Minutes

Dorset County Pension Fund
administered by Dorset Council

Meeting: Local Pension Board for the Dorset County Pension Fund

Time: **2.00 pm**

Date: **7 October 2026**

Venue: Teams Meeting

Present:

Richard Bates	Chair
Jon Bird	Member Representative
Liz Bishopp	Employer Representative
Neal Butterworth	Employer Representative
Adam Richens	Member Representative (Vice-chair)
Jonathan Stiby	Member Representative
David Taylor	Employer Representative

Officer Attendance:

David Wilkes	Service Manager for Treasury and Investments
Sean Cremer	Director – Resources (CFO & S151 Officer)
Karen Gibson	Service Manager for Pensions
Vince Elliott	Senior Employer Services & Communications Officer

Managers, Advisors and Others Attendance:

Adrian Felgate	Pension Fund Committee Member
Lee Chappell	Account Manager, Civica
Andrew Smith	Product Manager, Civica
Alex Fillingham	Key Account Manager, Civica

1. Apologies for Absence and Introductions

1.1. Advance apologies received from:

Lisa Musleh	Member Representative
Matthew Filmer	Employer Representative
Andy Canning	Chair of Pension Fund Committee

2. Declarations of interest

2.1. None

3. Minutes and matters arising from previous meeting

3.1. The minutes from the June 2026 Pension Board meeting were approved as a true and fair record.

4. LGPS Administration - Key Performance Indicators (KPIs)
An update from the Service Manager for Pensions.

4.1. KPI Report May 2026 to July 2026 Performance against KPIs continued to be strong.

4.2. A board member asked what the greatest concerns were. The Service Manager for Pensions said the main future risk identified is the additional workload expected from the ongoing McCloud remedy rectification work.

4.3. A board member asked whether formal KPI targets could be established to allow performance to be measured against clear benchmarks. The Service Manager for Pensions said that this is expected to be incorporated into the Fund's forthcoming business plan.

4.4. Board members queried relatively lower performance levels in death cases and deferred benefit cases. The Service Manager for Pensions said that small case volumes can have a disproportionate impact on percentage performance. For example, in the reporting period there were 88 death cases completed, of which 84 were completed on time, meaning a small number of delayed cases significantly affected the percentage result. Delays are typically caused by issues such as missing contact details or waiting for information from employers, rather than systemic backlogs. Deferred benefits are generally lower-priority work as they don't immediately affect members, so may be deprioritised when higher-priority workloads increase.

5. End of Year Process
An update from the Service Manager for Pensions.

5.1. The 2026 end-of-year exercise was very successful, with fewer late employer returns and fewer data quality issues.

5.2. Ongoing challenges remain where employers outsource payroll functions, particularly within academies, leading to delays in responding to queries and difficulty in obtaining accurate pensions data. In these cases significant work is undertaken by the team to validate employer data, often involving substantial back-and-forth communication to ensure records are accurate before being loaded to member accounts.

5.3. The Pensions Administration Strategy allows financial penalties to be imposed on employers that fail to meet their obligations. This year there were fewer financial penalties than in previous years.

5.4. Where there have been exceptional issues, financial penalties were additionally levied under Regulation 70 of the LGPS Regulations 2013. This year, four employers have been subject to these additional charges.

6. McCloud Update
An update from the Service Manager for Pensions.

6.1. Software required to include McCloud underpin information within Annual Benefit Statements was not delivered in time.

6.2. Annual Benefit Statements were issued by the statutory deadline without McCloud data rather than delay all statements. Members were informed in their statements that McCloud information would follow.

6.3. Revised statements will be issued later in the year where an underpin is identified. Approximately 5% of members are affected by McCloud, and only a proportion of those will ultimately receive an underpin benefit.

6.4. A Board Member asked if these failings constituted a breach reportable to The Pensions Regulator (TPR). The Service Manager for Pensions said that failure to complete the McCloud implementation by the statutory deadline constitutes a reportable breach, as does failing to include McCloud data within the statements. A breach report has been submitted to TPR.

6.5. Board members sought assurance on progress made despite delays. It was confirmed that:

- McCloud underpin calculations for deferred members have been completed.
- Retrospective calculations for pensioners have been completed.
- Business-as-usual processing for retirements, deaths and deferred benefits involving McCloud is operating successfully.
- Outstanding areas include transfers, aggregations and divorce calculations, which are more complex and still awaiting software delivery.

6.6. A Board Member asked whether the reported breaches might require a formal statutory report. The Corporate Director Finance & Commercial stated that discussions with Dorset Council's statutory officers would be undertaken. He noted that McCloud delays were a sector-wide issue affecting many pension funds, but the matter would be reviewed and reported back to the Board.

7. Member Data Quality Assessment 2026

7.1. The annual common and scheme-specific data assessments showed very good data quality performance, with a slight improvement over last year.

7.2. The overall score of tests passed for common data held was 99.70%, the score for the previous year was 99.67%. This is the reporting of items applicable to all pension schemes, for example a correct address, date commenced, name, national insurance number, etc.

7.3. The overall score for scheme specific data (also known as ‘conditional’ data) was 99.34%, an increase on the previous year’s score of 95.89%. This is data specific to the LGPS. This includes items such as the presence of CARE data, member benefits and GMP data where it applies.

7.4. The Fund's data quality is supported by extensive data-cleansing work undertaken for McCloud and Pensions Dashboards preparation.

7.5. The greatest data quality risks arise from a small number of employers not providing accurate or timely information.

7.6. A Board Member said that although employer names could not be disclosed, the Board needed assurance that appropriate action was being taken. It was stated that strong controls exist and the Fund uses both its Pensions Administration Strategy and Regulation 70 powers to address employer failures. Problematic cases are actively managed and will include employer training, support, financial

penalties, and escalation powers.

7.7. The Board offered further governance support where persistent employer non-compliance remains an issue.

8. AI Impacts and TPR's AI Plan

8.1. Ahead of the meeting the board had been provided with a copy of the draft AI Governance and Usage Policy for Pensions Administration for review.

8.2. The Board discussed the growing impact of Artificial Intelligence (AI) on pension administration and member interactions. The Service Manager for Pensions explained that the issue has been highlighted by The Pensions Regulator's AI Plan, prompting Pension Fund to develop an AI policy to govern its use within the Pensions team.

8.3. The Fund sits within Dorset Council's wider IT, cyber security and data protection framework, which provides assurance around the secure use of AI.

8.4. A significant concern is members relying on AI tools for pension and financial planning. AI-generated information is often based on defined contribution pension arrangements and can be inaccurate when applied to the LGPS, potentially leading to misunderstandings about benefits, death grants and survivor pensions.

8.5. There has been increased volumes of lengthy, AI-generated complaints and challenges from members, requiring more officer time to review and respond. The Pension team is taking a cautious approach to AI use. AI may be useful for rephrasing complex technical information into simpler language for members, but responses to complaints should not be drafted using AI alone.

8.6. Board members noted similar experiences in other organisations, where AI has led to increases in legal challenges, complaints and correspondence volumes.

8.7. The Board is supportive of the AI Policy and noted that it should be reviewed regularly due to the rapidly evolving nature of AI technology.

9. Reportable Breaches 2026

9.1. The Fund has the responsibility to report certain breaches of the law to TPR. Any report must be in writing and must be made as soon as reasonably practicable. A breach must be reported where:

- A legal duty relevant to the administration of the scheme has not been, or is not being, complied with.

- The failure to comply is likely to be of material significance to the regulator.

9.2. There have been two material breaches related to McCloud due to delayed software delivery from Civica.

9.3. The first was the failure to complete the McCloud remedy requirements by 31 August 2026. The required software functionality had not been delivered in time, and as a result, The Fund was unable to complete all McCloud-related processes by the statutory deadline.

9.4. The second was the failure to include McCloud data in 2026 Annual Benefit Statements. The statements were issued on time, but without the required McCloud underpin information because the software was unavailable. The Fund chose to prioritise issuing statements by the statutory deadline rather than delaying them.

9.5. A formal breach report has been submitted to TPR. The Board will receive a copy.

9.6. **Action:** A copy of the breach report to be circulated to Board Members

10. Annual Benefit Illustrations 2026

10.1. The active Annual Benefit Illustrations (ABI) for 2026 have been issued. These have been available on the member Portal since 11 August, and a booklet and newsletter has been sent to all active members. In total 22,727 have been issued.

10.2. 21 members have not been issued with a statement this year due to outstanding data issues with their employer. These will be issued once we are satisfied that we hold the correct data. Both the employer and employees have been informed.

10.3. Presentations on 'Understanding your Annual Benefit Illustration' have been scheduled for members. These are very popular and are in additional to the standard member presentations which run throughout the year.

11. National Pension Dashboard Programme

11.1. The Fund is part of a working group for the Pensions Dashboard Programme being initiated by the Money and Pensions Service, and is one of several Directly Connected Organisations (DCOs) taking part in targeted testing, validation checks and identification of defects.

11.2. Early testing has started, and we have already had successful connections to our data via the dashboard. This is part of an early testing programme, for which members of the public can sign up. The Dashboard is not yet live to the public.

12. Discussion with Civica

Representatives from Civica attended the board meeting to discuss issues relating to their service.

12.1. The key points were:

- Civica acknowledged historical delivery failures and accepted responsibility for poor decisions around McCloud implementation.
- A revised roadmap has been produced.
- Further recruitment has taken place to provide resilience.
- Remaining McCloud functionality is expected to be delivered by April 2027
- Improved communication and customer engagement arrangements have been introduced.

Further details of the discussions can be found as an appendix to these minutes

13. Papers from the Pension Fund Committee

The Service Manager for Treasury and Investments reviewed items on the agenda of the Pension Fund Committee meeting held on 8 September 2026: Pension Fund Committee Meeting 8 September 2026

The Pension Fund Committee meetings can be viewed live, or a recording watched later, on YouTube.

13.1. Committee Changes

13.1.1. Cllr Will Chakawhata has left the Committee and has been replaced by Cllr Simon Clifford.

13.2. Questions

13.2.1. There were no questions from members of the public or from councillors.

13.3. LGPS "Fit for the Future" Reforms

13.3.1. The reforms require the appointment of two new positions:

- An LGPS Senior Officer, responsible for overseeing the administration, governance and investment functions of the Fund.
- An Independent Person to provide support to the administering authority in the discharge of its LGPS duties.

13.3.2. Recruitment for both positions has commenced and appointments are required by 31 December 2026.

13.3.3. The reforms also mean that Pension Fund Committee members will face stronger training and knowledge requirements, becoming more aligned with those already expected of Local Pension Board members.

13.3.4. A revised Investment Strategy Statement must be approved by March 2027 and must comply with new regulations and guidance.

13.3.5. New regulations will require an independent governance review every three years. The first review is expected by March 2028.

13.4. Scheme Advisory Board (SAB) Update

13.4.1. Cllr. John Beesley has been appointed Chair of a sub-investment committee focused on responsible investment, transparency and pooling arrangements.

13.4.2. On behalf of the Committee Cllr. Beesley also asked for a closedown statement for Brunel, which is in the process of being wound down. The report will examine the costs, financial implications and lessons learned from the transition. The report will be provided to the Committee in 2027.

13.5. **Annual Report and Audit Progress**

13.5.1. The annual report was brought forward earlier than usual to allow Committee feedback before final publication.

13.5.2. External audit work by Grant Thornton was progressing well. The aim is for Dorset Council and Pension Fund accounts to be signed off in November.

13.6. **Pension Fund Investments**
The quarterly report on the value and performance of the Pension Fund's investments**.**

13.6.1. The estimated value of the pension fund's assets at 30 June 2026 was just under £4.9bn, an increase of £335m since the start of the financial year. The total return from the Pension Fund's investments over the quarter was 7.6%, compared to the combined benchmark return of 9.2%.

13.6.2. The total return for the year to 30 June 2026 was 16.4% compared to the benchmark return of 9.4% and average LGPS return of 6.9%

13.6.3. Fund performance in absolute terms has been strong, with Dorset's investment returns comparing favourably with peer LGPS funds.

13.6.4. Returns remain below benchmark, and more detailed analysis is needed to understand whether underperformance is due to economic and market factors or investment manager decisions.

13.6.5. The Board asked about the relationship with LPPI (the new investment pool). It was described as positive. Engagement has been taking place through conferences, training and committee attendance. There remains substantial work around reporting and investment products, but progress is encouraging. The Board would like improved performance attribution reporting from the new pool provider.

14. Risk Register
The regular review of Dorset County Pension Fund's risk register.

14.1. There were two new risks added to the register, these both related to risks associated with the use of AI (see item 8).

15. Any Other Business

15.1. None

16. Meeting closed at 16:00

17. Date of Next Meeting – 13 January 2027 (2.00 pm)

Details of the Local Pension Board and past meetings can be found here.

Appendix

Local Pension Board Meeting – 7 October 2026

Questions to Civica and Responses

1. Why are we in this position with McCloud and what went wrong?

Question

Adam Richens asked Civica to explain why the Fund had reached a position where McCloud functionality had not been delivered by the statutory deadline and what assurances could be provided that the new roadmap would succeed.

Civica Response

Andrew Smith acknowledged that Civica had made poor decisions. He stated that Civica had chosen to develop a full end-to-end McCloud solution, including retrospective calculations, before first producing basic functionality that would have allowed funds to remain compliant. In hindsight, he believed compliance functionality should have been prioritised. He also confirmed that he had reviewed the roadmap, checked resources, and ensured future legislative requirements had been included.

Key admission from Civica:

"We made some bad decisions."

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2. What assurance can Civica give that resource issues won't cause further delays?

Question

Adam Richens highlighted previous concerns regarding lack of resources and asked what contingency arrangements had been put in place.

Civica Response

Andrew Smith explained:

- Civica now has dedicated public sector pension development resources.
- Additional developers from the private sector pension team have been reassigned to support LGPS development.
- A new recruit has been added and initially allocated to public sector pension work.
- Resources have been deliberately excluded from baseline planning and retained as contingency capacity.

Alex Fillingham added that bringing Andrew Smith back into the pensions product leadership role was itself a corrective action and provided additional oversight.

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3. How will the Board know the roadmap is being delivered?

Question

Adam Richens asked how assurance would be maintained given previous roadmap failures.

Civica Response

Alex Fillingham offered to attend future Local Pension Board meetings and provide regular progress updates against the roadmap. The Chair, Richard Bates, proposed a standing update item at future meetings and Civica agreed.

Agreed Outcome

- Civica to attend future Board meetings.
- Regular progress reports against roadmap milestones.

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4. Is Dorset an isolated case or are other funds affected?

Question

Jon Bird asked whether Dorset was an outlier or whether other Civica clients were experiencing similar delays.

Civica Response

Andrew Smith stated that the roadmap applies across Civica's customer base and that the same functionality had been delivered (or not delivered) to all customers. Dorset was therefore not unique in experiencing delays. However, he would not comment on how individual funds had chosen to report breaches to regulators.

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5. Who in Civica is accountable for fixing the problem?

Question

Jonathan Stiby asked who within Civica's senior leadership structure held responsibility.

Civica Response

Andrew Smith explained that:

- He reports to Simon Gould, VP of Product for Local Government.
- Simon Gould reports to Neil Watkins.
- The Chief Executive is Lee Perkins.

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6. Have recent roadmap milestones actually been delivered?

Question

Sean Cremer asked whether delivery commitments made in previous meetings had been met.

Civica Response

Andrew Smith confirmed:

- McCloud 2.4 and retrospective deaths functionality had been delivered slightly later than planned, approximately one to two days late.
- CARE contract developments had been delivered on time.
- Civica was working individually with funds to implement and configure releases.

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7. When will all outstanding McCloud functionality be delivered?

Question

Adam Richens asked for confirmation that the roadmap covered all remaining requirements and queried delivery timescales.

Civica Response

Andrew Smith confirmed that all remaining McCloud items were scheduled for delivery by **April 2027**.

Dorset Officer Comment

Karen Gibson confirmed the roadmap appeared comprehensive but noted her concern was less about delivery dates and more about:

- Quality of releases.
- Accuracy of calculations.
- Speed of defect resolution once testing identified issues.

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8. Are Civica adequately resourced now?

Question

Richard Bates asked directly whether Civica now had sufficient resources to deliver.

Civica Response

Andrew Smith said he was satisfied that the required resources were now available. While acknowledging staff turnover, he confirmed replacement recruitment was already underway and the intention was to strengthen, rather than reduce, capacity.

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9. What happens if resource issues arise again?

Question

Adrian Felgate asked what contingency arrangements existed if, for example, significant staff absence affected project delivery.

Civica Response

Andrew Smith said contingency arrangements had already been built into the plan.

Alex Fillingham added that Civica's commitment was not only to resource delivery but also to improve communication. He acknowledged that poor communication had been a major issue in the past and stated that future delays or risks would be communicated proactively rather than through prolonged silence.

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10. Will Civica indemnify the Fund against regulatory penalties?

Question

Adam Richens asked whether Civica would indemnify Dorset Pension Fund against any penalties imposed by regulators resulting from Civica's failure to deliver the required functionality.

Civica Response

Alex Fillingham stated that Civica could not provide an answer during the meeting. The matter had been referred internally and a response would be provided either before or at the next Board meeting.

Agreed Follow-Up

- Civica to investigate indemnity arrangements and report back.

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11. Will Civica provide a formal letter acknowledging responsibility?

Question

Adam Richens suggested a formal letter of apology would help demonstrate to regulators that Dorset Pension Fund had taken all reasonable steps and that failures were linked to software delivery rather than inaction by the Fund.

Civica Response

Alex Fillingham and Andrew Smith agreed to raise the request internally for consideration.

Overall Board Impression

The Board welcomed the noticeably different tone from Civica compared with previous appearances. Members acknowledged the frank admission that mistakes had been made, but remained cautious given that McCloud delays had been discussed for over two years. The key assurances the Board sought and obtained were:

- Acceptance of responsibility for previous decisions.
- Additional development resources.
- Stronger senior oversight.
- Commitment to improved communication.
- Regular attendance at future Board meetings.
- Delivery of all remaining McCloud functionality by April 2027.

The outstanding matters requiring follow-up were:

1. Civica's position on indemnifying the Fund against regulatory penalties.
2. Whether Civica would provide a formal acknowledgement/apology letter.
3. Ongoing monitoring of roadmap delivery through future Board updates.