

# Minutes

---

Meeting: Local Pension Board for the Dorset County Pension Fund

Time: **2.00 pm**

Date: **Wednesday 25 September 2024**

Venue: Teams Meeting

---

**Present:**

Richard Bates	Chair
Adam Richens	Employer Representative
David Taylor	Employer Representative
Liz Bishopp	Employer Representative
James Stevens	Member Representative
Jon Bird	Member Representative
Mary O'Sullivan	Member Representative
Jonathan Stiby	Member Representative

**Officer Attendance:**

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

**Managers, Advisors and Others Attendance:**

Adrian Felgate	Pension Fund Committee Member
Andy Canning	Pension Fund Committee Chair
Ian Howse	Deloitte

**1. Apologies for Absence and Introductions**

1.1. Advance apologies received from:

- Neal Butterworth      Employer Representative

**2. Board Membership Update**

2.1. The chair welcomed Liz Bishopp to the board as a new Employer Representative.

**3. Declarations of interest**

3.1. None

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

4.1. The minutes from the [July 2024](#) meeting were read and agreed.

## 5. Papers from the Pension Fund Committee

Items on the agenda of the Pension Fund Committee meeting held on 17 September 2024 were reviewed: [Pension Fund Committee Meeting 17 September 2024](#)

It was noted that the Pension Fund Committee meetings can now be viewed live, or a recording watched later, on [YouTube](#).

### 5.1. Questions

5.1.1. There were no questions from the public.

### 5.2. Independent Auditor's Report 2021/22

The Committee considered the pension fund's independent auditor's [report for 2021/22](#). Presented by Ian Howse, Audit Partner, Deloitte LLP

5.2.1. When the pension fund's annual report for 2021/22 was approved for publication by the Committee at its meeting 29 November 2022 it was noted that, as part of the wider delay nationally in the completion of local government audits, the report of the independent auditor regarding the financial statements included in the annual report had not been received. This has now been received, and states that they will be issuing an unqualified audit opinion on the financial statements of the pension fund for 2021/22 and does not identify any substantive matters. The Service Manager for Treasury and Investments added that Dorset Council's man audit is not finished either.

5.2.2. An Employer Representative asked if there was any reflection in the Committee of the poor performance of Deloitte in undertaking this audit. The Chair of the Pension Fund Committee said the Committee, along with the Section 151 Officer, made it very clear that they were very disappointed by the delay and the problems caused to both the Fund and the Council.

5.2.3. The Employer Representative said they had separately raised a formal complaint with Deloitte. He was told that he would receive a formal response when all was concluded, but as yet has not received one. Ian Howse said he would follow up on this.

### 5.3. Brunel Governance/ Scheme Advisory Board Update

Cllr John Beesley, the pension fund's representative on the Brunel Oversight Board (BOB), and also a member of the LGPS Scheme Advisory Board (SAB), updated the Committee on governance matters relating to investment pooling

5.3.1. A 'call for evidence' was published by the government 4 September 2024 inviting responses by 25 September 2024 from interested parties to inform the first phase of its Pensions Investment Review. The aim of this first phase was to "boost investment, increase pension pots and tackle waste in the pensions system".

5.3.2. A response has been submitted by Dorset in consultation with Brunel and the nine other client funds. The Board were given a copy of the response along with a response from Barnett Waddingham, the Fund Actuary.

5.3.3. The key message was that a big structural change such as further consolidation of pools and/or funds within the LGPS would be a costly and time-consuming distraction from the government's goal of seeing more investment in the UK.

- 5.3.4. It was also highlighted that Dorset does actually have quite a significant level of investment in the UK already, and that pension funds invest less in the UK than in the past partly due to diversification, and also that the UK has not performed as well as global markets. The Fund is open to opportunities to invest in the UK, but they have to be consistent with the fiduciary duty to our scheme members and employers.
- 5.3.5. A Member Representative said they were surprised that the response did not 'beef up' the objection to the governments proposals. The Service Manager for Treasury and Investments said there seems to be a feeling from those that have had discussions with government that they have an end goal in sight. They have already decided what the outcome is likely to be, and are looking for evidence that will support that and not anything else.

The response is about trying not to just come across as negative by saying that this will never work, but instead trying to steer them in the direction of incentives. Properly structured incentives for funds to invest in the UK would be something that the Fund would welcome. If requirements are set, then that becomes a very different question and would perhaps elicit a less diplomatic response.

- 5.3.6. An Employer Representative said that this sounds like political interference and asked, given the Fund's fiduciary duty, whether the Government would underwrite any failing or poor investments they push funds into? The Service Manager for Treasury and Investments said that it would be highly unlikely.

#### **5.4. Pension Fund Investments**

The quarterly report on the value and performance of the pension fund's investments.

- 5.4.1. The value of the pension fund's assets at 30 June 2024 was £3.9 billion. The total return from the pension fund's investments over the quarter to 30 June 2024 was 1.1%, compared to the combined benchmark return of 2.1%. The total return for the year to 30 June 2024 was 11.0% compared to the benchmark return of 13.2%.
- 5.4.2. The quarter had not been particularly good for Brunel. The performance of the so-called 'magnificent seven' mega-cap stocks (Apple, Amazon, Alphabet, Meta, Nvidia, Microsoft and Tesla) continued to dominate equity markets which represented a significant concentration risk. The relative performance of Brunel's portfolios, and active managers more generally, had been largely determined by their exposure to these stocks relative to the benchmark.
- 5.4.3. The Committee approved an amendment to the Investment Strategy Statement to include an explicit net zero emissions target for 2050. This is something that was discussed by the previous Committee prior to the Dorset Council's elections in May. It is now formally included in the strategy, but it is caveated around being consistent with fiduciary duty and the latest scientific thinking.

## **6. LGPS Administration report**

The Service Manager for Pensions gave an update on the [Pensions Administration Report](#) provided to the Pension Fund Committee on 17 September 2024.

## 6.1. Key Performance Indicators (KPIs)

- 6.1.1. The KPI report for the period can be viewed here: [KPI report](#).
- 6.1.2. Performance against Key Performance Indicators (KPIs) continued to be good despite difficulties with the McCloud remedy.
- 6.1.3. A Member Representative asked why only 4 McCloud processes were completed in this period, compared to 1158 in the previous period. The Service Manager for Pensions said that the work in the previous period was specifically carried out as a sort of project in preparation for the implementation of the McCloud software. These updates are now completed, so a record will now only be updated if we receive something like a transfer.

## 6.2. McCloud Update

- 6.2.1. Meetings have been held with Civica, our software provider, to discuss the continuing delays in the delivery of the system changes required to meet the new LGPS regulations published in October 2023. The Chair of the Local Pensions Board, and the Corporate Director Finance and Commercial attended these meetings.
- 6.2.2. Despite concerns raised by Dorset and other funds, Civica have been unable to bring forward the delivery times for the remaining developments. The delay means that key software will be delivered in two stages into our test environment in October 2024 and January 2025. This will create a surge in work around testing, rectification and addressing the non-compliant cases that have occurred since 1 October 2023.
- 6.2.3. As a result, rectification work will now be in two stages. Originally it was going to be the rectification back to 2014, now there is also the rectification back to 1 October 2023. What that means is that we're going to be hit with an enormous wave of work next year because MHCLG have said we have to get this rectification work done by 31 August 2025. The timescales for software delivery set out by Civica could result in funds not being able to meet this statutory deadline. It also means that the vast majority of work for the fund comes in a Valuation year, and a year in which connection to the Pensions Dashboard is required.
- 6.2.4. A further consequence is that the plan to bring pensioner payroll in from Dorset Council will need to be delayed. Bringing in the payroll is a huge project, and one that we have to be cautious about because you don't want any impact to Members, particularly pensioners, in regard to their income.
- 6.2.5. An Employer Representative asked if there were any penalties to the Fund for not meeting statutory deadlines, and whether Civica would be compensating the fund for the additional work caused by them failing to deliver. The Service Manager for Pensions said that there is no fine for not meeting the deadlines, it is more reputational, and that if the deadlines were missed we would self-report to the Pensions Regulator. Discussions have taken place with Civica about additional costs as a result of this delay, and they have said that they would meet any specific costs. The trouble is that because they are resource costs, they are not as tangible as a financial penalty, so it makes it difficult to quantify.

- 6.2.6. An Employer Representative asked if a member has to be paid arrears, could there be interest payable due to the delays. The Service Manager for Pensions said that, yes, that is possible, and if so, is something that could be recharged to Civica because it's tangible and reportable.

### **6.3. Annual Benefit Illustrations 2024**

- 6.3.1. The annual benefit illustrations for both active and deferred members have been issued.
- 6.3.2. 23,572 deferred benefit illustrations were issued on 7 July 2024, plus 28 councillor statements.
- 6.3.3. 23,207 active benefit illustrations were issued on 28 August 2024.
- 6.3.4. Statements have been available for members to view in the Member Portal since 19 July 2024.
- 6.3.5. The Service Manager for Pensions said that although they can be viewed on-line, she believes it is important to continue to provide members with paper versions of the statement. These also include a lot of information about the scheme and benefits, along with an annual newsletter which contains key messages relating to issues affecting members.
- 6.3.6. An Employer Representative congratulated the Pensions Team for all the work involved in getting these statements out to members.

### **6.4. Data Quality Report 2024**

- 6.4.1. Each year, the quality of pensions data is reviewed and measured in accordance with guidance set out by the Pensions Regulator. This serves two main purposes. Firstly, it feeds into the future year's data improvement plan, and secondly it provides the Data Quality scores for the Dorset County Pension Fund which must be reported to The Pensions Regulator each year and recorded in the Fund's Annual Report.
- 6.4.2. Common Data – this is the reporting of items applicable to all pension schemes, for example a correct address, date commenced, name, national insurance number etc. The overall score of tests passed for common data held was 99.65%, the score for the previous year was 99.17%
- 6.4.3. Scheme Specific Data, (also known as 'Conditional' data) is the data specific to the LGPS. This includes items such as the presence of CARE data, member benefits and GMP data where it applies. The overall score for scheme specific data was 95.30%, a slight increase on the previous year's score of 94.77%.

### **6.5. Employer Movements**

- 6.5.1. 1610 Ltd, who run the Thomas Hardy Sports Centre, ceased the scheme on 6 May 2024 as their last LGPS member left employment.
- 6.5.2. Synergy Housing withdrew from the LGPS with agreement from its members w.e.f.1 April 2024.
- 6.5.3. Weymouth College and Kingston Maurward College merged w.e.f. 1 August 2024 and are now known as Weymouth and Kingston Maurward College

## 6.6. Changes to the Internal Dispute Resolution Procedure (IDRP)

- 6.6.1. The Internal Dispute Resolution Procedure (IDRP) is covered under the LGPS Regulations (74-80). This is the formal complaints procedure for the LGPS. All complaints are addressed informally by the administration team initially, however members, or their representatives, can raise a formal complaint under the IDRP process if they wish to do so.
- 6.6.2. The IDRP process has two distinct stages. Stage 1 is dealt with by a person nominated by a scheme employer (for complaint against the employer) or by a person nominated by the administering authority where the complaint is relevant to the Fund's administration. If the applicant is not satisfied with the decision outcome at stage 1, they may proceed to Stage 2 of the appeals process.
- 6.6.3. Historically, stage 2 of the process has been looked after by one person appointed by the administering authority. This is changing so there will now be a panel of 3 people headed by the Fund Administrator, (Section 151 Officer) along with the Service Manager for Pensions (or their nominated representative) and the Monitoring Officer or their nominee. This change will result in a more efficient process and more resilient decision making.

## 7. Letter to MHCLG re Shared Cost Additional Pension Contributions (SCAPCs)

- 7.1. The Board Secretariat has [written to MHCLG](#) officials to ask for a review of the actuarial factors and regulations surrounding shared cost additional pension contributions (SCAPCs). This was one of the first recommendations of the Gender Pensions Gap working group. The current regulations impact those (predominantly female) members with caring responsibilities who may lose pension when they have to take occasional days or weeks as authorised unpaid leave. The letter asks that the rules around buying back pension 'lost' during unpaid authorised leave should be made easier to understand and more flexible to implement.
- 7.2. Dorset County Pension Fund and Dorset Council have fed into this by providing a lot of vital information and statistics. The evidence indicates that this is discriminatory in regard to gender, and also in regard to age, because the cost of buying back lost pension, for example to take time off for caring responsibilities, is actually more than it would have cost to buy that pension in the first place.

## 8. Administration Authority Discretions Policy

The Board were asked to review recent updates to the Dorset County Pension Fund's discretion policy.

- 8.1. An employer noted that some of the language used was quite confusing, for example relating to Welsh councillors. The Employer Relationship and Communications Manager said this was due to the policy being based on a government template but will look to see if irrelevant clauses could be removed or reworded.

**Action:** Policy to be amended and to be reviewed ahead of next meeting

- 8.2. A Member Representative asked why many clauses required a decision by either the employer or the Service Manager for Pensions. The Service Manager for Pensions said they would only make the decision should the employer no longer be in a position to do so, for example if the employer had gone into administration, or

ceased to exist. These instances are rare so any decision would usually be made by the relevant employer, with reference to their own employer discretion policy.

- 8.3. A Member Representative asked what happens to the pension liabilities if an employer has gone into administration. The Service Manager for Pensions said it would depend on the circumstances, but in the majority of cases liabilities are either paid off or returned to the transferring authority that outsourced the service. It is extraordinarily rare for there to be no employer to pick up the liabilities.

## **9. Training Events**

The Employer Relationship & Communications Manager gave an update on training events available to Board members.

- 9.1. LGA Fundamentals Training. Spread over three separate days in October, November and December, these sessions give overviews in administration, investments and governance.
- 9.2. The Annual Governance Conference will be held in Bournemouth on 30 and 31 January 2025.
- 9.3. Board members who want to attend the event should contact the Employer Relationship & Communications Manager.

## **10. Risk Register**

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

- 10.1. Two new risks have been added to the register. Both relate to taking over the pensioner payroll from Dorset Council:
  - Fraud - The Fund pays a pension to non-eligible pensioner
  - Fraud - Release a payment to the wrong bank account (e.g. mandate fraud)
- 10.2. Both are considered to be low risk because a lot of checks are made before we make payment. We also take legal advice if there's any questions about who is eligible to receive payment, and are compliant with audit recommendations regarding any identity checks, etc.

## **11. Any other Business**

- 11.1. None

## **12. Meeting closed at 15:45**

## **13. Date of next meeting – 4 December 2024 (2.00 pm)**

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