fund	73,581	
399,793	14.6	Liability Driven Investment	379,717	13.3
399,793		Insight / LDI Active 16 Fund	379,717	
1,279,377	46.8	Total - Pooled Investments	1,388,985	48.7
29,778	1.1	Cash & Cash Equivalents	39,995	1.4
2,736,388	100.0	Total Investments	2,854,006	100.0

Any single investments exceeding 5% of total net assets are in pooled investment vehicles made up of underlying investments each of which represent substantially less than 5% of total net assets.

13. Reconciliation of movements in investments and derivatives

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

	Value 1 April 2017	Purchases and Derivative payments	Sales and Derivative receipts	Change in market value	Value 31 March 2018
	£'000	£'000	£'000	£'000	£'000
Equities - Quoted	1,133,440	263,190	303,642	(278)	1,092,710
Pooled Investment Vehicles	1,279,377	210,165	147,991	47,434	1,388,985
Private Equity	77,003	16,436	23,937	6,984	76,486
Property	216,790	29,730	5,641	14,951	255,830
Forward Foreign Exchange	-	1,377	21,001	19,624	-
Sub-Total	2,706,610	520,898	502,212	88,715	2,814,011
Temporary investments	-	-	-	-	-
Cash & Cash Equivalents	29,778	344,386	334,169	-	39,995
Total	2,736,388	865,284	836,381	88,715	2,854,006

Transaction costs associated with pooled investment vehicles are taken into account in calculating the bid/offer spread of these investments and are therefore embedded within the purchase and sales costs and not separately identifiable. All other transaction costs have been charged to the Fund Account.

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 £184k comprising £157k from UK equities and £27k from overseas equities, net of charges. The value of stock on loan as at 31 March 2018 was £37.2M secured by total collateral worth £40.0M.

15. Fair value of assets

All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date. Asset valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values, as follows:

Level 1
where fair values are derived from unadjusted quoted prices in active markets for identical assets;
Level 2
where market prices are not available, for example, where an asset is traded in a market that is not considered to be active, but where valuation techniques are based significantly on observable market data;
Level 3
where at least one input that could have a significant effect on the valuation of the asset is not based on observable market data.

The following tables summarise the Fund's investment assets by class at 31 March 2018 and at 31 March 2017 measured at fair value according to the above fair value hierarchy.

31 March 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
UK Equities - Quoted	448,550	-	-	448,550
Overseas equities - Quoted	644,160	-	-	644,160
Pooled Investment Vehicles	-	1,242,893	146,092	1,388,985
Private Equity	-	-	76,486	76,486
Property	-	-	255,830	255,830
Temporary Investments	-	-	-	-
Sub Total	1,092,710	1,242,893	478,408	2,814,011
Cash & Cash Equivalents	39,995	-	-	39,995
Total	1,132,705	1,242,893	478,408	2,854,006

During the year ended 31 March 2018 there were no transfers between levels 1, 2 or 3 of the fair value hierarchy.

31 March 2017	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
UK Equities - Quoted	504,282	-	-	504,282
Overseas equities - Quoted	629,158	-	-	629,158
Pooled Investment Vehicles	-	1,156,627	122,750	1,279,377
Private Equity	-	-	77,003	77,003
Property	-	-	216,790	216,790
Temporary Investments	-	-	-	-
Sub Total	1,133,440	1,156,627	416,543	2,706,610
Cash & Cash Equivalents	29,778	-	-	29,778
Total	1,163,218	1,156,627	416,543	2,736,388

The basis of the valuation of each class of investment asset is summarised below.

Description of Asset	Basis of Valuation	Key Inputs	Key Sensitivities
Level 1			
Market quoted investments	Published bid market price ruling on the final day of the accounting period.	Not required.	Not required.
Exchange traded pooled investments	Published exchange prices at the reporting date.	Not required.	Not required.
Level 2			
Pooled investments - unit trusts	Closing bid price where bid and offer prices are published, or closing single price where single price only is published.	Net Asset Value (NAV) based pricing set on a forward pricing basis.	Not required.
Level 3			
Freehold and leasehold properties	Valued at fair value at the reporting date by Peter Sudell FRICS of BNP Paribas Real Estate and Andrew Wells FRICS (the Derwent portfolio) of Allsop LLP, both acting as independent valuers and in accordance with current RICS Valuation Standards.	Existing lease terms and rentals, independent market research, nature of tenancies, covenant strength for existing tenants, assumed vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more general changes to market prices.
Unquoted equity	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012).	Earnings (EBITDA) and revenue multiples, discount for lack of marketability, control premium.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's reporting date, changes to expected cashflows, differences between audited and unaudited accounts.
Pooled investments - hedge funds	Closing bid price where bid and offer prices are published, or closing single price where single price only is published.	Net Asset Value (NAV) based pricing set on a forward pricing basis.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's reporting date, changes to expected cashflows, differences between audited and unaudited accounts.
Pooled investments - property funds	Underlying assets valued at fair value at the reporting date by each fund's valuers in accordance with current RICS Valuation Standards, taking account of other financial assets and liabilities within the fund structure.	Existing lease terms and rentals, independent market research, nature of tenancies, covenant strength for existing tenants, assumed vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more general changes to market prices.

16. Nature and Extent of Risks Arising from Financial Instruments

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunities for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, interest rate risk and currency risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet its forecast cash flows.

Responsibility for the Fund's risk management strategy rests with the Committee. The Committee receives regular reports from each investment manager and from its Independent Adviser on the nature of the investments made and their associated risks.

(a) Market Risk

Market risk is the risk of loss resulting from general market fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its

investment activities, particularly through its equity holdings. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities, and by gaining exposure to different markets through different investment managers. Exposure to specific markets and asset classes is limited by applying strategic targets to asset allocation, which are agreed and monitored by the Committee.

(a) (i) Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market. The Fund's investment managers mitigate this risk through diversification in line with their own investment strategies.

The following table demonstrates the change in the net assets available to pay benefits if the market price for each class of investment had increased or decreased by 15%, excluding temporary investments and cash deposits.

31 March 2018	Value £'000	Change %	Increase £'000	Decrease £'000
UK equities - Quoted	448,550	15.00	67,283	(67,283)
Overseas equities - Quoted	644,160	15.00	96,624	(96,624)
Pooled Investment Vehicles	1,388,985	15.00	208,348	(208,348)
Private Equity	76,486	15.00	11,473	(11,473)
Property	255,830	15.00	38,375	(38,375)
Temporary investments	-	0.00	-	-
Cash Deposits	39,995	0.00	-	-
Total	2,854,006	14.79	422,103	(422,103)

31 March 2017	Value £'000	Change %	Increase £'000	Decrease £'000
UK equities - Quoted	504,282	15.00	75,642	(75,642)
Overseas equities - Quoted	629,158	15.00	94,374	(94,374)
Pooled Investment Vehicles	1,279,377	15.00	191,907	(191,907)
Private Equity	77,003	15.00	11,550	(11,550)
Property	216,790	15.00	32,519	(32,519)
Temporary investments	-	0.00	-	-
Cash and Cash Equivalents	29,778	0.00	-	-
Total	2,736,388	14.84	405,992	(405,992)

(a) (ii) 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 2018 and 2017 are provided, based on underlying financial assets at fair value.

As at 31 March 2018	Market Value £'000	Change in net assets +1% £'000	-1% £'000
Cash & cash equivalents	39,995	400	(400)
Temporary investments	-	-	-
Assets held in pooled investment vehicles:			
Bonds	204,505	2,045	(2,045)
Multi Asset Credit (MAC)	136,206	1,362	(1,362)
Liability Driven Investment (LDI)	379,717	3,797	(3,797)
Total	760,423	7,604	(7,604)

(a) (iii) 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 2017.

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.

As at 31 March 2017	Market Value £'000	Change in net assets +1% £'000	-1% £'000
Cash & cash equivalents	29,778	298	(298)
Temporary investments	-	-	-
Assets held in pooled investment vehicles:			
Bonds	313,505	3,135	(3,135)
Multi Asset Credit (MAC)	0	-	-
Liability Driven Investment (LDI)	399,793	3,998	(3,998)
Total	743,076	7,431	(7,431)

(a) (iv) 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 any currency other than the functional currency of the Fund (UK sterling). The Fund holds both monetary and non-monetary assets denominated in currencies other than UK sterling.

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. This hedge is settled in full on a quarterly basis. The following summarises the Fund's exposure to currency exchange rate movements on its investments net of this hedge.

	31 March 2018	31 March 2017
Currency	£'000	£'000
US Dollar	279,401	258,366
Euro	51,133	63,364
Japanese Yen	26,319	25,509
Canadian Dollar	20,557	27,423
Hong Kong Dollar	14,942	10,128
Swiss Franc	12,872	11,278
Australian Dollar	9,728	9,956
Singapore Dollar	7,344	9,754
Danish Krone	6,063	5,996
Swedish Krona	3,435	1,542
Norwegian Krone	2,067	6,432
Israeli Shekel	1,865	4,759
New Zealand Dollar	1,394	0
Total Net Exposure	437,120	434,507

(a) (v) 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 below. 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 2017.

A strengthening or weakening of the pound against the various currencies by one standard deviation (measured in percentages below) at 31 March 2018 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 2018	Change in net assets		
Currency	%	£'000	£'000
US Dollar	3.14	8,773	(8,773)
Euro	2.63	1,345	(1,345)
Japanese Yen	3.38	890	(890)
Canadian Dollar	2.23	458	(458)
Hong Kong Dollar	0.41	61	(61)
Swiss Franc	2.60	335	(335)
Australian Dollar	2.57	250	(250)
Singapore Dollar	1.71	126	(126)
Danish Krone	0.35	21	(21)
Swedish Krona	0.28	10	(10)
Norwegian Krone	0.35	7	(7)
Israeli Shekel	0.77	14	(14)
New Zealand Dollar	2.83	39	(39)
Total		12,329	(12,329)

As at 31 March 2017	Change in net assets		
Currency	%	£'000	£'000
US Dollar	3.24	8,371	(8,371)
Euro	2.98	1,888	(1,888)
Canadian Dollar	1.98	543	(543)
Japanese Yen	3.25	829	(829)
Swiss Franc	2.70	305	(305)
Hong Kong Dollar	0.41	42	(42)
Australian Dollar	2.56	255	(255)
Singapore Dollar	1.66	162	(162)
Norwegian Krone	0.46	30	(30)
Danish Krone	0.40	24	(24)
Israeli Shekel	0.39	19	(19)
Swedish Krona	0.32	5	(5)
Total		12,473	(12,473)

(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. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

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 are rated independently and meet the Fund's credit criteria. The Fund also sets limits as to the maximum percentage of deposits placed with any one individual institution. In addition, 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 2018 is the carrying amount of the financial assets.

	31 March 2018	31 March 2017
Investment	£'000	£'000
Temporary Investments	-	-
Bank Account Deposits	2,895	2,628
Money Market Funds	37,100	27,150
Assets held in pooled investment vehicles:		
Bonds	204,505	313,505
Multi Asset Credit (MAC)	136,206	-
Liability Driven Investment (LDI)	379,717	399,793
Total	760,423	743,076

(c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. Such risks are mitigated by maintaining a detailed cashflow model and taking appropriate steps to ensure that there is adequate cash available to meet liabilities as they fall due.

The Fund has immediate access to its cash holdings and defines liquid assets as assets that can be converted to cash

within three months notice, subject to normal market conditions. As at 31 March 2018, liquid assets were £2,376M representing 83% of total net assets (£2,320M at 31 March 2017 representing 85% of total net assets at that date).

17. Funding Arrangements

In accordance with the LGPS Regulations, the Fund's actuary, Barnett Waddingham, undertakes a funding valuation every three years

for the purpose of setting employer contribution rates for the forthcoming triennial period. The most recent such valuation took place as at 31 March 2016, setting employer contribution rates for the period 1 April 2017 to 31 March 2020.

Contribution rates for the year ending 31 March 2018 were set at the latest valuation calculated as at 31 March 2016. The common contribution rates set at the 2016 valuation for the three year period ending 31 March 2020 are as follows.

	2017-18	2018-19	2019-20
Future service contributions	15.60%	15.60%	15.60%
Deficit recovery contributions	4.40%	5.10%	5.80%
Total employer contributions	20.00%	20.70%	21.40%

The contribution rates paid by each employer, in addition to those paid by members of the scheme, are set to be sufficient to meet the liabilities that build up each year within the Fund in respect of the benefits earned by each employer's active members of the Fund during the year plus an amount to reflect each participating employer's share of the value of the Fund's assets compared with the liabilities that have already accrued at the valuation date. Each employer pays an individual rate of contributions to reflect its own particular circumstances and funding position within the Fund. The contribution rates were calculated using the projected

unit method taking account of market conditions at the valuation date.

At the 2016 valuation, the Fund was assessed as 83% funded, compared to 82% at the 2013 valuation, and the deficit recovery period was reduced from 25 years to 22 years. The key assumptions applied by the actuary for the 2016 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.

	Valuation 2016 (per annum)	Valuation 2013 (per annum)
Rate of return on investments	5.40%	6.00%
Rate of increases in pay (long term)	3.90%	4.20%
Rate of increases in pay (short term)	2.40%	2.70%
Rate of increases to pensions in payment	2.40%	2.70%

18. Actuarial Present Value of Promised Retirement Benefits

In addition to the triennial funding valuation, the Fund's actuary, Barnett Waddingham, also undertakes a valuation of the Fund's liabilities, on an IAS 19 basis, using the same base data as the funding valuation rolled forward to the current financial year, taking account of membership numbers and updating assumptions to the current year. This annual valuation is not carried out on the same basis as that used for setting employer contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

This valuation as at 31 March 2018 is set out in the Pension Fund - IAS 26 Disclosures to these financial statements 2017-18.

19. Additional Voluntary Contributions

The Council administers an in-house AVC Scheme with two designated providers, Prudential and Equitable Life. The amounts contributed to AVC plans by employees who are members of the pension scheme do not form any part of, and are not included in, the Fund Accounts.

Each employer in the Fund is responsible for collecting from their own employees and paying to the AVC provider those contributions due on AVC plans. Dorset County Council as employer deducted and paid to the AVC providers a total of £321k in 2017-18 (£322k in 2016-17).

20. Related Parties

Related party issues arise primarily from the fact that the Council is the administering authority for the Fund. The Council also has various operational, contractual and financial dealings with a number of scheduled and admitted bodies of the Fund, however, these activities do not relate to the Council's role as administering authority for the Fund.

The Council remits monthly contributions to the Fund in arrears, and March 2018 contributions of £2.5M were accrued as at 31 March 2018. Management and administration costs of £1.9M were incurred by the Council and recharged to the Fund in 2017-18. In addition at any given time there may be amounts which have been paid or received by both the Council or the Fund where indebtedness arises between the two. These can arise due to operational necessity or where single transactions have elements relating to both the Council and the Fund and are settled on a regular basis.

Senior officers of the Council are members of the Fund as employee contributors. As at 31 March 2018, one member of the Committee was a contributing member of the Fund and one member of the Committee was a deferred member of the Fund. The key management personnel of the Fund are the members of the Committee and the Council's Chief Financial Officer, who is the Fund Administrator. The £1.9M recharge from the Council includes a charge of £17,000 for the Fund Administrator's time spent working for the Fund.

21. Contingent Assets and Liabilities

The Fund is continuing the process required to recover withholding tax from various EU investments following rulings requiring equal treatment for all EU investors. These claims will be retrospective and will cover a varying number of years depending on the domicile. Neither the amount nor the expected time of settlement are known so consequently the financial statements as at 31 March 2018 do not reflect any potential recovery of tax.

Statement of the Actuary

Pension accounting disclosure as at 31 March 2018

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 2018.

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 Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100).

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings.

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 2016 which was carried out for funding purposes and the results of the 31 March 2017 IAS26 report which was carried out for accounting purposes;
- Estimated whole Fund income and expenditure items for the period to 31 March 2018;
- Estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2016, 31 March 2017 and 31 March 2018; and
- Details of any new early retirements for the period to 31 March 2018 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. The data has been checked for reasonableness and we are happy that the data is sufficient for the purposes of this advice.

Fund membership statistics

The table below summarises the membership data, as at 31 March 2016.

Member data summary	Number	Salaries/Pensions £000's	Average Age
Actives	26,402	419,329	46
Deferred pensioners	27,749	30,926	46
Pensioners	18,673	85,599	71

Early retirements

We requested data on any early retirements in respect of the Fund from the administering authority for the year ending 31 March 2018.

We have been notified of 140 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 £1,101,300.

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2018 is estimated to be 5%. 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 2018 is as follows:

Asset breakdown	31 March 2018		31 March 2017	
Equities	1,518,319	53%	1,534,704	56%
Liability Driven Investment	379,717	13%	399,793	15%
Cash	53,367	2%	29,387	1%
Other Bonds	204,505	7%	313,504	11%
Diversified Growth Fund	173,342	6%	119,069	4%
Property	295,377	10%	241,071	9%
Infrastructure	106,545	4%	98,043	4%
Hedge Fund	n/a	n/a	426	0%
Multi Asset Credit	136,206	5%	n/a	n/a
Total	2,867,378	100%	2,735,997	100%

We have estimated the bid values where necessary. The final asset allocation of the Fund assets as at 31 March 2018 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.

Actuarial methods and assumptions

Valuation approach

To assess the value of the Fund's liabilities at 31 March 2018, we have rolled forward the value of Fund's liabilities calculated for the funding valuation as at 31 March 2016, 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 2018 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2018 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 2016. The post retirement mortality tables adopted are the S2PA tables with a multiplier of 85%. These base tables are then projected using the CMI 2015 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 2018	31 March 2017
Retiring today	Males	24.0	23.9
	Females	26.1	26.0
Retiring in 20 years	Males	26.2	26.1
	Females	28.4	28.3

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

- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

Financial assumptions

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

Assumptions as at	31 March 2018	31 March 2017	31 March 2016
	% p.a.	% p.a.	% p.a.
Discount rate	2.55	2.80	3.70
Pension increases	2.30	2.70	2.40
Salary increases	3.80	4.20	3.90

These assumptions are set with reference to market conditions at 31 March 2018. Our estimate of the Fund's past service liability duration is 20 years.

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

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

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 1.0% p.a. below

RPI i.e. 2.3% p.a. 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. This is a slightly higher deduction than at the last accounting date where we assumed that CPI was 0.9% lower than RPI.

Salaries are assumed to increase at 1.5% p.a. above CPI in addition to a promotional scale. However, we have allowed for a short-term overlay from 31 March 2016 to 31 March 2020 for salaries to rise in line with CPI.

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 140 former employees became entitled to unreduced early retirement benefits.

The capitalised cost of the additional benefits on IAS19 compliant assumptions is calculated at £8,186,000. This figure has been included within the service cost in the statement of profit or loss.

Results and disclosures

We estimate that the net liability as at 31 March 2018 is a liability of £2,035,448,000.

The results of our calculations for the year ended 31 March 2018 are set out in the appendices below:

- Appendix 1 sets out the Statement of financial position as at 31 March 2018;
- Appendix 2 details a reconciliation of assets and liabilities during the year; and
- Appendix 3 shows a sensitivity analysis on the major assumptions.

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

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



Graeme D Muir FFA Partner

Appendix 1 - Statement of financial position as at 31 March 2018

Net pension asset as at	31 Mar 2018 £'000	31 Mar 2017 £'000	31 Mar 2016 £'000
Present value of the defined benefit obligation	4,902,826	4,821,680	3,802,083
Fair value of Fund assets (bid value)	2,867,378	2,735,997	2,266,446
Net liability in balance sheet	2,035,448	2,085,683	1,535,637

*Present value of funded obligation consists of £4,728,382,000 in respect of vested obligation and £174,444,000 in respect of non-vested obligation.

Appendix 2 - Asset and benefit obligation reconciliation for the year to 31 March 2018

Reconciliation of opening and closing balances of the present value of the defined benefit obligation	Year to 31 Mar 2018 £'000	Year to 31 Mar 2017 £'000
Opening defined benefit obligation	4,821,680	3,802,083
Current service cost	171,159	121,527
Interest cost	133,963	139,222
Change in financial assumptions	(148,237)	953,344
Change in demographic assumptions	-	57,811
Experience loss/(gain) on defined benefit obligation	-	(173,300)
Liabilities assumed / (extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	(111,296)	(108,061)
Past service costs, including curtailments	8,186	2,076
Contributions by Scheme participants and other employers	27,371	26,978
Unfunded pension payments	-	-
Closing defined benefit obligation	4,902,826	4,821,680

Reconciliation of opening and closing balances of the fair value of Fund assets	Year to 31 Mar 2018 £'000	Year to 31 Mar 2017 £'000
Opening fair value of Fund assets	2,735,997	2,266,446
Interest on assets	76,716	83,865
Return on assets less interest	49,217	387,144
Other actuarial gains/(losses)	-	-
Administration expenses	(2,307)	(1,834)
Contributions by employer including unfunded	91,680	81,459
Contributions by Scheme participants and other employers	27,371	26,978
Estimated benefits paid plus unfunded net of transfers in	(111,296)	(108,061)
Settlement prices received / (paid)	-	-
Closing Fair value of Fund assets	2,867,378	2,735,997

The total return on the fund's assets for the year to 31 March 2018 is £125,933,000.

Appendix 3 - Sensitivity analysis

Sensitivity analysis	£'000	£'000
Present value of total obligation	4,902,826	
Sensitivity to	+0.1%	-0.1%
Discount rate	4,808,846	4,998,737
Long term salary increase	4,912,612	4,893,101
Pension increases and deferred revaluation	4,989,093	4,818,253
Sensitivity to	+1 Year	- 1 Year
Life expectancy assumptions	5,085,398	4,727,014

Glossary of Terms

Actuarial Valuation

An Actuarial Valuation is a three yearly valuation of the Fund. It is undertaken by the Actuary into the liability of the Fund to meet its liabilities. For the LGPS the Fund Actuary will assess the funding level of each participating employer and agree contribution rates.

Actuary

An Actuary is a professionally qualified independent person appointed by the administering authority in order to value the Pension Fund and therefore set contribution rates.

Additional Voluntary Contributions (AVCs)

AVCs are paid by a contributor who decides to supplement their pension by paying extra contributions to the Scheme's AVC provider.

Admitted Bodies

These are employers who have been allowed into the Fund at the County Council's discretion.

Asset Allocation

The apportionment of the Fund's assets between different types of investments (or asset classes).

Assets

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

Benchmark

A measure against which pension fund management performance is judged. A series of appropriate indices is chosen which

reflects the requirements of the trustees. Usually a target is set which requires an agreed percentage better performance from the fund than the benchmark.

Bonds

Loans made to an issuer (often a government or a company) which undertakes to repay the loan at an agreed later date. The term refers generically to corporate bonds or government bonds (gilts).

Collateral

An asset (cash or securities) posted from one counterparty to another, and held as a guarantee against the value of a specified trade or other transactions.

Corporate Governance

Issues relating to the way in which a company ensures that it is attaching maximum importance to the interest of its shareholders and how shareholders can influence management.

Custody/Custodian

The safekeeping of securities by a financial institution. The Custodian keeps a register of holdings and will collect income and distribute monies according to client instruction.

Deferred Pensioners

A deferred member is one that has stopped paying into the scheme but is not yet receiving a pension. As a deferred member you will receive an Annual Benefit Statement which shows the benefits you have accrued and any pension increase that has been applied and how much they will be worth on retirement.

Emerging Markets

Developing economies in Latin America, Africa, Asia and the Middle East as well as areas of Europe and the Far East. Investment returns within these markets tend to more volatile than those in more established markets.

Equities

Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

Fund Administrator

The person who is responsible for managing the pension fund.

Fund of Funds

This is a fund that holds a portfolio of other investment funds.

Infrastructure

The public facilities and services needed to support residential development, including highways, bridges, schools and sewer and water systems.

LGPS

The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government.

Liabilities

Financial liabilities are debts owed to creditors for outstanding payments due to be paid.

Pension liabilities are the pension benefits and payments that are due to be paid when someone retires.

Myner's review

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

Private Equity

Private equity is capital that is not noted on a public exchange. Private equity is composed of funds and investors that directly invest in private companies, or that engage in buyouts of public companies, resulting in the delisting of public equity.

Scheduled Body

A scheduled body is a statutorily defined body within the scheme's regulations and has a statutory obligation to participate in the Scheme.

Stock Lending

Stock lending is the act of loaning a stock, derivative or other security to an investor or firm. Securities lending requires the borrower to put up collateral, whether cash, security or a letter of credit. When a security is loaned, the title and the ownership are also transferred to the borrower and voting rights are lost.

Contact and Further Information

For more information about the Dorset County Pension Fund, please contact our Pensions helpline on:

Telephone: (01305) 224845

Email: pensionshelpline@dorsetcc.gov.uk

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

Our website contains further information relating to the LGPS. The address is as follows: www.yourpension.org.uk/Dorset?Home.aspx

Appendices:

Appendix 1

Investment Strategy Statement (ISS) March 2018

1. Introduction

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require administering authorities of LGPS funds to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State. This statement must be reviewed by the administering authority at least every three years, or more frequently should any significant change occur.

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

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

All functions of Dorset County Council ("the Council") as the administering authority for the Dorset County Pension Fund ("the Fund") have been delegated to the Pension Fund Committee ("the Committee"). This includes responsibility for determining the overall investment strategy and strategic asset allocation of the Fund, and in doing so taking proper professional advice.

The primary investment objective of the Fund is to ensure that over the long term the Fund will have sufficient assets to meet all pension liabilities as they fall due. To meet this objective a major review of the Fund's strategic asset allocation is undertaken every three years shortly after the results of the triennial actuarial valuation are known. The Fund's strategic asset allocation was last reviewed in this way in 2017, advised by Mercer, an investment consultancy firm, with considerable LGPS experience and expertise, and Alan Saunders, Allenbridge Epic Investment Advisers, the Fund's independent adviser. The Committee will also consider asset allocation at each of its quarterly meetings.

The Fund allocates across a variety of different asset classes in order to prudently diversify sources of investment return and risk. To be judged suitable for investment, asset classes must be consistent with the Fund's risk and return objectives, improve diversification and be fully understood by officers and the Committee. The Fund's current target strategic asset allocation is set out in the table on the following page, together with tolerances by which the actual allocation can vary without further agreement by the Committee:

Asset Class	Allocation	Tolerance
UK Equities	20.0%	+/- 4.0%
Global Equities	22.0%	+/- 4.0%
Emerging Markets Equities	3.0%	+/- 0.5%
Bonds	6.0%	+/- 1.5%
Multi Asset Credit (MAC)	5.0%	+/- 1.0%
Property	12.0%	+/- 2.0%
Diversified Growth Funds (DGF)	8.0%	+/- 1.0%
Private Equity	5.0%	+/- 1.0%
Infrastructure	5.0%	+/- 1.0%
Total Return Seeking Assets	86.0%	-
Liability Driven Investment (LDI)	14.0%	+/- 3.0%
Total Assets	100.0%	-

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

UK Equities (20.0%)

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

outperform the FTSE Small Cap index by 2.5% per annum. The remaining allocation to UK Equities is managed on an active basis by AXA Framlington (effective April 2006) in a pooled vehicle with a target of outperforming the FTSE All Share Index by 3.5% per annum.

Global Equities – Developed Markets (22.0%)

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

Global Equities – Emerging Markets (3.0%)

The Fund has exposure to Emerging Markets equities through JP Morgan Asset Management who have managed

an active mandate since April 2012. The investment is in a pooled fund, which has a diversified strategy, and the target is to outperform the MSCI Emerging Markets Index by 2% per annum.

Bonds (6.0%)

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

Multi Asset Credit (MAC) (5.0%)

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

Property (12.0%)

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

a gradual transition to a portfolio more evenly split between core and high lease value (HLV) holdings.

Diversified Growth Funds (DGF) (8.0%)

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

Private Equity (5.0%)

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

Infrastructure (5.0%)

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

Liability Driven Investment (LDI) (14.0%)

Insight Investments were appointed in April 2012 with the objective to reduce the Fund's exposure to inflation risk by putting together a portfolio that moves

in a similar way to the liabilities. The Fund is invested in a bespoke Qualifying Investor Fund (QIF) set up by Insight which enables them to use a range of derivative instruments in addition to index linked or conventional gilts.

3. Risk measurement and management

Achieving satisfactory investment returns will, to a considerable degree, reflect the risks taken, and therefore the Fund seeks to understand, measure and manage risk, not eliminate it. Investment risk can be measured and managed in a number of ways:

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

The risk of underperforming the benchmarks or relative risk: The Fund's investment managers can, to a large extent, control relative risk by using statistical techniques to forecast how volatile their performance is likely to be relative to their benchmark or target. Each manager has a mandate specific benchmark and controls.

Different asset classes have different risk and return characteristics: In setting the investment strategy, the Committee considers the expected risks and returns of the various asset classes and the correlation between those returns to target or expected return within an acceptable level of risk.

Risks may also arise from a lack of suitable balance or diversification of the

Fund's assets. The adoption of an asset allocation strategy and the detailed monitoring of performance and risks relative to the targets set, constrains the investment managers from deviating too far from the intended outcome, whilst at the same time allowing adequate flexibility to manage the portfolios in such a way as to enhance returns.

Other financially material risks arising from social, environmental and corporate governance issues are required to be considered and managed by the Fund's investment managers in relation to all asset classes. The Fund's approach is set out in more detail in section 5 below.

Consideration is also given to the on-going risks of a mismatch, over time, between the Fund's assets and its liabilities. The Fund's Funding Strategy Statement considers these risks in greater detail, however, the major risks that can lead to this mismatch are the impact of interest and inflation yields on liabilities. Following a strategic review of the Fund undertaken by JLT in June 2011, the Committee began a process to address this risk, leading to the current asset allocation of 14.0% to Liability Driven Investment (LDI), and the appointment of Insight Investments.

4. Approach to asset pooling

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

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

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

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

An Oversight Board has been established, comprised of representatives from each of the administering authorities, set up according to an agreed constitution and terms of reference. Acting for the administering authorities, it will have ultimate responsibility for ensuring that Brunel Ltd delivers the services required to achieve investment pooling.

It will therefore have a monitoring and oversight function and consider relevant matters on behalf of the administering authorities, but will not have delegated powers to take decisions requiring shareholder approval. These will be remitted back to each administering authority individually.

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

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

The Council has approved the full business case for the Brunel Pension Partnership. It is anticipated that investment assets will be transitioned across from the Fund's existing investment managers to the portfolios

managed by Brunel Ltd between April 2018 and March 2020 in accordance with a timetable that will be agreed with Brunel Ltd. Until such time as transitions take place, the Fund will continue to maintain the relationship with its current investment managers and oversee their investment performance, working in partnership with Brunel Ltd where appropriate.

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

5. Social, environmental and corporate governance policy

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

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

The Fund is a member of the Local Authority Pension Fund Forum (LAPFF). The LAPFF exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders while promoting corporate social responsibility and high standards of corporate governance among the companies in which they invest.

Please follow the link below to view the Fund's policies relating to responsible investment:

<http://www.yourpension.org.uk/Dorset/Investments-Governance/Responsible-Investment.aspx>

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

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

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

The Pension Fund Committee receives an annual report on voting activity in the previous year. Please follow the link below to view the most recent report:

<http://dorset.moderngov.co.uk/ieListDocuments.aspx?CId=135&MIId=1106&Ver=4>

Appendix 2

Governance Policy and Compliance Statement

1. Background

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

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

2. Requirement for the Governance Policy Statement

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

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

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

- the frequency of any committee/ sub-committee meetings;
- the terms of reference, structure and operational procedures of the delegation;
- whether the committee/ sub committee includes

representatives of

- employing authorities (including non-scheme employers)
- scheme members

- and, if there are such representatives, whether they have voting rights.

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

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

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

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

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

3. Governance of the Dorset County Pension Fund

3.1 Under the cabinet structure in local government, management of the pension fund is a non-executive function and this is reflected in the governance structure that is set out below. Under this system the 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 Investment Strategy Statement (ISS), Funding Strategy Statement, Governance Policy and Compliance Statement, Business Plan and Communications Strategy;
- Appointing and reviewing the performance of all Fund Managers and other professional service providers;
- Reviewing all aspects of performance across the Pension Fund service;
- Deciding upon requests for admission of qualifying organisations wishing to join the Fund;
- Deciding upon key pension policy and discretions that are the responsibility of the Administering Authority;
- Ensuring that at all times that these responsibilities are discharged in the best interests of the Fund;
- Making appointments to the Pension Board of the Dorset County Pension Fund.

3.4 The Committee meets at least quarterly and at alternate meetings generally requires all main managers to be present. Other meetings are occasionally held to deal with other business which for example might require urgent discussion, more time

for consideration than that normally available, or be inappropriate for the larger audience. Business of the Committee will not be transacted unless a quorum of three members is present.

Fiduciary duty

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

- iii The member representing the District Councils is nominated by the Dorset Leaders and Chief Executives group.
- iv The Scheme Member representative is nominated by the Unions, with Unison as lead union.

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

4. Representation

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

Five County Council members – appointed by the County Council (not more than two being members of the Council's Cabinet).

Two Unitary Authority members – one appointed by Bournemouth Borough Council and one nominated by the Borough of Poole.

One District Council representative.

One Scheme Member representative.

4.2 The nomination process for each Committee member is :

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

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. 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.

Schedule of compliance with guidance issued by CLG

Principle A – Structure

- (a) The management of the administration of benefits and strategic management of fund assets clearly rest with the main committee established by the appointing Council.
- (b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or
- secondary committee established to underpin the work of the main committee.
- (c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.
- (d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.

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

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

(c) and (d) We have only one Committee and therefore these are not applicable.

Comments on ratings given above:

(b) The appointed trade union representative has been given the formal role of representing scheme members.

Principle B – Representation

- (a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:
- i) employing authorities (including non-scheme employers, eg admitted bodies);
 - ii) scheme members (including deferred and pensioner scheme members);
 - iii) independent professional observers; and
 - iv) expert advisers (on and ad-hoc basis).
- (b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.

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

Reason for non-compliance (Regulation 73A (1) (c) 1997 Regulations):**Comments on ratings given above:**

The appointed trade union representative has been given the formal role of representing scheme members.

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

Principle C - Selection and role of lay members

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

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

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

Reason for non-compliance (Regulation 73A (1) (c) 1997 Regulations):**Comments on ratings given above:**

- (a) The Committee's responsibilities are formally documented as set out in Section 3 of this Statement.
- (b) The agenda for each meeting has a standing item on "Code of Conduct" to receive declarations by members of (a) personal interests (including their nature) and (b) prejudicial interests under the Code of Conduct. Members who have an interest to declare are asked to complete a Declaration of Interests form (a copy is attached to the agenda) and hand it to the Democratic Services Officer prior to the meeting. Any member who has a query on a particular matter is asked to contact the officer named at the top of the agenda in advance of the meeting.

Principle D – Voting

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

	Not Compliant				Fully Compliant	Not applicable
(a)					✓	

Reason for non-compliance (Regulation 73A (1) (c) 1997 Regulations):**Comments on ratings given above:**

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

Principle E - Training/Facility time/ Expenses

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

- b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.
- (c) That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.

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

Reason for non-compliance (Regulation 73A (1) (c) 1997 Regulations):**Comments on ratings given above:**

Training, both internally and externally, is made available to members of the committees on a regular basis.

Principle F - Meetings (frequency/ quorum)

- (a) That an administering authority's main committee or committees meet at least quarterly.
- (b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised

with the dates when the main committee sits.

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

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

Reason for non-compliance (Regulation 73A (1) (c) 1997 Regulations):**Comments on ratings given above:**

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

Principle G – Access

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

	Not Compliant				Fully Compliant	Not applicable
(a)					✓	

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

Comments on ratings given above:

Committee papers are publicly available on the website.

Principle H – Scope

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

	Not Compliant				Fully Compliant	Not applicable
(a)					✓	

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

Comments on ratings given above:

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

Principle I – Publicity

- (a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in

the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.

	Not Compliant				Fully Compliant	Not applicable
(a)					✓	

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

Comments on ratings given above:

This document is published in the Annual Report and made available to all stakeholders of the scheme.

Appendix 3

Funding Strategy Statement - June 2017

Introduction

This is the Funding Strategy Statement (FSS) 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).

This statement should be read in conjunction with the Fund's Investment Strategy Statement (ISS)/Statement of Investment Principles (SIP) and has been prepared with regard to the 2016 guidance issued by CIPFA.

Purpose of the Funding Strategy Statement

The purpose of the FSS is to explain the Fund's approach to meeting employers' pension liabilities and in particular to:

- Establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- Support the desirability of maintaining as nearly constant a primary contribution rate as possible, as defined in Regulation 62(5) of the Regulations;
- Ensure that the regulatory requirements to set contributions to meet the future liability to provide scheme member benefits in a way that ensures the solvency and long-term cost efficiency of the fund are met; and
- Take a prudent longer-term view of funding those liabilities.

These objectives are desirable individually but may be mutually conflicting. This FSS seeks to set out how the administering authority has balanced the conflicting aims of affordability of contributions, transparency of processes, stability of employers' contributions and prudence in the funding basis.

Aims and purposes of the Fund

The aims of the Fund are to:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due;
- Enable primary contribution rates to be kept as nearly constant as possible and (subject to the administering authority not taking undue risks) at reasonable cost to all relevant parties (such as the taxpayers, scheduled, resolution and admitted bodies), while achieving and maintaining fund solvency and long-term cost efficiency. This should be assessed in light of the risk profile of the Fund and employers, and the risk appetite of the administering authority and employers alike; and
- Seek returns on investment within reasonable risk parameters.

The purpose of the Fund is to:

- Pay pensions, lump sums and other benefits to scheme members as provided under the Regulations;
- Meet the costs associated in administering the Fund;
- Receive contributions, transfer values and investment income; and

- Accumulate and invest money received, and facilitate the management of this.

Funding objectives

Contributions are paid to the Fund by Scheme members and the employing bodies to provide for the benefits which will become payable to Scheme members when they fall due.

The funding objectives are to:

- 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 stable as possible, with consideration of the long-term cost efficiency objective.
- Ensure that pension benefits can be met as and when they fall due over the lifetime of the Fund; and
- Ensure the solvency of the Fund; and
- Ensure effective and efficient management of each employer's liabilities.

Key parties

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

The administering authority

The administering authority for the Pension Fund is Dorset County Council. The main responsibilities of the administering authority are to:

- Operate the Fund;
- Collect and account for employee and employer contributions, investment

income and other amounts due to the Fund as stipulated in the Regulations;

- Invest the Fund's assets ensuring sufficient cash is available to meet liabilities as and when they become due;
- Pay the benefits due to Scheme members as stipulated in the Regulations;
- Take measures as set out in the Regulations to safeguard the Fund against the consequences of employer default;
- Manage the actuarial valuation process in conjunction with the Fund Actuary;
- Prepare and maintain this FSS and also the ISS after consultation with other interested parties;
- Monitor all aspects of the Fund's performance;
- Prepare the Fund accounts;
- Effectively manage any potential conflict of interest arising from its dual role as both Fund administrator and Scheme Employer; and
- Enable the Local Pension Board to review the valuation process as they see fit.

Individual employers

In addition to the administering authority, a number of other employers, including admission bodies, participate in the Fund. The responsibilities of each employer that participates in the Fund, including the administering authority, are to:

- Collect employee contributions and pay these together with their own employer contributions as certified by the Fund Actuary to the administering authority within the statutory timescales;
- Notify the administering authority of any new Scheme members and any other

- membership changes promptly;
- Develop a policy on certain discretions and exercise those discretions as permitted under the Regulations;
- Meet the costs of any augmentations or other additional costs, particularly in respect of early retirement strains, in accordance with agreed policies and procedures; and
- Pay any exit payments due on ceasing participation in the Fund.

Scheme members

Active scheme members are required to make contributions into the Fund as set by the Department of Communities and Local Government.

Fund Actuary

The Fund Actuary for the Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are to:

- Prepare valuations, including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency, after agreeing assumptions with the administering authority and having regard to the FSS and the Regulations;
- Advise interested parties on funding strategy and completion of actuarial valuations in accordance with the FSS and the Regulations;
- Prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
- Prepare advice and valuations on the exiting of employers from the Fund;
- Provide advice to the administering authority on bonds or other forms of security against the financial effect on the Fund of employer default;

- Assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the Regulations;
- Ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to his or her role in advising the Fund; and
- Advise on other actuarial matters affecting the financial position of the Fund.

Funding strategy

The factors affecting the Fund's finances are constantly changing, so it is necessary for its financial position and the contributions payable to be reviewed from time to time by means of an actuarial valuation to check that the funding objectives are being met.

The funding strategy seeks to achieve (via employee and employer contributions and investment income) two key objectives:

- A funding level of 100%, as assessed by the Fund's appointed actuary, triennially, in accordance with the Regulations; and
- As stable an employer contribution rate as is practical, with consideration of the long-term cost efficiency objective.

The funding strategy recognises that the funding level will fluctuate with changing levels of employment, retirements and investment income, and the employer contribution has to be adjusted to a level sufficient to maintain the pension scheme's solvency and to achieve a funding level of 100% over the longer term

The actuarial valuation involves a projection of future cashflows to and

from the Fund. The main purpose of the valuation is to determine the level of employers' contributions that should be paid to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund.

The most recent actuarial valuation was carried out as at 31 March 2016 with the assets of the Fund found to represent 83% of the accrued liabilities for the Fund, corresponding to a deficit of £452m.

The primary rate required to cover the employer cost of future benefit accrual was 15.6% of payroll p.a.

A summary of the methods and assumptions adopted is set out in the sections below.

Funding method

The key objective in determining employers' contribution rates is to establish a funding target and then set levels of employer contribution to meet that target over an agreed period.

The funding target is to have sufficient assets in the Fund to meet the accrued liabilities for each employer in the Fund. The funding target may, however, depend on certain employer circumstances and in particular, whether an employer is an "open" employer – one which allows new staff 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.

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 assumed 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 and pensions in payment. A funding level in excess of 100% indicates a surplus of assets over liabilities; while a funding level of less than 100% indicates a deficit; and
- The future service funding rate (also referred to as the primary rate as defined in Regulation 62(5) of the Regulations) which is the level of contributions required from the individual employers which, in combination with employee contributions is assumed to support the cost of benefits accruing in future.

The key feature of this method is that, in assessing the future service cost, the primary contribution rate represents the cost of one year's benefit accrual.

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 a specific period, such as the length of a contract or the remaining expected working lifetime of active members.

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.

Valuation assumptions and funding model

In completing the actuarial valuation it is necessary to formulate assumptions about the factors affecting the Fund's future finances such as inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover etc.

The assumptions adopted at the valuation can therefore be considered as:

- The 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

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 (RPI). The RPI assumption adopted as at 31 March 2016 was 3.3% p.a.

Future pension increases

Pension increases are linked to changes in the level of the Consumer Price Index (CPI). Inflation as measured by the CPI

has historically been less than RPI due mainly to different calculation methods. A deduction of 0.9% p.a. is therefore made to the RPI assumption to derive the CPI assumption. The CPI assumption adopted as at 31 March 2016 was 2.4% p.a.

Future pay inflation

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. The long-term pay increase assumption adopted as at 31 March 2016 was CPI plus 1.5%, with a short-term assumption in line with CPI for the period to 31 March 2020. An allowance has also been made for promotional increases.

Future investment returns/ discount rate

To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to and from the Fund to present day values.

The discount rate that is adopted will depend on the funding target adopted for each Scheme employer.

The discount rate that is applied to the projected liabilities reflects a prudent estimate of the rate of investment return that is assumed 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. The discount rate adopted for the 31 March 2016 valuation was 5.4% p.a.

For some 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.

The Fund Actuary will incorporate such an adjustment after consultation with the administering authority.

The adjustment to the discount rate for employers may be set to 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 if the Fund do not believe that there is another Scheme employer to take on the responsibility of the liabilities after the employer has exited the Fund. The aim is to minimise the risk of deficits arising after the termination date.

Asset valuation

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

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. Further details of all of the assumptions adopted are included in the latest actuarial valuation report.

Deficit recovery periods

Whilst one of the funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue, it is recognised that at any particular point in time, the value of the accumulated assets will be different to the value of accrued liabilities, depending on how the actual experience of the Fund differs to the actuarial assumptions. Accordingly the Fund will normally either be in surplus or in deficit.

Where the actuarial valuation discloses a significant deficit then the levels of required employers' contributions will include an adjustment to fund the deficit over a period of years.

The deficit recovery period for each employer will depend upon the significance of the 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' contribution.

At the 2016 valuation, a maximum deficit recovery period of 22 years is used for all employers. Shorter recovery periods have been used where affordable. This will provide a buffer for future adverse experience and reduce the interest cost paid by employers. For Transferee Admission Bodies the deficit recovery period is set equal to the remaining contract period if this is known. Where an employer's contribution has to increase significantly then, if appropriate, the increase may be phased in over a period not exceeding 3 years.

Deficit contributions required from an employer are expressed as a minimum requirement, with employers able to pay regular contributions at a higher rate,

or one-off contributions, to reduce their deficit. Employers should discuss with the administering authority before making one-off capital payments.

Pooling of individual employers

The policy of the Fund is that each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution rates are set for individual employers to reflect their own particular circumstances.

However, certain groups of individual employers are pooled for the purposes of determining contribution rates to recognise common characteristics or where the number of Scheme members is small.

Currently there are the following pools within the Fund:

- Dorset County Council;
- Bournemouth Borough Council;
- Borough of Poole;
- Small scheduled bodies;
- Small admitted bodies;
- Academies;
- SLM Poole.

There are also a number of connected employers within the Fund. Connected employers are those where we understand that the organisation controls all of the employers or has responsibility for all the pension obligations. Examples include parent/subsidiaries or former Transferee Admission Bodies who have ceased to participate where the legacy liabilities have been passed back to the Letting Authority. In these instances, the

contribution rate has been determined as a pooled rate.

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.

Cessation valuations

When an employer leaves the Scheme and becomes an exiting employer, 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 an immediate exit payment, 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.

In certain circumstances, if it is not possible for all or part of the exit payment to be obtained from the ceasing employer, it may be possible for the exit payment to be paid over a period which the administering authority considers reasonable.

In assessing the deficit on cessation, the Fund Actuary may adopt a "minimum risk" discount rate based on gilt yields and adopt different assumptions to those used at the previous valuation. For example, this is likely to apply in instances where there is no employer in the Fund taking responsibility for any residual liabilities of the ceasing employer. This is 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.

Early retirement costs

The funding basis makes no allowance for premature retirement except on grounds of ill health. Employers are required to pay additional contributions wherever an employee retires before attaining the age at which the valuation assumes that benefits are payable. The calculation of these costs is carried out with reference to a calculation method approved by the Fund Actuary.

Links with the Investment Strategy Statement (ISS)

The main link between the FSS and the ISS relates to the discount rate that underlies the funding strategy as set out in the FSS, and the assumed rate of investment return which is assumed to be achieved by the underlying investment strategy as set out in the ISS.

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

Risks and counter measures

Whilst the funding strategy attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of employer contributions, it is recognised that there are risks that may impact on the funding strategy and hence the ability of the strategy to meet the funding objectives.

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

Financial risks

The main financial risk is that the actual investment strategy fails to produce the assumed 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 assumed and/or the fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets.

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

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.

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

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

Demographic risks

Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate

the continuing improvement in longevity. For example, an increase of one year to life expectancy of all members in the Fund will reduce the funding level by approximately 1%.

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

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

However, the administering authority monitors the incidence of early retirements; and procedures are in place that require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

Regulatory risks

The benefits provided by the Scheme and employee contribution levels are set out in Regulations determined by central Government. The tax status of the invested assets is also determined by the Government.

The funding strategy is therefore exposed to the risks of changes in the Regulations governing the Scheme and changes to the tax regime which may affect the cost to individual employers participating in the Scheme.

However, the administering authority participates in any consultation process of any proposed changes in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

Employer risks

Many different employers participate in the Fund. Accordingly, it is recognised that a number of employer- specific events could impact on the funding strategy including:

- Structural changes in an individual employer's membership;
- An individual employer deciding to close the Scheme to new employees;
- An employer ceasing to exist without having fully funded their pension liabilities; and
- New employers being created out of existing employers.

However, the administering authority maintains dialogue with participating employers and monitors the position of employers participating in the Fund, particularly those which may be susceptible events that could affect the long-term financial health of an employer, with particular emphasis on their continued ability to support their obligations to the Fund, and takes advice from the Fund actuary when required.

In addition, the administering authority keeps individual employers briefed on funding and related issues.

Monitoring and review

This FSS is reviewed formally, in consultation with the key parties, at least every three years to tie in with the triennial actuarial valuation process.

The administering authority also monitors the financial position of the Fund between actuarial valuations and may review the FSS more frequently if necessary.

Appendix 4

Communication Policy Statement

Introduction

The Dorset County Pension Fund currently had 291 scheme employers and 25,670 active members as at 31 March 2018. 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

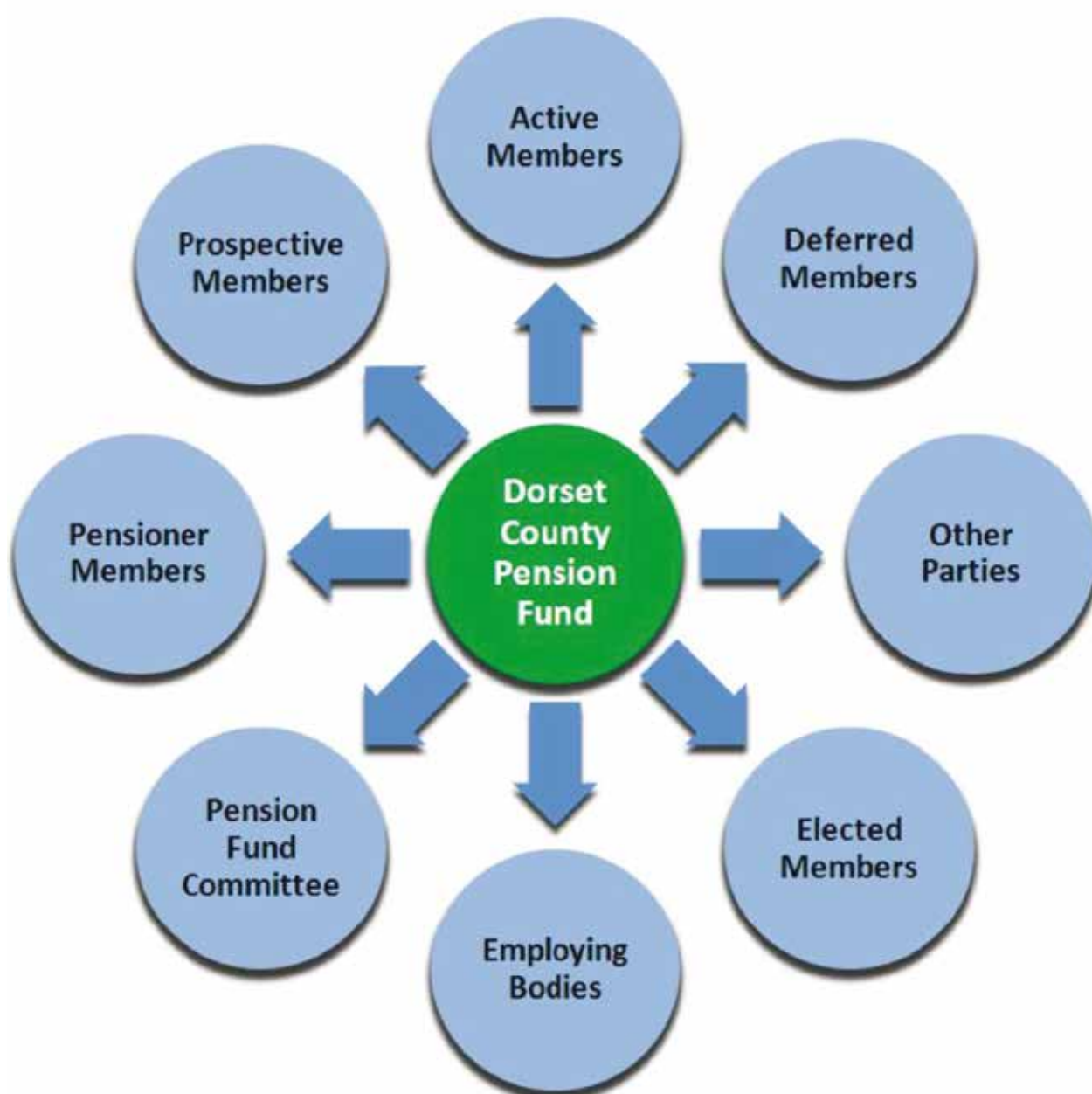
To communicate Pensions Legislation and policies in a clear informative style to ensure that key stakeholders are well informed about current and future changes to the Local Government Pension Scheme.

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.yourpension.org.uk/Dorset/Home.aspx 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:

www.yourpension.org.uk/Dorset/Employers.aspx

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.

Employers' 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 Finance Manager has weekly meetings with the Chief Financial Officer. The Finance 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.

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 Finance 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 two being members of the Council's Cabinet).
- Two Unitary Authority members - one appointed by Bournemouth Borough Council and one nominated by the Borough of Poole.
- One District Council representative.
- One Scheme Member representative.

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

Appendix 5

Pension Administration Strategy Report

Introduction

Dorset County Pension Fund ("the Fund") is responsible for the administration of the Local Government Pension Scheme ("LGPS") within the geographical area of Dorset. The Fund also administers the LGPS on behalf of a number of qualifying employers who are not situated within the Dorset area. The service is carried out by Dorset County Council ("the administering authority") on behalf of qualifying employers and ultimately the LGPS members.

This document is the Pensions Administration Strategy statement outlining the policies and performance standards towards providing a cost-effective, inclusive and high quality pensions and administration service. Delivery of such an administration service is not the responsibility of one person or one organisation, but is rather the joint working of a number of different stakeholders, which between them are responsible for delivering the pensions administration service to meet the diverse needs of the membership. As the cost of this service is borne by the Fund, and effectively recharged pro-rata to each employer via the contribution rate, it is in everyone's interests to ensure an efficient cost-effective provision.

Compliance

Developed in consultation with employers within the Fund, this statement seeks to promote good working relationships, improve efficiency

and ensure agreed standards of quality in delivery of the pension administration service amongst the employers and the Fund. A copy of this strategy is issued to each of the relevant employers.

The undertakings set out within this Pension Administration Strategy will be reviewed annually by the Fund. In no circumstances does this strategy override any provision or requirement of the Regulations set out below nor is it intended to replace the information provided in the Employers' Guide on the Dorset County Pension Fund website for day-to-day use;

www.yourpension.org.uk/Dorset/Employers

Review

The Fund will review this policy statement and make revisions as appropriate following a material change in its policies in relation to any of the matters contained in the strategy. Employers will be consulted and informed of the changes.

Regulatory Framework

Regulation 59 of the LGPS Regulations 2013 enables an LGPS administering authority to prepare a document ("the pension administration strategy") detailing administrative standards, performance measure, data flows and communication with employers.

In addition, Regulation 70 of the LGPS Regulations 2013 allows an administering authority to recover costs from an employing authority where costs have been incurred because of that employing authority's level of performance in carrying out its functions

under these Regulations. See Poor Performance section on page 116.

This document has been presented, considered and approved by the Pension Fund Committee on the 21 November 2013 and, as such, the contents of which apply to all existing and future employers of Dorset County Pension Fund from 1 April 2014.

Liaison and Communication

The delivery of a high quality, cost effective administration service is not the responsibility of just the administering authority, but depends on the joint working of the administering authority with a number of individuals in different organisations to ensure Scheme members, and other interested parties, receive the appropriate level of service and ensure that statutory requirements are met.

Each Employing authority will designate a named individual to act as the main point of contact (Pension Liaison Officer (PLO) with regard to any aspect of administering the LGPS.

Their key responsibilities will be:

- to act as a conduit for communications to appropriate staff within the employer - for example, Human Resources, Payroll teams, Directors of Finance;
- to ensure that standards and levels of service are maintained;
- to ensure that details of all nominated representatives and authorised signatures are correct and to notify the Fund of any changes immediately;
- to arrange distribution of communications literature as and when required;
- to inform the Fund of any alternative service arrangements required;
- to assure data quality and ensure the timely submission of data to the Fund;
- to assist and liaise with the Fund on promotional activities; and to ensure payments due to the Fund are made in accordance with the Pensions Administration Strategy

Employer Training / Meetings

Employer workshops are arranged four times per year but more will be provided if requested or deemed necessary by the Fund. The workshops cover employer responsibilities highlighting:

- Starter and leaver processes
- Final Pay
- LGPS Discretions
- End of Year requirements
- Communications

The Fund will hold Pension Liaison Officer Group (PLOG) meetings 3 times per year. Attendance by each employer's PLO is actively encouraged.

The Fund holds an annual employer's meeting where officers provide information on Fund Finances, Investment Performance and topical issues for the Fund; in recent times this has included updates on future changes to the LGPS. Attendance by each employer's main contact and Senior Management is actively encouraged.

Meetings with senior pension fund staff can be arranged on request.

Policy Discretions

Each employer is required to produce, publish and maintain a statement of policy regarding the exercise of certain discretionary functions available to them within the LGPS regulations. The policy statement must be kept under review and where revisions are made; the revised policy statement must be sent to the Fund and made readily available to all employees within the employing authority within one month of the effective date.

Notification of Employee's Rights

Any decisions made by an employing authority affecting an employee's rights to membership or entitlement to benefits must be notified to the employee in writing.

Internal Disputes Resolution Procedures (IDRP)

Each employing authority is required to nominate and name the person to whom applications under Stage 1 of the Internal Disputes Resolution Procedures

should be made. The name, job title and contact details of this nominated person must be kept up-to-date with the Fund.

Computer Links

The Fund will, to appropriate large employers, provide the software, hardware and communication facilities in order for employing authority staff to produce retirement estimates and enquire on their employee's record of membership.

The Fund will ensure that the Pensions Administration computer system is available for use during normal office hours with the exception of any necessary scheduled maintenance of the system.

Fund and Employer Responsibilities

The LGPS Regulations identifies a number of responsibilities for the Fund and Employers.

Performance Standards are held within the following tables:

New Appointments	
Employers' Responsibility	Fund's Responsibility
To ensure that pensions information is included as part of any induction process.	To provide to employers on request appropriate information/forms for inductions.
To provide each new employee with an LGPS booklet and application form, either with their contract or within two weeks of starting work.	To update pension information in accordance with regulatory changes and provide sufficient stock within five weeks of request by the employer.

New Starters	
Employers' Responsibility	Fund's Responsibility
To ensure that all employees subject to automatic admission are brought into the LGPS from the date of appointment, and provide the Pensions Team each month with details of their start date by electronic interface 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</p> <p>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 (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</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 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>

Standards of Data

Overriding Legislation

In performing the role of administering the LGPS, The Fund and Employers will comply with the overriding legislation, including:

- the Occupational Pensions Schemes (Disclosure of Information) Regulations 1986;
- the Pensions Act 1995 & 2004;
- any Transitional Regulations currently in place;
- the Discretionary and Compensation Regulations 2006;
- the Data Protection Act 1998;
- the Freedom of Information Act 2000;
- the Equality Act 2010;
- the Age Discrimination Act 2006;
- the Finance Act 2004;
- Health and Safety Legislation;
- Employment Rights Act 2010;
- HMRC Legislation and
- Current Government Actuaries Department Guidance and any future amendments to the above legislation.

Secure Data Transfer

The Fund will follow Dorset County Council data security guidelines when sending any personal data in bulk.

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

The annual figures for the Fund performance measures across all employers will be monitored by the Pension Fund Committee and reported in the Annual Report.

Audit

The Fund is subject to an annual audit of its processes and internal controls. Employers are expected to fully comply with any requests for information from both internal and approved

external auditors. Any subsequent recommendations will be considered and where appropriate implemented with Employing authority cooperation.

Benchmarking

The Fund will regularly monitor its costs and service performance by benchmarking with other administering authorities. Details of the costs of administration, quality measures and standards of performance will

be monitored by the Pension Fund Committee and a summary will be published in the Annual Report.

Employer Performance Reporting

As part of this Pensions Administration Strategy the Fund will develop, with employer consultation, arrangements for quarterly reporting on key performance measures as shown below.

This approach to reporting will facilitate early engagement with employers and also provide a mechanism for service level review and recognition of best practice.

Poor Performance

The Pension Fund Committee will monitor regularly the key performance measures. The Fund will seek, at the earliest opportunity, to work closely with employers in identifying areas of poor performance, provide the necessary

training and development to put in place appropriate processes to improve the level of service into the future.

In the event of continued poor performance and a lack of any evidence of measures being taken to achieve improvement by an employing authority the Fund will seek to recover any additional costs arising.

The Fund may also charge for other services, details of all the charges that apply are provided in Appendix A.

Any third party costs or regulatory fines incurred by the Fund as a consequence of administrative failures or poor performance by the employing authority will be recovered from the employer. These may include fines imposed by the Courts or the Pensions Ombudsman and additional charges in respect of actuarial fees, legal fees, third party computer charges and additional printing and distribution costs.

Key Performance Indicators 2017-18

Number of complaints received: 5

Top 12 detail - cases completed on time	Completed in period	Performance %	KPI (days)	Cases completed on time or early
Admissions	1,487	91.66	30	1,363
Transfers In Quote	358	83.80	15	300
Transfers In Actual	95	97.89	20	93
Transfers Out	116	91.38	10	106
Transfers Out Actual	72	83.33	10	60
Estimates Employee	424	98.82	15	419
Estimates Employer	289	100.00	15	289
Retirements	993	90.03	5	894
Deferred Benefits	469	94.67	40	444
Refunds	947	88.17	15	835
Deaths	97	100.00	5	97
Correspondence	1,456	98.35	30	1,432
Total	6,803	93.08		6,332

In dealing with poor performance the Fund will:

- write to the employer setting out the area(s) of poor performance;
- meet with the employing authority, to discuss area(s) of poor performance and how these can be addressed;
- issue formal written notice, where no improvement is demonstrated by the employing authority or where there has been a failure to take agreed action by the employing authority;
- make a claim for cost recovery, taking account of time and resources in resolving the specific area(s) of poor performance;
- will report any claim for the cost of recovery to the Pension Fund Committee at the next available meeting and may form part of the administration report in the Fund's published Annual Report.

Associated Policy Statements

Communications Policy

The statement outlines the Fund's policy on:

- Information to members, representatives and employers;
- The format, frequency and method of distributing such information;
- The promotion of the Scheme to prospective members and their employing authorities.

The policy can be accessed on the Dorset County Pension Fund website: www.yourpension.org.uk/Dorset/In-the-Scheme/Publications

Governance Policy

Dorset County Council has delegated to the Pension Fund Committee various

powers and duties in respect of its administration of the Fund.

This statement sets out the scheme of delegation and the terms of reference, structure and operational procedures of the delegation.

The policy can be accessed on the Dorset County Pension Fund website: <https://www.yourpension.org.uk/Dorset/Investments/Responsible-Investment>

Employer Discretions

The LGPS Regulations require every employing authority to:

- issue a written policy statement on how it will exercise the various discretions provided by the LGPS;
- keep it under review;
- revise it as necessary.

A list of the Employer discretions can be found in the Employers Guide:

<https://www.yourpension.org.uk/Dorset/Employers>

Administering Authority Discretions

The LGPS Regulations require every administering authority to:

- issue a written policy statement on how it will exercise the various discretions provided by the LGPS;
- keep it under review;
- revise it as necessary.

A copy of the Dorset County Pension Fund Administering Authority Discretions can be found on the Dorset County Pension Fund website:

<https://www.yourpension.org.uk/Dorset/Scheme>

Local Government Pension Scheme Regulations 2013 Excerpts Related To Pensions Administration Strategy Documents

Exchange of information - Regulation 80

(1). A Scheme employer must -

- a) inform the appropriate administering authority of all decisions made by the employer under regulation 72 (first instance decisions) or by an adjudicator appointed by the Scheme employer under regulation 74 (applications for adjudication of disagreements) concerning members; and
- b) give that authority such other information as it requires for discharging its Scheme functions.

(2). If -

- a) an administering authority makes any decision under regulations 72 (first instance decisions), 75 (decisions of the adjudicator) or 76 (reference of adjudications to administering authority) about a person for whom it is not the Scheme employer; and
- b) information about that decision is required by the person's Scheme employer for discharging that employer's Scheme functions, that authority must give that employer that information if asked to supply it.

(3). Within three months of the end of each Scheme year, each Scheme employer must give a statement to the appropriate administering authority giving the following details in respect of each employee who has been an active member during the Scheme year -

- a) the employee's name and gender;
- b) the employee's date of birth and national insurance number;
- c) a unique reference number relating to each employment in which the employee has been an active member; and
- d) the information relating to the employee for the Scheme year in question for each employment which is specified in paragraph (4).

(4). The information required by paragraph (3)(d) is -

- a) the dates of active membership;
- b) the pensionable pay received and employee contributions deducted while regulation 9 (contributions) applied;
- c) the pensionable pay received and employee contributions deducted while regulation 10 (temporary reduction in contributions) applied;
- d) any contributions by the employer in relation to the employee's pensionable pay;
- e) any contributions by employee or employer under regulation 16 (additional pension contributions);
- f) any contributions by employee or employer under regulation 17 (additional voluntary contributions).

Pension administration strategy - Regulation 59

- (1).** An administering authority may prepare a written statement of the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate ("its pension

administration strategy") and, where it does so, paragraphs (3) to (7) apply.

(2). The matters are -

a) procedures for liaison and communication with employers in relation to which it is the administering authority ("its scheme employers");

b) the establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions by -

- i. the setting of performance targets;
- ii. the making of agreements about levels of performance and associated matters; or
- iii. such other means as the administering authority considers appropriate.

c) procedures which aim to secure that the administering authority and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;

d) procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions;

e) the circumstances in which the administering authority may consider giving written notice to any of its Scheme employers under regulation 70 (additional costs arising from Scheme employer's level of performance) on account of that employer's unsatisfactory performance in carrying out its Scheme functions when measured

against levels of performance established under sub- paragraph (b);

f) the publication by the administering authority of annual reports dealing with -

- i. the extent to which that authority and its Scheme employers have achieved the levels of performance established under sub-paragraph (b), and
- ii. such other matters arising from its pension administration strategy as it considers appropriate; and

g) such other matters as appear to the administering authority after consulting its Scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

(3). An administering authority must -

a) keep its pension administration strategy under review; and

b) make such revisions as are appropriate following a material change in its policies in relation to any of the matters contained in the strategy.

(4). In preparing or reviewing and making revisions to its pensions administration strategy, an administering authority must consult its scheme employers and such other persons as it considers appropriate.

(5). An administering authority must publish -

a) its pension administration strategy; and

b) where revisions are made to it, the strategy as revised.

(6). When an administering authority publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its employers and to the Secretary of State as soon as is reasonably practicable.

(7). An administering authority and its Scheme employers must have regard to the pension administration strategy when carrying out their functions under these Regulations.

(8). In this regulation references to the functions of an administering authority include, where applicable, its functions as a Scheme employer.

Additional costs arising from Scheme employer's level of performance - Regulation 70

- (1). This regulation applies where, in the opinion of an administering authority, it has incurred additional costs which should be recovered from a Scheme employer because of that employer's level of performance in carrying out its functions under these Regulations.
- (2). The administering authority may give written notice to the Scheme employer stating -
 - (a) the administering authority's reasons for forming the opinion mentioned in paragraph (1);
 - (b) the amount the authority has determined the Scheme employer should pay under regulation 69(1)
 - (d) (payments by Scheme employers to administering authorities) in respect of those costs and the basis on which the specified amount is calculated; and

(c) where the administering authority has prepared a pension administration strategy under regulation 59, the provisions of the strategy which are relevant to the decision to give the notice and to the matters in sub-paragraphs (a) or (b).

Interest on late payments by Scheme employers - Regulation 71

- (1). An administering authority may require a Scheme employer or former Scheme employer from which any payment is due under regulations 67 to 70 (employer's contributions or payments) is overdue to pay interest on that amount.
- (2). The date on which any amount due under regulations 67 (employer's contributions), 68 (employer's further payments), 70 (additional costs arising from Scheme employer's level of performance) is overdue is one month from the date specified by the administering authority for payment.
- (3). The date on which any amount due under regulation 69 (payment by Scheme employers to administering authorities) (other than an extra charge payable under regulation 68 and referred to in regulation 69(1) (b)) is overdue is the day after the date when that payment is due.
- (4). Interest payable under this regulation must be calculated at one per cent above base rate on a day to day basis from the due date to the date of payment and compounded with three-monthly rests.

Overriding legislation dictates minimum standards that Pension Schemes should meet in providing certain pieces of information to the various associated parties - not least of which the Scheme member.

Appendix A - Charging Schedule

	Charge
Failure to notify the Fund of new starters with full information within 1 month of their start date	£50 per case
Failure to notify the Fund of changes in status, conditions of service and absence of employees within 1 month of the change	£50 per case
Failure to notify the Fund of any member leaving the Scheme (termination of employment or opting-out) within 1 month of the event	£50 per case
Failure to notify the Fund of any retirement within 15 days of retirement date	£50 per case
Where as a result of the Employer's/Payroll Providers failure to notify the Fund of a retirement interest becomes payable on any lump sum or death grant paid, the Fund will recharge the total amount of interest to the Employer/Payroll Provider	Interest calculated in accordance with Regulation 71 of the LGPS Regulations 2013
Failure to notify the Fund of the death in service of a member within 10 working days of the Employer receiving notification	£250 per case
Failure to pay over the monthly contributions to the Fund by the 19th of the month following deduction of the contributions	Interest calculated on a daily basis equal to the Bank of England Base Rate plus 1%
Failure to provide the Fund with the End of Year contribution return by 15th May or 8th May in a Valuation year	£50 per working day from day after required date to date return is received
Failure to respond to requests for End of Year information to resolve queries within 15 working days of Fund request	£50 per query
Estimate requests in excess of 1 required in a rolling year	£100 per estimate request plus VAT per additional request
Failure to pay invoices from the Fund within the prescribed payment period	Interest calculated on a daily basis equal to the Bank of England Base Rate plus 1%

Notes to Charging Schedule

- Notifications of new starters, changes, absences, leavers, retirements and death in service must give full information as detailed in the Employer's Guide: **www.yourpension.org.uk/Dorset/Employers**
- Regulation 71 of the LGPS Regulations 2013 states that interest must be calculated at one per cent above base rate on a day to day basis from the due date to the date of payment and compounded with three-monthly rests. If late payment of a lump sum or death grant occurs as a result of a failure by the scheme member or scheme member's representative to provide the information to the Fund, the Fund will be liable for the payment of any interest due.

Contact details

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Appendix 6

Compliance with Myners' Principles

Principle 1: Effective Decision Making

Administering authorities should ensure that

- Decisions are taken by person or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation;
- Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest;
- All compliant except:

Compliance:	Mainly Compliant
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CIPFA Guidance	Creation of a Business Plan.
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Dorset Practice	A business plan is under consideration.
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Principle 2: Clear Objectives

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.

- All compliant except:

Compliance:	Mainly Compliant
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CIPFA Guidance	Understanding transaction Related Costs.
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Dorset Practice	Transaction related costs are reported in the Pension Fund Annual Report.
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Principle 3: Risk and Liabilities

- 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.
- All compliant except:

Compliance:	Mainly Compliant
CIPFA Guidance	Policy on underperformance.
Dorset Practice	Underperformance is closely monitored but there is no specific policy nor are tolerance parameters set.
CIPFA Guidance	Standards of internal control.
Dorset Practice	Audit reports are used to satisfy committee on internal controls.
CIPFA Guidance	Reporting risk assessments.
Dorset Practice	An overall risk assessment is not included in the Pension Fund Annual Report.

Principle 4: Performance Assessment

- 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 the scheme members.
- All compliant except:

Compliance:	Mainly Compliant
CIPFA Guidance	Committee performance self-assessment and reporting.
Dorset Practice	Self-assessment is under consideration.

Principle 5: Responsible Ownership

Administering authorities should:

- Adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Investment Strategy Statement (ISS) on the responsibilities of shareholders and agents'.
- Include a statement of their policy on responsible ownership in the ISS; and
- Report periodically to scheme members on the discharge of such responsibilities.

Compliance:

Fully Compliant

Principle 6: Transparency and Reporting

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.

Compliance:

Fully Compliant

Appendix 7

UK Stewardship Code Principles - Statement of Compliance

On 2 July 2010 the Financial Reporting Council (the FRC) published the UK Stewardship Code (the Code). The Code sets out good practice for institutional investors when engaging with the UK listed companies in which they invest.

The purpose of the Code is to improve the quality of corporate governance by promoting a better dialogue between shareholders and company boards, and more transparency in the way in which investors oversee the companies they own.

The FRC and the National Association of Pension Funds (NAPF) encourage all institutional investors to report on the extent to which they follow the Code, as a stronger corporate governance culture is conducive to protecting and enhancing the value of investments.

The Dorset County Pension Fund takes its responsibilities as a shareholder seriously. It seeks to adhere to the Stewardship Code, and also encourages its appointed asset managers to do so.

Principle 1: The fund should publicly disclose policy on how it will discharge stewardship responsibilities.

The Fund's approach to Governance is stated in the published Investment Strategy Statement (ISS). The Fund's policy is to apply the Code both through its arrangements with its asset managers

and through membership of the Local Authority Pension Fund Forum (LAPFF).

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

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

Appendix 8

Voting Issues Policy

Summary of Voting for the year ended 31 March 2018

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.

- 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. To manage the voting process Proxy Voting services are provided by ISS for the UK equity portfolio and by Allianz, Investec and Wellington, the Fund's global equities managers.
- 1.2 The Fund is also a member of the Local Authority Pension Fund Forum (LAPFF) which researches into areas of corporate governance, and social responsibility. It is possible to override any decision made by ISS in light of information which may be received from the LAPFF.
- 1.3 The Voting Policy of the Dorset Fund applies to those assets

managed in segregated accounts by the Internal Manager, Allianz, Investec and Wellington. However, the equities managed by AXA Framlington and Schroders in the UK, and JPMorgan 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 2018, there were 6,361 individual votes on the UK portfolio, and ISS voted against 142 and abstained on 31 of the resolutions during this period. A summary of the Fund's UK voting activity for the year ended 31 March 2018 is shown on page 133 in this report. In addition, there were 5,680 individual votes on the global equities portfolio, and the Fund's managers voted against 263 and abstained on 42 of the resolutions during this period.
- 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 2018 for the UK portfolio there were 76 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, chairman at more than one UK listed company (e.g. Bodycote Plc or the appointment of a non-independent member of the remuneration committee (e.g. Fresnillo Plc).
- 1.7 In addition there were 74 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 or transparent, for example, significant salary increases for executive directors not explained in detail (e.g. JD Sports Plc) and a stock plan granted to chairman/independent non-executive directors not explained in detail.
- 1.8 Each pooled manager was asked for details of voting activity in the year 2017-18, examples of instances in which they had concerns about companies in which the fund held shares, and how these concerns were addressed. They were also asked whether they were collaborating with other investors in respect of these issues, and details of responses are included on page 132 to this report.

Voting Issues Policy

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

This summary concerns 392 Individual Company meetings at which there were 6,361 Proposed Resolutions.

Market	Votable Meetings	Voted Meetings	Percentage
Bermuda	2	2	100%
Canada	2	2	100%
Cayman Islands	1	1	100%
Germany	1	1	100%
Guernsey	14	14	100%
Ireland	7	7	100%
Isle of Man	10	10	100%
Jersey	19	19	100%
Luxembourg	1	1	100%
Switzerland	1	1	100%
United Kingdom	334	334	100%
Total	392	392	

Proposal	Voted For	Voted Against	Abstained	Total Votes
Takeover/Reorganisation/Merger/Disposal	301	9	0	310
Capitalisation/Share Capital	1,233	1	0	1,234
Directors	2,679	53	23	2,755
Salary and Compensation	572	70	4	646
Environmental, Social and Governance	0	2	0	2
Routine/Business	1,403	7	4	1,414
Total	6,188	142	31	6,361

Summary of Engagement by Pooled Fund Managers

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 example of their approach:

Safestore

Safestore withdrew resolutions in relation to an amended remuneration structure at their 2017 AGM. The company then wrote to us in June to outline the Committee's work since the AGM. The Committee has reflected on all the feedback received and current investor sentiment around executive pay. They have spent considerable time with their largest shareholder and in the process have re-shaped the proposed Remuneration Policy ahead of putting the proposal to all shareholders at a general meeting in July 2017. The key elements of the proposed Policy and the pertinent changes since the AGM, are as follows:

- Salary and benefits remain at low levels during the policy period, including a commitment not to increase Director salaries beyond average raises across the Group and a reduction of the maximum pension contribution under the policy from 20% to 10%;
- Strategic and operational measures have been introduced under the Annual Bonus plan, with an overall reward opportunity of 150% of salary;
- Executive Director award levels under the 2017 LTIP have been reduced by 20% and the threshold EPRA EPS target has been strengthened to 6% p.a. from 5% p.a. Maximum awards pay out at 12% p.a. EPS growth over the five-year measurement period, which is deemed exceptional performance given the current stage of business; and
- Market leading shareholding guidelines of 1,000% for the CEO and 350% for the CFO ensure a long-term alignment between the shareholders and management in the light of the higher quantum of equity awards.

Imagination Technologies

We had a call with Imagination Technologies' CFO for an update on human capital management and cyber-security. The business has suffered significant restructuring over the past year and Apple, one of their main customers, has reviewed their contract for the coming years. According to the CFO, human capital has improved substantially since he joined the business 18 months ago. The key improvements have been: a large increase in employee communications (weekly and monthly updates from the CEO), introduction of bonus schemes, more training and, a new HR director with engineering experience. As a key outcome, attrition levels have halved. Regarding cyber, the CFO recognises it is an important topic, but they are also less exposed than other technology businesses. Still, the company has taken cyber-security insurance and have commissioned detailed cyber audits last year.

Investor engagement following regulatory changes

We engaged with eight portfolio holdings as part of a wider engagement project to ensure that companies remain open to investor dialogue following regulatory changes. We wrote to our Pan European holdings to highlight the corporate access issues that Schroders is facing given the regulatory changes on the horizon, particularly MiFID II. Due to the interaction we have with companies in which we invest, and especially because of our stewardship responsibilities as major shareholders in companies across global equity markets, this is a significant issue. Historically we have had a dialogue with companies through direct contact and third party intermediaries (mainly stock brokers). However the traditional

broker service provision is changing due to increased payment expectations and regulatory scrutiny. As a result we are pursuing additional methods of contact which include more direct contact with investor relations. 'corporate access networks' and 'direct access networks'. Some of these 'new intermediaries' have different business models. Companies have control of who they meet through IR and corporate access networks. Direct access networks allow requests to be submitted directly by investors. We asked companies to recognise and engage with these alternative platforms to ensure that long term fundamental investors, such as ourselves, can continue our relationships with companies throughout Europe. We are sympathetic to the competitive and regulatory challenges they face but want to ensure that looking forward we are able to maintain the close relationships that we have with the companies in which we invest. We recognise that this is

particularly relevant to smaller companies who may not have a separate IR function.

AXA Framlington

Summary of Voting year ended 31 March 2018

Voting at company meetings is an important part of the dialogue between a company and its shareholders, and, as asset managers, it is a fundamental aspect of our fiduciary duty towards our clients. During 2017-18 AXA Investment Managers voted at 5,814 General Meetings globally and voted against or abstained on at least one resolution at 2,275 General Meetings, a dissent rate of 39% relative to the recommendations of company boards.

At the fund level, we voted on 1,010 individual resolutions proposed at 70 General Meetings. The voting summary is as follows:

Meeting Type	Total Meetings
Annual General Meeting	59
Special Meetings	10
Court Meetings	1
Total	70

Proponent	Total Resolutions
Management	1,008
Shareholder	2
Total	1,010

Proposal	Voted For	Voted Against	Abstained	Total Votes
Accounts and Auditors	160	0	0	160
Meeting Formalities	4	0	0	4
Articles of Association	5	0	0	5
Dividends	41	0	0	41
Capitalisation/ Share Capital	220	0	0	220
Directors	419	1	1	421
Environmental Issues (Shareholder Resolutions)	0	1	0	1
Remuneration	90	1	2	93
Reorganisation/Merger/Disposal	4	0	0	4
Routine/Business	61	0	0	61
Total	1,004	3	3	1,010

Summary of Engagement

AXA Investment Managers hold regular discussions with the board and management of investee companies as part of the regular investor relations programme. We also hold additional engagement and monitoring meetings with investee companies in line with our responsibility to be good stewards of companies held on our clients' behalf. These meetings are an opportunity to discuss and clarify any emerging concerns including on environmental, social and governance matters in line with our Responsible Investment approach.

Our engagement priorities during the relevant period include:

- **Mitigation of Carbon and Climate Risks:** We continue our engagement with relevant companies in the Oil and Gas, Mining and Utilities sector on their climate change strategy directly and also as part of the Institutional Investors Group on Climate Change (IIGCC) coordinated collaborative engagement.
- **Corporate Lobbying:** We have been meeting with companies in the automobile sectors on their preparedness to meet emerging emissions regulations that will impact on the long-term performance of these companies and, which if not properly managed, has material risks for investors in that sector.
- **Human Rights in the Extractives Sector:** The objective of this engagement is to encourage companies in the Oil and Gas and Mining sectors to enhance the implementation of the UN Guiding Principles on Business and Human rights within their strategy and business

operations and to improve the level of disclosure on their policy and process for managing these risk issue.

- **UN Global Compact Engagement:** We have a structured and long-term engagement with companies whose practices demonstrably are in breach of one or more of the principles of the UN Global Compact and where the Company has not taken action to correct the breach.
- **Diversity:** We strongly believe that the ability of a board to adequately conduct its oversight responsibilities depends on it having the right mix of directors with relevant skills, backgrounds and experience. This naturally points to the important benefits that diversity can have on the long-term success of companies. We have been engaging with boards to promote diversity, both at the leadership level and throughout the company.

Discussing diversity is now a standard agenda item and the tone regarding diversity issues, particularly in terms of gender representation at board level, is very positive. While we will continue to push for diversity at board level, we understand that gender diversity should also include internal progression within companies to combat the hourglass effect. This is where there is a broad gender balance at the bottom of an organisation but decreases up the hierarchy of senior management, before improving again at board level.

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

Company	Issue	Action
Amryt Pharma Plc	Strategy and Performance	Discussions on company strategy and need for capital with respect to placing.
BP Plc	Climate Change	Ongoing engagement asking the company to improve disclosure around strategy and mitigation in relation to the 2 degree global warming targets of COP 21 and general climate change risks.
ECO Animal Health Group Plc	Sucession Planning	Discussion with the Board on balance and composition, as the company continues to grow.
Hunting Plc	Remuneration	Discussions with Board on company strategy and alignment of the remuneration policy with performance.
Royal Dutch Shell Plc	Climate Change	Ongoing engagement asking the company to improve disclosure around strategy and mitigation in relation to the 2 degree global warming targets of COP 21 and general climate change risks.
Weir Group Plc	Remuneration	Discussions on the Company's remuneration policy and practices and alignment with long-term shareholder interests.

For further information on our responsible and stewardship activities, please see our Annual Responsible Investment Report.

Appendix 9

Knowledge and Skills

There is a requirement for all those involved in the management and oversight of public sector pension funds (whether members of officers) to ensure they achieve the level of knowledge and skill necessary for performing their duties and responsibilities effectively.

Dorset County Pension Fund recognises the importance of ensuring that it has the necessary resources to discharge its pensions administration responsibilities and that all staff and members charged with the financial administration, governance and decision-making with regard to the pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.

The Dorset County Pension Fund seeks to utilise individuals who are both capable and experienced and it will provide/arrange training for staff and members of the pensions decision-making and governance bodies to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

Training is arranged, monitored and reported to the Pension Fund Committee annually. Over the past twelve months, the Committee have had full training made available and 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.

Appendix 10

Committee Training Policy

The Chartered Institute of Public Finance and Accountancy (CIPFA) identifies eight core areas of technical knowledge and skills for those working in public sector finance. They are:

- Pension Legislation
- Public Sector Pensions Governance
- Pensions Administration
- Pensions Accounting and Audit Standards
- Financial services procurement and relationship management
- Investment performance and risk management
- Financial Markets and Product Knowledge
- Actual methods, Standards and Practices.

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.

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

Ref: 1060 September 2018)