

# Minutes

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Meeting: Local Pension Board for the Dorset County Pension Fund

Time: **2.00 pm**

Date: **Wednesday 6 December 2023**

Venue: Teams Meeting

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## **Present:**

Richard Bates	Chair
Mary O’Sullivan	Employer Representative
Neal Butterworth	Employer Representative
Cllr David Shortell	Employer Representative
Adam Richens	Employer Representative
James Stevens	Member Representative
Jon Bird	Member Representative
Jonathan Stiby	Member Representative
James Sheehy	Member Representative

## **Officer Attendance:**

David Wilkes	Service Manager for Treasury and Investments
Sean Cremer	Corporate Director Finance & Commercial
Vince Elliott	Employer Relationship & Communications Manager
Stephanie Clifton	Employer Relationship & Communications Manager

## **Managers, Advisors and Others Attendance:**

Andy Canning	Chair of the Pension Fund Committee
James Ailward	Head of ICT Operations, Dorset Council

## **1. Apologies for Absence and Introductions**

1.1. Advance apologies received from:

- Karen Gibson Service Manager for Pensions

## **2. Board Membership Update**

- 2.1. The Chair welcomed new Employer Representative, Neal Butterworth to the board. Neal has replaced Julie Strange as Dorset Police’s representative.
- 2.2. The Chair also thanked Julie Strange for her service as an Employer Representative.

## **3. Declarations of interest**

- 3.1. None

#### 4. Minutes and matters arising from previous meeting

4.1. The minutes from the September 2023 meeting were read and agreed.

#### 5. Cyber and Technical Security

James Ailward, Head of ICT Operations for Dorset Council, gave a presentation on Dorset Council's approach to cyber security.

5.1. A Member Representative asked whether Pension Fund's systems are subject to penetration testing. James Ailward said that penetration testing is always done for any systems that Dorset Council have responsibility for hosting or providing access through Council infrastructure. The only exception might be if the Pension Fund contracts directly for something outside of Dorset Council which has a hosted function, rather than an entirely internal function, but he would expect to work with the pensions team to think about how to do penetration testing to gain the same assurances.

5.2. A Member Representative asked whether Dorset Council had cyber security insurance. James Ailward said that they do not as it is a very difficult thing to scope out in terms of what you're trying to insure. In effect, Dorset Council will underwrite itself.

#### 6. LGPS Administration report

Stephanie Clifton, Employer Relationship & Communications Manager, gave an update on the [Pensions Administration Report](#) provided to the Pension Fund Committee on 29 November 2023.

##### 6.1. Key Performance Indicators (KPIs)

6.1.1. The KPI report for the period can be viewed here: [KPI report](#).

6.1.2. There is continued improvement in key areas such as retirements, retirement quotes and estimates, and consistently good performance in all areas where members are impacted. Over 1000 more cases were completed than in the previous period. This is partly due to the new staff members becoming more experienced in their roles.

6.1.3. A Member Representative asked why the deferred benefits had a longer average working time compared of all the others. This was due to a large backlog of deferred benefits caused when the department was understaffed. Deferred benefits cases were something that were put to aside to do later because there's no detriment to the Member. These are now being picked up, but unfortunately, this means they're already over the KPI. However, any new cases are being dealt with within the KPI.

6.1.4. Going forward, it is important to understand the potential impact of the work required by the McCloud remedy on the KPIs for the next 12 to 18 months.

6.1.5. An Employer Representative asked whether the KPI table could show the figures for the previous period for comparison. It appears that this was an oversight in the details published at the Committee meeting, so can easily be provided.

**Action:** Ensure KPI details show previous period and provide at future meetings.

## 6.2. McCloud Update

- 6.2.1. The McCloud regulations came into force on 1 October 2023. These regulations implement the McCloud remedy and change the existing underpin to ensure it works effectively and consistently for qualifying members.
- 6.2.2. The complexities of these new provisions and of the underpin calculation have meant that we have been unable to update our software to meet the new requirements. A decision was made after discussions with managers, the software provider, and our Project Manager (AON) to wait until the software can deliver more accurate and reliable calculations.
- 6.2.3. We were expecting to receive the software and put it into our test system by the end of November, but this didn't happen. It is expected by mid-December, and we are anticipating it going into the live system in January. Until this is in, it means we cannot calculate benefits using the new McCloud underpin. We continue to work closely with our software supplier to ensure this is addressed as soon as possible.
- 6.2.4. Once the software is in place, we will need to re-visit all benefits paid since 1 October to ensure underpin calculations for members in scope for the remedy are calculated and benefits adjusted where needed. Following that, the rectification work will start. This is the re-calculation of all benefits paid since 1 April 2014. This is a substantial task, looking at 1000s of work items including retirements, death benefits, deferred benefits, and transfers. The LGA are going to issue some guidance on which work should be prioritised, but it is anticipated that very few members will actually see any changes to their benefits.

## 6.3. McCloud Member Communications

- 6.3.1. Under the requirements of the Occupational and personal pension Schemes (Disclosure of Information) Regulations 2013, the fund is required to notify active, deferred, pensioner, and pension credit members of regulation changes within three months of the change. Therefore, the Fund will issue the required notice to all relevant members by the end of December 2023. This will be a written communication to their home address. All active members, but only those pensioner and deferred members who are in scope for the remedy, will be included.
- 6.3.2. The letter basically explains what the project is about, and that no action is required by the member as they will be contacted should there be any changes to their benefits.

## 6.4. LGPS statistics for England and Wales

- 6.4.1. The Department for Levelling Up, Housing and Communities (DLUHC) published the [LGPS statistics for England and Wales: 2022 to 2023](#).

Highlights include:

- Total expenditure was £15.2 billion, an increase of 5.1% on 2021/22
- Total income was £17.3 billion, an increase of 7.8% on 2021/22
- Employers' contributions amounted to £8.4 billion, an increase of 7.8% on 2021/22

- Employee contributions were £2.8 billion, an increase of 9.5% on 2021/22
- The market value of the LGPS funds as of March 2023 was £357.2 billion, a decrease of 1.9%
- There were 6.2 million scheme members on 32 March 2023: 2 million active members, 1.9 million pensioners, and 2.3 million deferred members
- There were 87,129 retirements, a decrease of 8% compared with 2021/22

## 6.5. Pensions Dashboard

- 6.5.1. The Pensions dashboard Programme (PDP) has published a [blog addressing some of the common dashboard questions](#).
- 6.5.2. 31 October 2026 is the date by which all pension providers and schemes in scope must have connected to the pensions dashboards. LGPS is expected to be onboard by September 2025.

## 6.6. September 2023 CPI rate announced

- 6.6.1. On the 8 October 2023, the Office for National Statistics announced the Consumer Prices Index (CPI) rate of inflation for September 2023 as 6.7%. Government policy in recent years has been to base pension increases on the rate of CPI in the September of the previous year.

## 6.7. McCloud – Annual Benefit Statements 2023 to 2025

- 6.7.1. The Pensions Regulator (TPR) has published [guidance on annual benefit statements \(ABS\) for 2023 to 2025](#) for public sector schemes.
- 6.7.2. TPR has said that they would expect annual benefit statements to reflect members' McCloud underpin by 2025 but accepts meeting the disclosure requirements due to the McCloud remedy may be challenging. As a result, they will take a risk based, practical approach when assessing ABS breaches during this period.
- 6.7.3. We would like to do this by 2024, but it is unlikely the software will be in place to allow it. So, in 2024 we intend to include a member's service history on the statements so they can check and let us know of any other pension rights that they might have that aren't on the record.
- 6.7.4. An Employer Representative asked whether other funds are in a similar position to Dorset. The answer is that yes, most funds are. Some funds have installed software, but it does not appear to be working correctly. Dorset have tested the software but found too many errors, so have decided to not install it into the live system until they are happy that it is working correctly.

## 7. Papers from the Pension Fund Committee

Items on the agenda of the Pension Fund Committee meeting held on 29 November 2023 were reviewed: [Pension Fund Committee Meeting 29 November 2023](#)

It was noted that the Pension Fund Committee meetings can now be viewed live, or a

recording watched later, on [YouTube](#).

## 7.1. Questions

7.1.1. There were no questions from the public,

## 7.2. Brunel Pension Partnership Quarterly Report

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

7.2.1. Inflation was coming down but not as quickly as expected and although interest rates may have peaked, they were not expected to fall any time soon which had a negative impact on growth and quality stocks. The oil price had increased by about 20% over the quarter which meant that energy was the best performing sector. All Brunel portfolios were under-weight in this sector because of climate change policies.

7.2.2. Performance in listed markets was driven by a few very large stocks, Alphabet, Apple, Meta, Microsoft, Nvidia and Tesla. The performance of each of Brunel's listed markets portfolios had therefore become largely dependent on how much the portfolio was over or under-weight on the benchmark index in these companies.

7.2.3. It was acknowledged that Brunel had faced a particularly challenging series of events, but the Committee are looking for an improvement in performance over the next couple of years and if that improvement did not materialise other options would need to be considered.

## 7.3. Brunel Governance/ Scheme Advisory Board Update

Cllr John Beesley gave an update in his capacity as the Committee's representative on the Brunel Oversight Board (BOB) and as a member of the Scheme Advisory Board (SAB) for the Local Government Pension Scheme (LGPS).

7.3.1. The government's response to the consultation on the future of LGPS investments was published on the date of the Chancellor of the Exchequer's Autumn Statement, 22 November 2023.

7.3.2. The key element of the government's proposals was an ambition for the investment pools to be consolidated into a fewer number of pools and with assets under management of on average £200 billion. To give this some kind of context, the Brunel Partnership, which covers 10 LGPS funds, is currently in the region of about £35 billion.

This is suspected to be driven by government concerns that its ambitions for 'levelling up' and private equity investment would not be met from the existing pooling arrangements. Such a consolidation would be hugely disruptive and costly, and it was unclear if this would be the right course of action.

7.3.3. The potential impacts for the pension fund would be discussed in more detail at future meetings of the Committee.

7.3.4. An Employer Representative asked if the expected savings of pooling with the Brunel Partnership had been made. The Service Manager for Treasury and Investments said that they had. There has also been a saving in the fees that were being paid individually as a small fund compared to the shared cost of fees for a medium sized fund.

- 7.3.5. An Employer Representative asked what the future would hold for Dorset County Pension Fund if the Government continues its push to bigger funds. The Service Manager for Treasury and Investments said that this was about investments rather than combining pension funds, but the risk is that Dorset may lose their say in a bigger pool.

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

The quarterly [report](#) from Steve Tyson of the Apex Group (formerly MJ Hudson), the pension fund's Independent Investment Adviser, that gave views on the economic and market background to the pension fund's investments, the outlook for different asset classes and key market risks.

- 7.4.1. It had been a negative quarter for most stock markets except the UK. Inflation had begun to fall and interest rates had stabilised, but it wasn't clear when they might fall and how quickly.

#### **7.5. Fund Administrator's Report**

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

- 7.5.1. The value of the pension fund's assets at 30 September 2023 was £3.5 billion, which was unchanged from the start of the financial year, with just over three quarters of assets by value now under the management of Brunel.
- 7.5.2. The pension fund's Investment Strategy Statement (ISS) had been updated to reflect the changes to strategic asset allocations agreed at the June 2023 meeting.
- 7.5.3. It was discussed whether the ISS should include an explicit Net Zero emissions target of 2050 to align with Brunel's climate change policy and Dorset Council and BCP Council's targets for their respective local areas. The committee were generally supportive in principle of this, but there were some concerns raised as to whether at some point in the future that might clash against the fiduciary duty to scheme employers. A statement on the pension fund's position regarding a Net Zero emissions target will be drafted for further consideration by the Committee.

#### **7.6. Pension Fund Annual Report**

- 7.6.1. The Pension Fund Annual Report for 2022-23 has been published and will be available on the pension fund's website.
- 7.6.2. The report of the independent auditor on the financial statements for 2022/23 had not been received but it would be circulated to members of the Committee when received. The final audit reports and opinions for 2020/21 and 2021/22 were still outstanding also. A decision was made to publish the annual report in draft unaudited format.
- 7.6.3. The delay in receiving the audit reports has been a source of frustration for the Council and for scheme employers. The Corporate Director Finance & Commercial said that the Council officers are taking this seriously and have weekly meetings with the auditors.

### **7. LGPS Online Learning Academy**

The Employer Relationship & Communications Manager gave an overview of the new

training resource available to Board members.

- 7.1. The LGPS Online Learning Academy (LOLA) has been developed by Hymans Robertson (an actuarial firm that also provides the Fund's website [www.dorsetpensionfund.org](http://www.dorsetpensionfund.org)) and provides online training modules specifically aimed at pension board and committee members.
- 7.2. LOLA is easy to navigate and contains a number of modules each covering different subjects and includes training videos and knowledge tests. Users can track their progress and download certificates once a module is complete.
- 7.3. LOLA will also be updated regularly with modules and videos relating to current issues.
- 7.4. Board members will be provided log-in details and links to LOLA directly from Hymans Robertson following the meeting.

## **8. Risk Register**

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

- 8.1. Since the last board meeting, the risks on the register had been reviewed by the Team Managers in the pensions area and by the Fund Accountant but no new risks were identified.

## **9. Any other Business**

- 9.1. None

## **10. Meeting closed at 15:40**

## **11. Date of next meeting – 3 April 2024**

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