

# Minutes

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Meeting: Local Pension Board for the Dorset County Pension Fund

Time: 2.00 pm

Date: Wednesday 10 July 2024

Venue: Teams Meeting

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**Present:**

Richard Bates	Chair
Adam Richens	Employer Representative
James Stevens	Member Representative
Jon Bird	Member Representative
Mary O'Sullivan	Member Representative

**Officer Attendance:**

David Wilkes	Service Manager for Treasury and Investments
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

## 1. Apologies for Absence and Introductions

1.1. Advance apologies received from:

- Jonathan Stiby Member Representative
- Neal Butterworth Employer Representative
- David Taylor Employer Representative
- Sean Cremer Corporate Director Finance & Commercial

## 2. Board Membership Update

- 2.1. Cllr David Taylor has been elected to the board as Dorset Council's Employer Representative. He replaces Cllr David Shortell.
- 2.2. There is a vacancy on the board for an Employer Representative. An expression of interest has been received from Liz Bishopp, who is currently the Town Clerk at Ferndown Town Council. The board was asked to approve this application.

**Resolution.** The Board approved Liz Bishopp's application.

### **3. Declarations of interest**

3.1. None

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

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

4.2. Investments in 'Magnificent 7' (item 5.2.6). It was confirmed that the pension fund had investments in the so-called 'Magnificent 7' companies valued at £201m, 5.1% of the total value of the pension fund. The largest exposure to any one company was £57m invested in Microsoft, 1.46% of the total value of the pension fund.

The Magnificent 7 includes the following stocks: Apple, Microsoft, Alphabet (Google), Amazon, NVIDIA, Tesla, and Meta Platforms.

4.3. A Member Representative noted that the fund appears underweight in high carbon investments, as they are seen as not performing well in the future, but also appears to be underweight in tech and electronics which are seen as investing in the future. The Service Manager for Treasury and Investments said that it is not as black and white as that. We do have investments in fossil fuels, primarily through the passive instruments that we're invested in, but we also have a lot of investments in technology. The danger from the magnificent 7 is too many eggs are going into too small a basket. So it's about identifying other opportunities as well. There is also a danger of focusing too much on quarter to quarter in that we are investing for the very long term.

### **5. Papers from the Pension Fund Committee**

Items on the agenda of the Pension Fund Committee meeting held on 25 June 2024 were reviewed: [Pension Fund Committee Meeting 25 June 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. Committee Changes**

5.2.1. Following the local elections, only two of Dorset Council's five members of the Committee remained, so there are 3 new members of the Committee.

#### **5.3. Pension Fund Investments**

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

5.3.1. The value of the pension fund's assets at 31 March 2024 was £3.9 billion with approximately 83% of assets by value now under the management of Brunel.

5.3.2. The total return from the pension fund's investments over the quarter to 31 March 2024 was 4.9% matching the combined benchmark return. The total return for the year to 31 March 2024 was 11.4% compared to the benchmark

return of 12.5%. Annualised returns for three years were 5.4% compared to the benchmark return of 6.8%, and for five years were 5.5% compared to the benchmark of 6.2%. The discount rate used by the actuary at the last triennial valuation was 4.9% per annum.

- 5.3.3. We are still waiting to see when interest rates are going to start to be cut, primarily in the UK and EU, but the US is probably the most important for the pension fund.
- 5.3.4. Generally speaking, markets have performed well, but there is a note of caution in terms of the US in particular, in that a lot of market increases have been driven by the magnificent 7 and that the US markets are looking towards the more expensive side of things when you compare market prices to the earnings of the companies.
- 5.3.5. The Chair of the Pension Fund Committee added that we are currently living in a very uncertain period in the sense that the economies are not clear exactly what they are going to do. We are not sure whether inflation is being defeated or whether that will come back to bite people. We are not sure about interest rate policy and what central banks are doing. There's also a huge amount political uncertainty as we've seen with elections in the UK, France, (and in the US later in the year), the war in Ukraine, continued rumblings in the Middle East and the issues between China and Taiwan.
- 5.3.6. An Employer Representative asked whether at the next valuation employers could anticipate a reduction in either the ongoing or the back funding elements of their contribution rates. They also asked how DCPF's funding position compares to other funds.

The Chair of the Pension Fund Committee said that DCPF's last funding level was 96% and that this would probably need to get to 110%, maybe up to 120% before reductions might be considered. There are quite a few funds that are in that position, but DCPF are pretty much an average fund. Not that highly funded or not that lowly funded, but in the middle. It is hoped that with recent rises the next valuation will be close to 100%. The Service Manager for Treasury and Investments added that the next actuarial valuation will be based on the assets and the liabilities as of 31st March 2025. The actuary will take a cautious approach and won't be looking to cut rates until confident that those rates are sustainable going forward.

- 5.3.7. An Employer Representative asked whether if the fund level is at 100% there's a case that it no longer need any back funding. The Service Manager for Treasury and Investments said if you go back over the last couple of reviews, you would have seen that the deficit element of the contribution rate went down, but the ongoing rate went up, so for most employers there was very little change overall. We are fortunate in Dorset in that we have one of the best life expectancies but that puts pressure on our pension fund as well.
- 5.3.8. A training session with the Fund Actuary on the subject of the valuation has been set up for the Pension Fund Committee. Board members are welcome to attend and invites will be sent once details have been confirmed.

#### 5.4. **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

- 5.4.1. Sally Bridgeland joined Brunel's Board as Deputy Chair on 1 May and is due to formally take over as Chair on 1 October 2024.
- 5.4.2. There had been discussions at BOB and SAB about how to respond to the (now previous) government's ambitions for consolidation of LGPS investment pools, and possibly also LGPS funds, and for greater investment from pension funds in the United Kingdom. It is not expected that those ambitions will change with the new government.
- 5.4.3. There has been an announcement from the new government about a national wealth fund. One aim is to make Investment in the UK more attractive for LGPS funds. The Fund is happy to invest in the UK, but our primary aim is to ensure there is enough money to pay benefits as they fall due, so any demands from government to invest in particular asset classes or projects have to meet that threshold.

#### 6. **LGPS Administration report**

The Service Manager for Pensions gave an update on the [Pensions Administration Report](#) provided to the Pension Fund Committee on 25 June 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. There Performance against Key Performance Indicators (KPIs) continued to be generally good despite difficulties with the McCloud remedy.
- 6.1.3. A Member Representative asked why the KPI for interfund transfers out was low compared to other tasks. The Service Manager for Pensions said that these are transfers of money between LGPS Funds. These are treated as non-priority because there's never a detriment to the Member when you move from one fund to another, as it is all one scheme. There had been issues with McCloud which added to the backlog of transfers, so although we try to keep on top of them, during periods of pressure, these cases are less of a priority. However, other transfers are treated as a priority as these have guarantee dates and fluctuations in the value of a transfer.
- 6.1.4. An Employer Representative questioned the drop to 86% for retirement cases. The Service Manager for Pensions said that this was due to a surge in retirements coupled with a shortage of staff at a more senior level to check and authorise. This should improve going forward.
- 6.1.5. A Member Representative said that there had been some delays in cases where the retirement included AVCs, and in those cases could an advance be made in respect of the pension. The Service Manager for Pensions said that we're not allowed to do that because once you start paying the pension then under HMRC rules that's a benefit crystallisation event, so you can end up breaching HMRC rules if you pay part of the benefits. It's not just about the lump sum, because the pension and the lump sum can obviously be connected. The problems have been caused mainly by the AVC provider,

Prudential. We are currently dealing with the LGA and Prudential to ensure this is resolved going forward.

## **6.2. McCloud Update**

- 6.2.1. The timescales and dates given by software provider, Civica, in delivering the remaining McCloud developments remain as previously reported with updates not being in our live system until November at the earliest.
- 6.2.2. A test environment will be provided in September, but as this will involve testing a lot of complicated calculations, realistically we don't see this vast array of software amendments being in our live environment until probably January, which pushes all the rectification work into 2025, which is an obvious concern.
- 6.2.3. DLUHC have published McCloud statutory guidance providing the government's view on the approaches that should be taken by funds in certain key areas, the aim being to get a consistent approach among the different funds in the country.
- 6.2.4. Due to the delays, we have moved the pensioner payroll implementation forward to this year. So at least we can get that into the system before the bulk of the rectification work starts.
- 6.2.5. A meeting between the Pension Fund and Civica to discuss the delays has been scheduled in August. This will also be attended by the Chair of the Pension Board and Sean Cremer, Dorset Council's Corporate Director Finance & Commercial.

## **6.3. End of Year Processes 2024**

- 6.3.1. The end of year processes for 2024 are now nearly complete, with just a few outstanding employer queries remaining. Information provided by employers at End of Year is used in the calculation of a member's pension, the production of annual benefit statements and also the fund valuation, so it is critical that everything is correct.
- 6.3.2. Pay and contribution information was posted to 29,281 member records, with a total CARE pay amount of £546,889,670.80.
- 6.3.3. The outsourcing of payroll provision, particularly at schools caused the most significant issues for the fund this year. Over 5,800 individual queries were raised with employers and the team are currently dealing with them, which is a huge operation. A number of financial penalties specifically to do with end of year are to be issued to employers. These mostly relate to the failure to notify us of missing leaver and starter details.
- 6.3.4. CARE revaluation for 2024 of 6.7%, has also now been added to CARE pension totals, and pensions increases of 6.7%, have been applied to deferred and pensioner members.

## 6.4. LGPS Gender Pensions Gap

- 6.4.1. The Scheme Advisory Board (SAB) has undertaken work to look at the gender pensions gap in the LGPS. This includes the commissioning of two [reports from the Government Actuary's Department](#) (GAD). Further details are contained in the [administration report of 19 September 2023](#).
- 6.4.2. This work is continuing with the SAB setting up a dedicated working group of representatives from LGPS funds, employee, and employer representatives, as well as actuaries to consider next steps. Dorset is included in this working group and has contributed some significant data which has been of interest and assistance.
- 6.4.3. There is a perception which is in part correct that the gender pensions gap is simply down to the gender pay gap. Whilst you have significant gender pay gaps, you will have a subsequent pensions gap as well, but the pensions gap is bigger, so there are other things at play here as well. Most notably, women tend to be in lower paid jobs, and it is more common for women to take on the responsibilities for child care or other caring roles. This means they tend to take more career breaks, work more flexibly and take part time roles. Those career breaks and those adjustments to their working hour can have a subsequent impact to their pension.

## 6.5. Payroll Migration Update

- 6.5.1. With the delay in delivery of the McCloud software, work has now started to move the pensions payroll from Dorset Council SAP to the Dorset County Pension Fund's UPM payroll. This will result in one system, and negate the issues experienced over many years with having a separate payroll provision.
- 6.5.2. Numerous data issues have been identified between SAP and the pensions systems, such as suspended pensions and potential deaths, so there's a huge amount of work going on. We're working very closely with Dorset Council's HR Department and we have a project manager at Civica to help us.
- 6.5.3. Civica / UPM payroll is used extensively, so we have been able to contact other UPM payroll users and have confidence in the software due to this. Once in place, it will provide a much better service for pensioners. For example, pensioners will be able to view their payslips and P60s online and we will have greater control over the payroll.
- 6.5.4. A Member Representative asked whether this means there will be some staffing reallocation from the existing payroll system. The Service Manager for Pensions said that this has already taken place and the people responsible for pensions payroll have moved out of Dorset Council and are now in the pensions department.

## 6.6. Pensions Dashboards

- 6.6.1. The [National LGPS Framework](#) for Integrated Service Provider (ISP) and Member Data Services is now live. We have requested further details and will use the Framework to select our provider. The decision is whether we stay with Civica for provision of the ISP or go with another provider. There are advantages of having the same software provider as your ISP provider, but because of the issues we have had with Civica, we are not committing to that at the moment.

- 6.6.2. We are in discussion with the Prudential, our AVC provider, to discuss options around the provision of data to the main dashboard.

## **6.7. Staffing Update**

- 6.7.1. Due to concerns about the amount of work coming into the pensions technical team later this year and into next year, we plan to recruit some additional staff which we hope will be able to support the team with the McCloud rectification work in 2025.
- 6.7.2. In addition, the team has limited staff at a senior level to check and authorise payments. We plan to implement changes, initially on a temporary basis, to address this issue which directly impacts the KPIs.

## **7. Training Update**

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

- 7.1. Board members were reminded that they have access to LOLA (LGPS Online Learning Academy). This online platform provided by Hymans Robertson is designed to support the training needs of board and committee members. LOLA consists of a series of short video presentations with supplemental learning materials and quizzes.
- 7.2. Monthly usage reports have shown that there has been very little usage of LOLA by board members. Board members were asked to log in to LOLA to make use of the available training modules.
- 7.3. LGA Fundamentals Training. Spread over three separate days in October, November and December, these sessions give overviews in administration, investments and governance. These take place both online and in person. Bookings can be made by contacting the Employer Relationship & Communications Manager. A Member representative who attended previously said that they found the online sessions were a better use of time as each session take place over two half days.
- 7.4. The Annual Governance Conference will be held in Bournemouth on 30 and 31 January 2025. Board members will be notified when bookings can be made.

## **8. General Code of Practice – Checker Tool**

The Employer Relationship & Communications Manager gave an overview of the General Code of Practice checker tool.

- 8.1. The Pensions Regulator's (TPR) general code of practice came into force on 28 March 2024. The code contains new governance requirements and sets out TPR's expectations of how occupational pension schemes should be managed and the policies, practices and procedures that should be in place.
- 8.2. The checker has been provided by Hymans Robertson and helps funds self-assess their own levels of compliance with the code of practice. The code has 15 modules and each has its own page in the checker containing details of the requirement of the code. There are multiple requirements on each page, each categorised into a type of TPR governance.
- 8.3. The tool aids users in assessing their risk rating for each requirement by selecting the appropriate entry from a drop-down list and adding relevant comments. Once

completed, the inputted details can be exported to form a report and store results. These reports can be shared with boards and committees. Each time the checker tool is updated, a new report can be generated with updated results and comparisons to previous results.

8.4. It is expected that the initial completion of the checker will take quite a bit of time, but once done, subsequent updates will require far less time.

8.5. Once complete, the reports will be shared with the board.

## **9. Risk Register**

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

9.1. The risk relating to the Pensions Dashboard Programme had been updated to record that the connection date had been put back to October 2025.

9.2. There has been a change in procedure relating to non-compliance with GDPR. To ensure unauthorised family members cannot access a deceased member's pension details, the fund has taken the steps to disable access to the online member portal when a notification of a member's death is entered into the Pensions Administration System.

## **10. Any other Business**

10.1. None

## **11. Meeting closed at 15:50**

## **12. Date of next meeting – 25 September 2024**

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