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Dorset Council

Pension Fund Committee

Date: Tuesday, 17 March 2026
Time: 1.30 pm
Venue: Meeting Room 1, County Hall, Dorchester, DT1 1XJ

Membership: (Quorum 3)
Andy Canning (Chair), Andy Todd (Vice-Chair), John Beesley, David Brown, Will Chakawhata, Adrian Felgate, Steve Murcer, Joe Salmon and Andy Skeats

Chief Executive: Catherine Howe, County Hall, Dorchester, Dorset DT1 1XJ

For more information about this agenda please contact Democratic & Governance Services
Meeting Contact joshua.kennedy@dorsetcouncil.gov.uk

Members of the public are welcome to attend this meeting, apart from any items listed in the exempt part of this agenda. If you would like to attend this meeting and have any specific requirements please contact the Democratic Services Officer named above.

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Agenda

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1. APOLOGIES

To receive any apologies for absence.

2. MINUTES 5 - 10

To confirm and sign the minutes of the meetings held on 2 December 2025.

3. DECLARATIONS OF INTEREST

To disclose any pecuniary, other registrable or personal interest as set out in the adopted Code of Conduct. In making their decision councillors are asked to state the agenda item, the nature of the interest and any action they propose to take as part of their declaration.

If required, further advice should be sought from the Monitoring Officer

in advance of the meeting.

4. PUBLIC PARTICIPATION

Representatives of town or parish councils and members of the public who live, work, or represent an organisation within the Dorset Council area are welcome to submit either 1 question or 1 statement for each meeting. You are welcome to attend the meeting in person or via MS Teams to read out your question and to receive the response. If you submit a statement for the committee this will be circulated to all members of the committee in advance of the meeting as a supplement to the agenda and appended to the minutes for the formal record but will not be read out at the meeting. The **first 8 questions and the first 8 statements received from members of the public or organisations for each meeting will be accepted on a first come first served basis in accordance with the deadline set out below.** Further information read Public Participation - Dorset Council

All submissions must be emailed in full to Joshua.kennedy@dorsetcouncil.gov.uk by 08:00am 12 March 2026.

When submitting your question(s) and/or statement(s) please note that:

- You can submit 1 question or 1 statement.
- A question may include a short pre-amble to set the context.
- It must be a single question and any sub-divided questions will not be permitted.
- Each question will consist of no more than 450 words, and you will be given up to 3 minutes to present your question.
- When submitting a question please indicate who the question is for (e.g., the name of the committee or Portfolio Holder).
- Include your name, address, and contact details. Only your name will be published but we may need your other details to contact you about your question or statement in advance of the meeting.
- Questions and statements received in line with the council's rules for public participation will be published as a supplement to the agenda.
- All questions, statements and responses will be published in full within the minutes of the meeting.

5. QUESTIONS FROM COUNCILLORS

To receive questions submitted by councillors.

Councillors can submit up to two valid questions at each meeting and sub divided questions count towards this total. Questions and statements received will be published as a supplement to the agenda and all questions, statements and responses will be published in full within the minutes of the meeting.

The submissions must be emailed in full to Joshua.kennedy@dorsetcouncil.gov.uk by 08:00am on Thursday 12 March 2026.

Dorset Council Constitution – Procedure Rule 13

6. PUBLIC PARTICIPATION - DEPUTATION 11 - 28

To receive a deputation from the Dorset Palestine Solidarity Campaign.

7. URGENT ITEMS

To consider any items of business which the Chairman has had prior notification and considers to be urgent pursuant to section 100B (4) b) of the Local Government Act 1972. The reason for the urgency shall be recorded in the minutes.

8. PENSIONS ADMINISTRATION 29 - 36

To consider the quarterly report on pension fund administration.

9. FUNDING STRATEGY STATEMENT 37 - 198

To approve the Funding Strategy Statement.

10. TREASURY MANAGEMENT STRATEGY 2026-27 199 - 206

To approve the pension fund's Treasury Management Strategy for 2026-27.

11. PENSION FUND ANNUAL REPORT 2024/25 207 - 328

To approve the Pension Fund Annual Report 2024/25 for publication.

12. PENSION FUND INVESTMENTS 329 - 430

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

13. SCHEME ADVISORY BOARD UPDATE

To receive a verbal update from Cllr John Beesley in his capacity as a member of the Scheme Advisory Board (SAB) for the Local Government Pension Scheme (LGPS).

14. DATES OF FUTURE MEETINGS

To confirm the dates for the meetings of the Committee in 2026/27:

1.30 pm Tuesday 2 June 2026 - County Hall, Dorchester.

1.30 pm Tuesday 8 September 2026 - County Hall, Dorchester.
1.30 pm Tuesday 1 December 2026 - County Hall, Dorchester.
1.30 pm Tuesday 2 March 2027 - County Hall, Dorchester.

All meetings to be preceded by training for committee members 10am to 12.45pm.

15. EXEMPT BUSINESS

To move the exclusion of the press and the public for the following item in view of the likely disclosure of exempt information within the meaning of paragraph 3 of schedule 12 A to the Local Government Act 1972 (as amended).

The public and the press will be asked to leave the meeting whilst the item of business is considered.

16. TRANSITION OF INVESTMENT POOLING ARRANGEMENTS 431 - 442
Para 3
To consider progress to date and actions required to implement the changes required in response to the government's plans for the future of Local Government Pension Scheme (LGPS) investment pooling.

17. INVESTMENT MANAGEMENT ARRANGEMENTS 443 - 454
Para 3
To consider any potential changes to investment management arrangements.

Dorset Council

PENSION FUND COMMITTEE

MINUTES OF MEETING HELD ON TUESDAY 2 DECEMBER 2025

Present: Cllr Andy Canning (Chair), Cllr Andy Todd (Vice-Chair), Cllr John Beesley, Cllr David Brown, Adrian Felgate, Cllr Steve Murcer, Cllr Felicity Rice and Cllr Andy Skeats

Present remotely: Cllr Will Chakawhata

Apologies: None

Also present (for all or part of the meeting): Steve Tyson (Independent Investment Adviser, Apex Group) and Tim Dixon (Head of Client Relationship, Brunel Pension Partnership)

Officers present (for all or part of the meeting):
Stephanie Clifton (Employer Relationship & Communications Manager), Sean Cremer (Corporate Director for Finance and Commercial), Joshua Kennedy (Democratic Services Officer) and David Wilkes (Service Manager for Treasury and Investments)

348. **Minutes**

The minutes of the meeting held on 09 September were confirmed and signed.

349. **Declarations of Interest**

No declarations of disclosable pecuniary interests were made at the meeting.

350. **Public Participation**

One question, together with the response from the Chair of the Pension Fund Committee, is set out in the appendix to these minutes.

351. **Questions From Councillors**

There were no questions from councillors.

352. **Urgent items**

There were no urgent items.

353. **PENSIONS ADMINISTRATION**

Performance against Key Performance Indicators (KPIs) continued to be good. Performance for the top ten cases improved compared to the previous quarter, despite an increase in the total number of processes completed.

All active scheme employers had been sent their 2025 Valuation results schedule in November. The schedules set out the funding position and proposed employer contribution rates for the next three years.

The pension fund had successfully completed phase two of the Pensions Dashboard implementation in early October. This phase included the configuration of the live database in preparation for system connectivity.

Work had been ongoing to verify member eligibility under the McCloud judgement. McCloud deliverables are scheduled for completion in quarter two of 2026.

The pension fund had engaged Target Professional Services (UK) Ltd to conduct the 2025 mortality screening for overseas pensioners.

The Department for Ministry for Housing, Communities and Local Government (MHCLG) had launched a 'Scheme improvements (access and protections)' consultation to address fairness, access and efficiency within the Local Government Pension Scheme (LGPS). The consultation is due to close on 22 December 2025.

354. **DRAFT FUNDING STRATEGY STATEMENT**

LGPS regulations require administering authorities to prepare and maintain a Funding Strategy Statement (FSS) which explains how the administering authority plans to make sure the pension fund has enough money to pay pensions when they fall due.

The pension fund's Funding FSS had been updated to reflect the draft results of the latest triennial actuarial valuation as at 31 March 2025 and the most recent guidance issued by the LGPS Scheme Advisory Board (SAB) in January 2025. A consultation with scheme employers and other key stakeholders will be carried out before the final version of the FSS is considered for approval by the Committee in March 2026.

Decision
The Committee approved the draft FSS for consultation.

355. **PENSION FUND ANNUAL REPORT 2023/24**

The pension fund annual report includes in one place key information regarding the management, administration and investment performance for the year, the financial statements for the year and key governance, administration and investment strategy documents.

The report of the independent auditors regarding the pension fund annual financial statements had not yet been finalised. It was therefore recommended that the annual report be published as draft. The auditors have reported that their work is substantially complete, they have not identified any adjustments that impact on the Pension Fund's reported financial position and only disclosure misstatements and changes have been identified.

Decision
That the draft Pension Fund Annual Report 2024/25 be published.

356. **PENSION FUND INVESTMENTS**

The value of the pension fund's assets at 30 September 2025 was just over £4.4 billion, an increase of £335m since the start of the financial year. The total return from the pension fund's investments over the quarter to 30 September 2025 was 4.9%, compared to the combined benchmark return of 6.1%. The total return for the year to 30 September 2025 was 10.1% compared to the benchmark return of 14.0%.

Most asset classes recorded positive returns in the quarter but there were concerns that the valuations of some companies overstated the future benefits of Artificial Intelligence (AI) and that this could lead to significant downward corrections in prices.

On 20 November 2025, MHCLG launched a consultation to seek views on whether two draft statutory instruments "will effectively deliver the policy proposals set out in the government's response to the LGPS Fit for the Future consultation". A response to the consultation will be drafted and circulated to Committee members for review before the consultation is scheduled to close on 2 January 2026.

Following a government directive for LGPS funds to consolidate into fewer and stronger investment pools at its last meeting, 9 September 2025, the Committee resolved to join Local Pension Partnership Investments (LPPI). Five of the other nine Brunel Pension Partnership (Brunel) funds are also joining LPPI.

357. **SCHEME ADVISORY BOARD UPDATE**

The Committee received a verbal update from Cllr John Beesley in his capacity as a member of the SAB.

SAB recommended that all LGPS funds kept a close eye on the Pension Schemes Bill to see how the Bill evolves and how it will affect the LGPS.

Committee members were reminded of the SAB's website as a tool to stay up to date with the latest LGPS news and scheme developments.

358. **DATES OF FUTURE MEETINGS**

1.30 pm Tuesday 17 March 2026 – County Hall, Dorchester.

All meetings to be preceded by training for committee members 10am to 12.30pm.

359. **Exempt Business**

Decision

That the press and the public be excluded for the following item(s) in view of the likely disclosure of exempt information within the meaning of paragraph 3 of schedule 12 A to the Local Government Act 1972 (as amended).

360. **LGPS INVESTMENT POOLING UPDATE**

Officers provided an update on progress implementing the change of the pension fund's investment pooling manager from Brunel to LPPI agreed by the Committee at its previous meeting, 9 September 2025.

Appendix - Public Questions

Duration of meeting: 1.30 - 3.00 pm

Chairman

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QUESTION FOR DORSET COUNCIL PENSION COMMITTEE

2 DECEMBER 2025

JULIE-ANN BOOKER: ON BEHALF OF SOUTH WEST ACTION ON PENSIONS

Item 14 on your agenda today is 'LGPS Investment Pooling Update. To receive a verbal update from officers on progress made to implement the changes required in response to the government's plans for the future of Local Government Pension Schemes (LGPS) pooling".

Whilst this is a confidential item on your agenda, it is public knowledge that on the dissolution of Brunel Pension Partnership, Dorset Council Pension Fund has made a decision to transfer investment management to the Local Pensions Partnership Investments (LPPI) pool. https://www.localgov.co.uk/Council-moves-to-strengthen-4bn-pension-fund/63166

The current Brunel Pension Partnership clients who have decided to move to LPPI are: Avon, Cornwall, Devon, Dorset, Somerset and the Environment Agency. Collectively taking some £25b of investments with them. This will have a significant impact on LPPI as a pension management pool.

In answer to a public question on 24th June 2025, Pension Committee Chair, Cllr Andy Canning, said that:

"The criteria used to assess the suitability of alternative investment pools will include:

· Ability to meet the Government's requirements
· Range of investment products offered and performance
· Approach to responsible investment
· Proposed governance arrangements
· People and culture
· Transition plans and costs".

Whilst the detailed arrangements for moving Dorset Council Pension Fund to LPPI may well include business confidential issues, it would not be unreasonable to expect transparency on the process for making the decision on which pool to move to. Addressing the criteria above and what LPPI promised Dorset Council Pension Fund that encouraged the committee to join that pool rather than another.

A report in the open part of the committee agenda in March would certainly go a long way to achieve this and ensure that the committee are accountable to their pension members.

In the meantime, the question for this pension committee meeting is:

QUESTION: What is the planned time table for transferring the Dorset Council Pension Fund to the Local Pensions Partnership Investments pool that has been agreed with government.

RESPONSE:

Thank you for your question.

At its last meeting in September, the Pension Fund Committee selected Local Pension Partnership Investments (LPPI) as its preferred new investment pooling manager. A link to the news item published on the Pension Fund' relating to this decision will be provided in the written response to your question.

Dorset County Pension Fund to join new investment pool | Dorset Pension Fund

The government expects all six continuing LGPS asset pools to have implemented its 'Fit for the Future' reforms by 31 March 2026. A link to a summary of those reforms will be provided in the written response to your question.

Local Government Pension Scheme (England and Wales): Fit for the future – government response - GOV.UK

For funds such as Dorset who are moving to a new pool, the government recognises that developing new pool arrangements will take time and may allow some limited flexibility on this deadline.

Dorset's officers are working with Brunel, LPPI and the other partner funds to meet this deadline. Good progress is being made but there is a lot to do. Members of the Committee met with officers from LPPI this morning for an introductory training session and progress update.

We will continue to monitor what further detail can be shared publicly when appropriate.

Subject: Response to the Committee's Refusal to Consider Divestment from Companies Complicit in Israel's Violations of International Law

Date: 09 February 2026

Dear Members of the Dorset Pension Fund Committee and wider council members.

We, the undersigned organisations, write to formally respond to the Committee's report dated 24 June 2025, which addresses but ultimately rejects calls to divest the Dorset Pension Fund from companies complicit in serious violations of international law by the State of Israel.

This response outlines our collective concerns and recommendations regarding that decision. We believe the report fails to uphold the legal, ethical, and fiduciary standards expected of a public body managing pension assets on behalf of local authority employees and the interest of the community as a whole. It avoids meaningful public engagement, relies on unquantified assumptions of financial risk, and inconsistently applies ESG principles.

We urge the Committee to fully reconsider its position and in the interim take immediate steps to:

1. Acknowledge legal obligations under international humanitarian and human rights law in specific relation to genocide and apartheid.

2. Apply ESG (Environmental, Social and Governance) standards consistently across all sectors.

3. Recognise there is clear evidence of members' views - namely dissatisfaction in investment in human rights violations - and as such action should be taken to rectify this.

4. Set out realistic divestment strategies from companies identified by authoritative bodies and established human rights organisations as complicit in human rights violations.

5. Publicly and clearly correct your stance that you do not invest in companies named by the UN and put in corrective measures immediately with a clear framework of how this will be monitored and managed going forwards.

1. Failure to Engage with Established International Law

Public funds must not be complicit in grave breaches of international law. The Fund's continued investment in companies operating in or profiting from illegal settlements, or aiding military and surveillance infrastructure used in human rights abuses, puts it at serious legal and moral risk.

The opinion you have provided is wholly inadequate. We would remind the council that you have sought advice from a Corporate Legal Adviser who seems to have failed to engage with any Human Rights or International Law professionals on this matter.

The Committee's report diminishes critical legal determinations made by authoritative international bodies including:

- The International Court of Justice (ICJ), which in January 2024 ruled that there is a plausible case that Israel is committing genocide in Gaza and issued provisional measures.

- Numerous UN Security Council and General Assembly resolutions declaring Israel's settlements illegal.

- Findings by Amnesty International, Human Rights Watch, and B'Tselem that Israel is operating an apartheid system against Palestinians. With two leading Israeli human rights organisation join international groups in identifying the violence against Gazans as Genocide.

- Recognise the UN has now agreed Israel has committed genocide in the Gaza Strip, UN Commission finds | OHCHR

It also fails to recognise that almost all international ruling took place after the fact. The Human rights act prohibiting genocide were in place after the Holocust and yet the Numenburg trials still charged complicit companies and people under human rights violation and repperation were demanded under rulings that had not previously existed, the same applies to Apartheid South Africa. The UN has already taken action and regardless of the fact the trial still takes place the Council's complicity will still be deemed illegal.

We note the opinion does permit the council to have an option to divest and remind the council there have been several authorities that have already taken the moral and legal choice of divestment, on facing legal challenge to this it has been clear that the law is in

favour of LGPS right and obligation to divest as all legal challenges to the divestment have failed.

When the government attempted to target Boycott and Divestment movements associated with human rights violations by Israel the Supreme Court ruled that this was unlawful and attempting to curb LGPS ethical investment was an infringement of the scheme's freedoms. The LGPS is completely within their right to divest and to be able to divest for ethical reasons has been upheld by the most senior court as a valid and salient grounds to do so.

For the council report to decide it does not have that right to divest on ethical ground is a dangerous precedent to set and will seriously impact local councils ability to shape the world around us. It lays a path that will be used against environmental and social justice issues in the future and we warn the council against such a reckless and short sighted act taken in a bid to avoid the topic of divestment from Israel.

Beyond the fact the councils clearly do have the right to choose its investment based on *possible* legal risk or current ethical grounds we now move on to its legal obligation to do so on its actual legal risks.

<u>The opinion provided underestimates the relevance and binding nature of international law obligations on public authorities, including local government bodies:</u>

a. Doctrine of Consistency with International Law

Under UK law, domestic legal interpretation presumes consistency with international obligations unless clearly legislated otherwise (see *R v Lyons* [2002] UKHL 44). LGPS authorities, as public bodies, must interpret their powers in line with international law—particularly binding treaty obligations and peremptory norms (*jus cogens*).

b. Applicability of jus cogens

Grave breaches of international humanitarian law (IHL) including war crimes, crimes against humanity, and acts of apartheid trigger obligations *erga omnes* and under *jus cogens*. States and their organisations, including devolved and local institutions, have a **positive duty of non-assistance** to such violations.

Continued financial support {even indirectly} can amount to complicity, particularly in light of the **International Law Commission's Articles on State Responsibility (Art. 16)**. The BDS movement is attempting to assist the Palestinians through non violent action namely divestment. Councils across the country are preventing these actions by refusing public requests. The UN has called for divestment from these companies to

help relieve the suffering of Palestinians and again the Council is willfully and knowingly blocking this action.

Providing political and financial support for Israel and the companies that are profiting from human rights violation is assistance in the wrongful act. There is no reasonable ground that this council can suggest that they do not know what Israel is doing or these companies' involvement. Councillors have repeatedly aired their dissatisfaction with Israel's actions so to then deny knowledge of the action is wholly indefensible. With this information it is clear that continued investment is a breach of international law. Willfully supporting a wrongful act is a breach of international and national law.

Public Law Fiduciary Duty Must Be Informed by International Law Obligations

The opinion relies heavily on a narrow reading of fiduciary duties in investment decisions, treating “financial” and “non-financial” factors as largely distinct. This is legally and ethically outdated.

a. The “Non-Financial” Factors Are Actually Legal Risks

The opinion assumes that considerations around complicity in international crimes are non-financial. In fact, they are legal risks:

- Reputational damage leading to divestment pressures and negative public scrutiny.

- Legal challenges under public law on the grounds of irrationality, illegality, or procedural unfairness.

- Potential violations of obligations under the **Human Rights Act 1998**, particularly Articles 2 (right to life) and 3 (freedom from torture), if linked to state action.

Continued investment in companies facilitating violations of IHL in occupied Palestine arguably makes an authority vulnerable to judicial review or even claims under the Equality Act 2010 if such investments disproportionately affect certain communities.

Precedent from International Tribunals and Legal Opinion Is Clearer Than Stated

The opinion dismisses the evidentiary strength of findings from the UN and ICC as inconclusive or contested. This is misleading and strategically underplays authoritative assessments.

a. ICC Prosecutor’s Arrest Warrant Applications (May 2024)

The application for arrest warrants against Israeli officials by the ICC Prosecutor for war crimes and crimes against humanity is not politically casual commentary. It is a considered *legal judgment* with probative value. While not binding on LGPS funds, such findings **c**reate a credible legal risk environment that must inform fiduciary decisions.

b. International Court of Justice (ICJ) Provisional Measures and Advisory Opinions

ICJ findings on the illegality of Israel’s occupation policies (including apartheid) are binding on the UK as a party to the Genocide Convention and Geneva Conventions. By continuing to fund entities aiding in illegal settlement infrastructure, LGPS schemes may be acting contrary to the UK's international obligations, which in turn must guide public authorities’ conduct.

Divestment Is a Minimum, Not a Radical, Response

The legal opinion sets an unrealistically high threshold for action: waiting for definitive proof of war crimes or criminal convictions. This misapplies both precautionary principles and basic public law standards.

a. Precautionary Principle in International Law

Where serious human rights violations are credibly alleged and supported by international bodies, **public entities must take steps to prevent potential complicity** even if all legal elements of individual liability are not yet established.

b. Divestment as a Proportional and Lawful Response

Given the seriousness of the potential breaches and the reputational and legal risks, divestment is a **measured, proportionate, and legally defensible policy response**. The courts have already recognised in other contexts that ethical investment and disinvestment policies are lawful, especially when grounded in international law.

Failure to recognise our own governments formal stance:

Legal Conclusion

The opinion's cautious stance wrongly prioritises legal defensibility over legal responsibility. In contrast, international law imposes a clear and positive obligation on public authorities to divest from companies complicit in grave breaches of international law. This duty arises from both domestic legal interpretation and binding international obligations.

It is not merely that LGPS may divest, it is that, where credible evidence of complicity in international crimes exists, public authorities are legally and ethically obligated to do so. Failure to act risks complicity in breaches of *jus cogens*, undermines the UK's international standing, and exposes authorities to future litigation and reputational damage.

We would remind the council that this is in fact the first ever live streamed genocide. It is evident from extensive satellite footage that Gaza has been destroyed and every single hospital bombed. To deny that Israel is blocking food, water and aid when it is clearly evidenced not only in the mass media coverage, by whistle blowers, by direct footage but also by pure logic, there were 4 thousand aid centers …there are now just four. The distribution centers being run by Israel are now kill zones.

Additional violation of IHL and the Council own resolution.

The council claimed it

> *"Continues to endorse Brunel Pension Partnership's exclusion of "controversial weapons" (such as anti-personnel mines, chemical and biological weapons) and companies non-compliant with Principle 2 of United Nations Global Compact on Human Rights (UNGC) from their actively managed equity and bond portfolios."*

We have previously provided the Committee with the list of companies published by the UN Office of the High Commissioner for Human Rights (OHCHR) as of December 2024. The opinion you have provided and the report you have defended your inaction on the fact that the court proceedings against Israel are still ongoing. There are over 100 companies the UN has listed for several years as being complicit in human rights violations. This is a longstanding judgment. Yet despite this, the fund remains invested in the following companies listed for their involvement in illegal settlements and violations of Palestinian rights:

This includes:

- ➢ Airbnb Inc.
- ➢ Altice
- ➢ Alstom
- ➢ Bank Hapoalim .
- ➢ Bank Leumi Le-Israel
- ➢ Bezeq the Israel Telecommunication Corp.
- ➢ Booking.com
- ➢ Expedia Group Inc.
- ➢ Mizrahi Tefahot Bank Ltd.
- ➢ TripAdvisor Inc.
- ➢ First International Bank of Israel Ltd.
- ➢ Motorola Solutions Inc.
- ➢ Caliber Collision
- ➢ ZF Europe Finance

Furthermore, the Committee has stated its commitment to the UN Global Compact, including Principle 2: "Businesses should ensure they are not complicit in human rights abuses."

We request a formal clarification:

- **Why does the Dorset Pension Fund continue investing in companies cited by the United Nations for complicity in breaches of international law?**
- **On what grounds is the council suggesting it does not know the stance of these companies' complicity?**
- **How is this principle being applied to these investments?**

International law and the environment:

Although the natural environment is protected under International Humanitarian Law, it continues to be a “silent casualty of war”. The environmental devastation in Gaza violates multiple international laws and conventions designed to protect the environment during armed conflict. The Rome Statute and Geneva Conventions highlight that intentional environmental destruction can constitute a war crime.

In addition International law requires Israel to bear the cost of rebuilding Gaza, given its recognised responsibility as an occupying power. Long term investment in companies based in Israel face a serious legal risk. There is nothing to say that Palestininas would not be within there right to come for reparations from the UK for our ongoing complicity in their occupation and genocide. With the growing unrest within the general UN assembly this reality grows more each day. The cost of rebuilding Gaza is estimated at

$18.5 billion and the legal implications of the action taken are undeniable and growing each day.

A more detailed review has been set out by Palestinian Solidarity Campaign Position-Paper.pdf

2. Inconsistent Application of ESG Standards

The Fund has implemented exclusions on controversial weapons, yet as well as continuing to invest in companies explicitly named by the UN it continues to invest in:

1. Arms and surveillance tech providers implicated in war crimes.
2. Companies directly operating in illegal settlements.
3. What has been described by Greenpeace and the UN as Ecocide.

There is an extensive list of companies that are key to the continued illegal apartheid in the West Bank through technology development including:

- **Safran**: Provides biometric equipment used by Israeli forces across the occupied Palestinian territories. A territory in which the Israeli Palestinians grass route group “Standing Together” has called actions taken by settlers as “pogromes”. Hundreds of Palestinian homes burnt down by settlers, all of whom were released within 24 hours. The Palestinians displaced forever.

- **HP (Hewlett-Packard):** Powers Israel’s racist population registry (Aviv System) and settler infrastructure via the “Yesha Database.”

- **Babcock Internationa**l: Maintains contracts with the Israeli military, currently facing genocide proceedings before the ICJ.

- **Check Point Software Tech**: is a large Israeli internet security and software company. As reported by Corporate Watch, it is closely intertwined with the Israeli military and security services. Several of Check Point’s directors worked in cyber intelligence for the Israeli military before starting careers in the private sector. The company works in partnership with some of Israel’s biggest arms companies, including drone manufacturer Israel Aerospace Industries (IAI). Like

other parts of Israel's hi-tech sector, such as the companies making a profit out of Israel's drone industry, Check Point profits from the incubator provided by the Israeli state repression of Palestinians.

This inconsistency calls into question the Fund's adherence to its own ESG criteria. These investments violate both ethical norms and the Fund's stated ESG exclusions.

We ask for specific case by case justifications for retaining investments in each of these companies in reference to why the council feels this is appropriate use of weapons and technology by one occupying person on to another occupied persons?

Serious Environmental Destruction

We have already highlighted the legal responsibility Israel and those supporting this genocide have to the enviroment as part of the Rome Statue and Genevea Conventions. Multiple NGOs have described what is happening in Gaza and ecocide. The targeted deliberate destruction to make Gaza uninhabitable has multiple environmental agencies including Greenpeace calling for investigation into this destruction of habitat as a war crime.

By June last year Euro-med calculated Israel had dropped 70,000 tons of explosives on the Gaza Strip. This was over a year ago. The immediate carbon emissions from the war are staggering, an estimated 536,410 tonnes of carbon dioxide was released in just the first 120 days of the genocide, it has now been 632 days at the point of writing this. The level of bombing is unprecedented in all of history. The land is scorched, piles for burning waste lands have formed, water is poisonous, air contaminated with phosphorus chemicals and the agricultural land poisoned.

The severe environmental crisis is causing an increase in disease to animals, plants and people risking serious epidemics throughout the region and is an environmental catastrophe. The long term impact to the whole region and those close by is immeasurable.

Socioeconomic condition.

Socioeconomic conditions in Gaza were dire in 2022 with over two million Gazans confined to one of the most densely populated spaces in the world. Surrounded on all borders by a brutal occupation and regular "mowing the laws", as well as a violent blockade that ban everything from wedding dresses to incubators Gazans have suffered inadequate access to clean water, sporadic electricity provision and no proper

sewage system. Two thirds of the population lived in poverty, and 45% of the workforce was unemployed before the beginning of the latest assault.

The ongoing genocide has displaced 85% of Gaza's population, halting economic activities and further worsening poverty and unemployment.

UNCTAD’s assessment underscores that restoring pre-conflict socioeconomic conditions in Gaza will take decades and requires ***substantial foreign aid*.**

There is now no adequate water or sewage system, no adequate hospitals, housing, work or education system in place. Children have not had any school for nearly two years.

Is the council denying the serious social, ecological and geopolitical destruction that is being carried out in Gaza today? Do the council take the stance that environmental, social and geopolitical risk will not impact our communities? Can the council highlight specifically how these actions and investment in companies committing them align with the ESG policy?

3. Misrepresentation of Financial Risk

The report asserts that divestment may carry financial penalties, yet:

- No modelling, analysis, or comparative case studies are presented.
- Experience from other funds including Norway's sovereign wealth fund, Dutch pensions, USS (the UKs largest pension fund), and AXA show that ethical divestment is financially viable.
- Reputational and legal risks from inaction may in fact outweigh any short-term market impacts.
- There is already a call to change the pension scheme in just a few months, this would mean action now would avoid any additional cost in the long run. Instead of highlighting this as a key opportunity to councillors to make changes to the fund in the interest of the local community the report completely undermines any responsibility by stating the impact is "unknown".

Evidence we submitted about the growing call for divestment including pensions funds who have already done so. Including:

- USS the UKs largest pension fund divested $100 million from Israeli assets.
- AXA withdrawing from all major Israeli banks.
- Carrefour exiting Jordan after boycott pressure and McDonalds global decrease in sales for the first time ever.
- Twelve councils have already divested including Waltham Forest, Oxford, Bristol, Islington and Peterborough and almost all funds are facing divestment calls.

In addition to the growing financial risk created by an increase in divestment market leaders are already highlighting the financial risk to Israeli backed assets:

- Moody's downgrading of Israel's credit rating in 2024, raising bond issuance costs.
- Chairman of the Israeli Export Institute acknowledged that "BDS and boycotts have changed Israel's global trade landscape," and admitted that in some countries, Israeli companies must now operate "under the radar."

- Israel already faced its first recession and political and financial analysts have highlighted that the end of the war will likely see a long term recession for the region. They have sold off masses of bank loans to hedge up military equipment.

In addition, it ignores our own governments stance on risk of investing in Israel:

UK Foreign policy The UK government guidance:

'Overseas Business Risk - The occupied Palestinian territory lxxiv' highlights the legal and economic risks of companies conducting business within or benefitting the settlements, and makes it clear that the government does not support such activity. Pension funds should be seeking to minimise these risks to their investments by demanding that companies cease any operations in the settlements. "There are therefore clear risks related to economic and financial activities in the settlements, and we do not encourage or offer support to such activity. Financial transactions, investments, purchases, procurements as well as other economic activities (including in services like tourism) in Israeli settlements or benefiting Israeli settlements, entail legal and economic risks stemming from the fact that the Israeli settlements, according to international law, are built on occupied land and are not recognised as a legitimate part of Israel's territory. This may result in disputed titles to the land, water, mineral or other natural resources which might be the subject of purchase or investment. EU citizens and businesses should also be aware of the potential reputational implications of getting involved in economic and financial activities in settlements, as well as possible abuses of the rights of individuals." Overseas Business Risk - The Occupied Palestinian Territory, Foreign and Commonwealth Officelxxv

The BDS movement is accelerating, and continued investment in companies complicit in Israel's regime is rapidly becoming not only unethical but fiscally irresponsible. It undermines long-term portfolio stability and risks breaching fiduciary duty.

We request that the Committee provide a detailed explanation of what measures have been taken to address the specific risks previously identified. In particular, we note the Committee's prior assertion that it is too difficult to quickly divest from certain assets, and that doing so would be dangerously reactionary.

Given this position, we ask the Committee to clearly outline its long-term strategy for mitigating and ultimately exiting these risk exposures. If a phased or strategic transition is planned, please clarify the intended timeline, benchmarks for progress, and risk management protocols in place during the interim period. How many companies, banks and investment funds will have to divest before Dorset starts making a plan let alone puts it into place?

4. Lack of Member Engagement Undermines Democratic Legitimacy

The claim of “insufficient evidence” of support from scheme members is disingenuous:

- No reference is made to Dorset UNISON’s support for divestment, one of the largest unions for pension scheme members
- There was also no recognition that the call for divestment has been supported by unions and its members at a national level including GBM, Unison and Unite.
- No parallel consultations were held before divesting from Russia or for fossil fuel-related ESG changes. Showing a dangerous double standard for the Council to put their own preference towards their support of Israel above the members' call to divest from activities related to war crimes.

There is also no mention that since launching our campaign in only a few weeks:

- Hundreds have joined public demonstrations across Dorset- from the small town of Bridport, to Weymouth, to Dorchester, to larger centers like Bournemouth. There is a clear and growing movement across the area with multiple established groups already set up and well supported in their actions.
- Local councillors have received numerous emails in support but seem to have disregarded this as a clear indicator of public sentiment.
- You have heard several questions and deputation from different groups calling to divest. These have come from environmental groups, political advocates and workers movements showing a consistent concern across the spectrum.

The council workforce and pensions members are taken from the local community so to suggest this is not consistent with the members without providing any evidence why is unacceptable.

In addition to this campaign, it is known to councillors that:

- Over thousands of BCP residents have signed to be untwinned with an Israeli settlement.
- Nationally, a YouGov poll (May 2024) found that 70% of Britons support a ceasefire in Gaza. Public sentiment is overwhelmingly clear.
- The Coop which is a member led retailer held a recent vote to cease trade with Israel with more than 70% voting for divestment and huge a backlash on the company when they tried to ignore members.
- British Medical Association has also passed multiple resolutions to cut ties with Israel following a growing number of calls by members. Showing a clear stance by public workers.

Both local and national consensus is clear. The public including employees and pension holders do not support Israel's use of starvation, mass murder and ethnic cleansing nor do they want to see their money or leaders supporting such atrocities.

On what ground is the council suggesting that pension members are not aligned for this divestment call?

In the case of Russia, the council not only divested from specific companies that had violated human rights, but chose to divest entirely from Russia. During the meeting on 10 March 2022 Andy Canning (Chairman) made a brief statement on Russia and Ukraine during which the council expressed dissatisfaction with Russia, and no other concerns were raised. Not regarding cost, complexity, inefficiency, or the will of the members.

We are asking the council to clarify why the Russian divestment did not require the same terms and conditions that are now being suggested for divesting from the Genocide in Gaza? Why are the multiple unions, email, protests, petitions, question and deputations all calling for the same thing being clearly and willfully discarded by representatives?

5. Artificial Framing: Engagement vs. Divestment

The report presents engagement as the only viable alternative to blanket divestment. This is a false dichotomy. Responsible investment allows for:

- Targeted divestment from companies on the UN OHCHR list.
- Clear engagement deadlines, after which divestment proceeds.
- Use of existing exclusion frameworks applied for other ESG concerns.

The report and the council have failed to show where they have used engagement before and how it has worked, they have also ignored the seriousness and urgency of the current issue. We are asking the council to divest from a current and ongoing genocide in which hundreds of people are being killed every day. On what ground has long term ‘engagement’ been chosen as over divestment when dealing with such a serious and urgent matter?

What are the specific conditions under which Dorset would divest from a company complicit in international law violations and how are these being communicated with these companies in your strategy of engagement?

In your communication with these companies to engage with them, is there a timeline for results?

What precedent supports successful engagement with companies involved in occupation infrastructure?

From what we can see there has been no material or in fact any action taken by the Council to engage in any way with companies complicit in genocide and push them to stop. There is a clear stance here to dressing up inaction as an effective action, a stance we will not accept.

6. Administrative Complexity Is Not a Justification for Ethical Paralysis

The impending changes to Brunel Pension Partnership should not be used as an excuse for delay. Other LGPS members -including Oxfordshire- are moving ahead with ethical screening.

Moreover, Dorset has previously undertaken responsible investment decisions on environmental and human rights grounds. Any restructuring required due to central government directives provides the ideal opportunity to realign the portfolio ethically.

7. Ignoring Global Best Practices

Across the UK and internationally, ethical divestment has proven both lawful and effective. Examples include:

- The University Superannuation Scheme (USS)
- The Church of England
- Dutch ABP pension fund
- Norway's KLP and GPFG sovereign fund

Legal challenges to such moves under LGPS regulations have not succeeded. Acting in accordance with human rights is not only legal, it is now an ESG best practice

Conclusion & Recommendations

The Dorset Pension Fund has a moral, legal, and fiduciary duty to act. Bureaucratic obstacles or political reluctance must not override this.

We call on the Committee to take the following immediate steps:

1. Immediate Divestment from Companies Breaching UN Principles:

- Withdraw investments from companies identified by the UN as violating its key principles (e.g., companies involved in human rights abuses, environmental harm, etc.). Ensure Brunel's investment portfolio aligns with the UN's Global Compact and international human rights frameworks. This would send a strong message that these kinds of activities are not acceptable.

2. Review and Divest from Companies Accused of War Crimes:

- Conduct a comprehensive review of companies accused of complicity in war crimes, especially those involved in the illegal use of weaponry, apartheid, or genocide or involved in the enforcement of illegal settlements or profiting from them.

3. Commit to Long-Term Reporting and Transparency:

- Ensure long-term monitoring and transparent reporting on the status of these divestments. The pension committee should actively manage these investments to ensure alignment with ethical standards. The administrative body pension committee should take an active role in reviewing these investments and understanding the companies invested in. There must be a clear framework for future ethical investments.

We remain willing to engage constructively and to support the Fund in developing a human rights-compliant investment strategy. However, the status quo is untenable.

We look forward to a formal and substantive response.

Yours sincerely,

Dorset Palestine Solidarity Campaign
Palestine Solidarity Movement Dorset
Dorset UNISON+

Reference Documents

Palestine pensions pack *Uniosn*

Report by Council

The United Nations Human Rights Council, in its resolution 31/36 Jun 2023

Brunel Pension Partnership Investment Report - Dorset County Pension Fund - 31 Mar 2025

Israel has committed genocide in the Gaza Strip, UN Commission finds | OHCHR

https://dorsetpensionfund.org/media/ovmedsch/dorset-county-pension-fund-holdings-report-30-june-2025.xlsx

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Pensions Fund Committee
1 March 2026
Pensions Administration

For Review and Consultation

Local Councillor(s): All

Executive Director: S Cremer, Corporate Director, Section 151 Officer

Report Author: Steph Ball
Title: Acting Service Manager for Pensions
Tel: 01305 225043
Email: steph.ball@dorsetcouncil.gov.uk

Report Status: Public

Brief Summary:

This report is the quarterly update for the Pension Fund Committee on all operational and administration matters relating to the Fund. It contains updates on the following:

- Key Performance Indicators
- Dashboard Update
- McCloud Update
- Overseas Pensioner Mortality Screening
- Access and Fairness

Recommendation:

It is recommended that the Committee note and comment on the contents of the report.

Reason for Recommendation:

To update the Committee on aspects of Pensions Administration.

1 Background

1.1 This report is the quarterly update for the Pension Fund Committee on all operational and administration matters relating to the Fund.

2 Key Performance Indicators

2.1 The key performance indicators (KPIs) are attached at Appendix 1. These are for the period 01/11/2025 - 31/01/2026. The previous quarter is included for reference.

2.2 Performance against the KPIs for the Top 10 cases improved compared to the previous quarter. Cases completed on time or early rose slightly from 97.23% to 98.06%.

3 Pensions Dashboard Update

3.1 The Pensions Dashboard is being introduced to provide individuals with a secure, single online view of all their pensions, this includes workplace, personal, and the State Pension. It is designed to help members track down any lost or forgotten pensions, understand their overall retirement position, and make informed decisions about future planning. The Pensions Dashboard is due to go live by 31 October 2026.

3.2 Dorset County Pension Fund successfully completed Phase 2 of the implementation in early October. This phase included the configuration of the Live database in preparation for system connectivity.

3.3 MoneyHelper, who will host the Pensions Dashboard once it goes live to the public, are currently contacting schemes to invite members to take part in consumer testing for Phase 2 of the Dashboard programme. The purpose of this testing is to gather feedback and ensure the system is functioning as expected prior to the official public launch, the timing of which will depend on the outcomes of the testing.

Phase 2 is scheduled to run from March 2026 through to Q1 2027**.**

3.4 Dorset County Pension Fund are considering their options on how to reach out to their members to sign up for the testing.

4 McCloud Update

4.1 We have contacted all 91 LGPS funds to verify members' eligibility under McCloud. To date, 57 responses have been received. Pension records will be updated where service with other fund(s) brings members into scope for McCloud.

4.2 The next scheduled software delivery was on 26 February and addresses additional issues identified following the previous releases. The Dorset County Pension Fund Administrators received internal training on the new processes on the delivery date

4.3 Administrators will be able to pay any retrospective underpin payments due to pensioners over the coming months.

4.4 Any outstanding McCloud deliverables are scheduled for completion in Quarter 2 of 2026.

4.5 Guidance on teachers' excess service remains outstanding.

4.6 'Business as usual' processing continues for retirements and deferred members identified as being in scope for McCloud.

4.7 Dorset County Pension Fund will be able to provide McCloud member statistics in the next Pension Administration Report.

5 Oversea Pensioner Mortality Screening

5.1 Dorset County Pension Fund's 2025 mortality screening for pensioners was carried out by the external provider Target Professional Services, at a cost of £47,820 excluding VAT.

5.2 The project with Target was completed on 12 January, at which point the final report was issued. Target verified 375 members, after which Dorset County Pension Fund assumed responsibility for the remainder of the work.

5.3 Following receipt of the report, the fund attempted to contact all outstanding pensioners for whom an email address was held. Any pensioner without a known email address was suspended at this stage. A total of 49 pensioners were emailed, and 30 have since responded. A number of these had changed address without informing the fund.

5.4 At the beginning of March 27 pensioners remain suspended, representing £109,714.10 in annual pension. An additional four pensioners were initially suspended but have since contacted the fund.

5.5 Eight members were identified as having died; however, only one of these deaths can be confirmed as having been detected through the screening process. The total pension overpaid to deceased members amounts to £843.72, which the fund has requested be repaid.

6 MHCLG Response to Access & Fairness Consultation

6.1 MHCLG has confirmed it will implement changes to the LGPS in two phases, with the first set of amendments taking effect from 1 April 2026. This is a very challenging timetable with payroll and pensions software requiring changes.

6.2 Key Changes from April 2026

6.2.1 Death Grants & Survivor Benefits

- Equalisation of survivor benefits.
- Removal of age 75 limit for death grant eligibility.
- Removal of two year rule requiring payment to personal representatives.
- Cohabiting partner nomination no longer required for deaths between 2008–2014.
- Minor updates to children's pension provisions.

6.2.2 Qualifying Additional Pension Arrangements (QAPAs)

- New cost basis for buying back pension lost during authorised unpaid absence for 15 days or more. This will be based on member and employer normal contribution rates.
- One year window to apply, provided the member is still active in the same role.
- Employers can contribute during unpaid absences over three years.
- Bought pension will count for survivor benefits and is unreduced on redundancy / efficiency retirement.
- Applies only to absences beginning after 31 March 2026; existing rules continue for earlier breaks.

6.2.3 Gender Pensions Gap Measures

- Compulsory contributions during unpaid absences of 14 days or less, contributions based on 'lost pay'.

- Assumed Pensionable Pay to apply during unpaid additional maternity, adoption, and shared parental leave (for absences starting after 31 March 2026).
- Mandatory gender pensions gap reporting from the 2025 valuation, with enhanced reporting from 2028.

6.2.4 Lifetime Allowance (LTA) Removal

- All LTA references removed from regulations.
- New long term pension commencement excess lump sum (PCEL)maximum set at 25% of capital value (subject to contracting out limits).
- Applies to PCELS paid after 31 March 2026

6.2.5 McCloud Remedy

- New underpin provisions for members joining after age 65 with transferred remediable service.
- Technical corrections on deaths, pension debits, pension credit calculations, and interest on compensation.

6.2.6 Other Changes

- Minor technical wording updates.
- Updated definition of paternity leave.
- Small pot payments allowed for pre-April 2008 membership where criteria are met.

6.3 The statutory instrument delivering these changes is expected in March 2026. A special bulletin with full details and transitional arrangements will follow. MHCLG will also issue updated statutory and actuarial guidance.

6.4 Remaining consultation proposals (e.g., changes to five-year refund rules) will be implemented later in 2026.

7 MHCLG Response to Access for Elected Members Consultation

7.1 MHCLG has published a partial response to the Access and Protections consultation. This response covers only one of the four policy areas in the consultation – pensions for elected members.

7.2 The Government has confirmed that it will proceed with plans to extend the LGPS to councillors and mayors in England. This change will give access to the LGPS to:

- All mayors and deputy mayors in England.
- All councillors at principal authorities in England.
- All London Assembly members.

7.2 The regulations are expected to come into force on 11 May 2026, the first Monday after the local elections.

7.3 The Government acknowledges that bringing elected members into the LGPS will place additional administrative demands on administering authorities and employers. However, the Government believes this will help talented people come into public service and ensure consistent treatment in terms of pension provision across the UK.

7.4 Elected members who wish to join will be required to opt in to the Scheme under regulation 3(6) of the Local Government Pension Scheme Regulations 2013.

7.5 The LGA are continuing to work with MHCLG to consider and resolve any technical queries on the regulations. A special bulletin, planned for April, that will set out the key differences between elected and non-elected member participation in the LGPS and outline the actions administering authorities will need to take.

7.6 The LGA member website will be updated with a brief guide for councillors and mayors in England.

8 Financial Implications
N/A

9 Climate Implications
None

10 Well-being and Health Implications
None

11 Other Implications
N/A

12 Risk Assessment
12.1 HAVING CONSIDERED: the risks associated with this decision; the level of risk has been identified as:
Current Risk: N/A
Residual Risk: N/A

16. Equalities Impact Assessment
N/A

17. Appendices
Appendix 1 – KPIs (1 November 2025 to 31 January 2026)

18. Background Papers

LGPS Regulations 2013

MHCLG consultation on Scheme improvements (access and protections)

McCloud statutory guidance

Homepage | UK Pensions Dashboards Programme

The Pensions Dashboards Regulations 2022

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Dorset County Pension Fund KPI Report

	Period:	November 2025 - January 2026				
Top 10 detail - cases completed on time	**Completed in period**	**Performance**	**KPI (days)**	**Cases completed on time or early**	**Total Processes Worked On**	**Average Working Time (Days)**
Admissions	1135	100.00%	30	1135	1135	1.04
Interfund in Quote	62	100.00%	30	62	373	4.08
Interfund In Actual	80	70.86%	30	79	127	7.38
Interfund Out Quote	47	100.00%	30	45	105	3.61
Interfund Out Actual	100	94.59%	30	96	166	15.27
Transfers in Quote	28	100.00%	15	28	96	2.67
Transfers In Actual	9	100.00%	15	9	10	2.30
Transfer Out Actual	16	100.00%	15	16	72	5.04
Transfer Out Quote	92	100.00%	15	92	107	2.82
Estimates	175	99.41%	15	175	207	3.19
Retirements	460	99.49%	10	453	511	2.76
Retirements Quote	504	99.36%	10	504	1186	2.62
Deferred Benefits	1281	92.89%	40	1043	2106	29.51
Refunds	156	100.00%	15	156	416	1.03
Refunds Quote	261	100.00%	15	261	802	1.02
Deaths (Initial Stage)	89	98.15%	5	86	215	2.48
Correspondence	1200	99.23%	15	1196	1276	2.32
Total	**5695**	**98.06%**		**5436**	**8910**	

Total Processes for month completed	15911
Total Processes worked on in month	19573
Total Phone Calls taken through Pensions Helpline	1628
Total Emails Received	0
Total Emails Sent	0
McCloud Processes Completed	1998

* Figures for December & January are not included due to issues with Dorset Council Outlook

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Pension Fund Committee
17 March 2026
Funding Strategy Statement (FSS)
For Decision

Local Councillor(s): All

Senior Leadership Team:
S Cremer, Corporate Director, Section 151 Officer

Report author: David Wilkes
Job title: Service Manager (Treasury and Investments)
Email: investments@dorsetcouncil.gov.uk

Statutory Authority: Dorset Council

Report status: Public (the exemption paragraph is N/A)

Executive summary

Local Government Pension Scheme (LGPS) regulations require administering authorities to prepare and maintain a Funding Strategy Statement (FSS) which explains how the administering authority plans to make sure the pension fund has enough money to pay pensions now and in the future.

The pension fund's FSS was updated to reflect the draft results of the latest triennial valuation as at 31 March 2025 and the most recent guidance issued by the LGPS Scheme Advisory Board (SAB) January 2025. In December the Committee approved the updated draft FSS for consultation with scheme employers and other key stakeholders. The consultation has now ended and the FSS has been amended as appropriate. A final 'clean' version of the final FSS is attached as Appendix 1 and a 'marked-up' version showing all the changes from the draft FSS previously approved is also attached as Appendix 2.

For information, the latest version of the actuarial valuation report as at 31 March 2025 carried out by the pension fund's actuary, Barnett Waddingham, is also attached as Appendix 3. The purpose of the valuation is to review the financial position of the pension fund and to set appropriate contribution rates consistent with the final FSS for each employer in the pension fund for the period 1 April 2026 to 31 March 2029 as required under LGPS regulations.

Recommendation(s):

That the Committee approve the Funding Strategy Statement (FSS) for publication on the pension fund's website.

Reason for the recommendation(s):

The Local Government Pension Scheme (LGPS) Regulations 2013 require all administering authorities within the LGPS to prepare and maintain a Funding Strategy Statement (FSS) and to consult key stakeholders on the contents of this statement. The report attached as Appendix 1 meets the requirements of this legislation and is prepared in accordance with the most recent guidance issued by the LGPS Scheme Advisory Board (SAB) January 2025.

1. Legal considerations

1.1 None identified.

2. Financial implications

2.1 None identified.

3. Natural environment, climate & ecology implications

3.1 None identified.

4. Well-being and health implications

4.1 None identified.

5. Other implications

5.1 None identified.

6. Risk implications

6.1 None identified.

7. Equalities

7.1 There are no equalities implications arising from this report.

8. Appendices

Appendix 1: Funding Strategy Statement (FSS) ['clean']

Appendix 2: Funding Strategy Statement (FSS) ['marked-up']

Appendix 3: Actuarial Valuation as at 31 March 2025

9. Background papers

Revised Funding Strategy Statement (FSS) – consultation open until 23 January 2026 | Dorset Pension Fund

FSS guidance Final January 2025.pdf

Funding Strategy Statement | Dorset Pension Fund (December 2022)

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BARNETT WADDINGHAM

Part of HOWDEN

Dorset County Pension Fund

Funding Strategy Statement

BARNETT WADDINGHAM

Part of HOWDEN

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Section A – Purpose of the fund and the FSS

Introduction

This is the Funding Strategy Statement (FSS) for the Dorset County Pension Fund (the Fund), part of the Local Government Pension Scheme (LGPS). It has been prepared by Dorset Council in our capacity as Administering Authority of the Fund.

We have prepared this statement:

- in accordance with Regulation 58 of the LGPS Regulations 2013 as amended (the Regulations);
- with regard to the guidance (*Guidance for Preparing and maintaining a Funding Strategy Statement (FSS)*) jointly produced by the Scheme Advisory Board (SAB), the Chartered Institute of Public Finance and Accountancy (CIPFA) and Ministry of Housing, Communities and Local Government (MHCLG); and
- having taken advice from the Fund Actuary, Barnett Waddingham.

This statement should be read in conjunction with our Investment Strategy Statement (ISS) here.

Employers and other relevant parties have been consulted during the development of this FSS.

This FSS was approved by the Pension Fund Committee on 17 March 2026 on the recommendation of the Chief Financial Officer (section 151 officer) and following consultation with our employers.

We have included an explanation of the key terminology used in this document in Annex E: Glossary.

Contact details

Any queries relating to this FSS should be directed to lgpsemployers@dorsetcouncil.gov.uk and investments@dorsetcouncil.gov.uk.

Aims and objectives of the FSS

The aims and objectives of this FSS are to:

- Enable our Fund Actuary to undertake appropriate funding calculations for the Fund, whether as part of a triennial actuarial valuation exercise or otherwise, which also meet the requirements of the LGPS Regulations and guidance and their professional obligations;
- Establish a clear and transparent fund-specific strategy that will identify how our 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(6) of the Regulations;
- Ensure that the regulatory requirements to set employer contributions to ensure the solvency and long-term cost efficiency of the Fund are met in the context of fiduciary duty;
- Explain how we seek to balance the interests of different employers; and
- Explain how we deal with conflicts of interest and references other policies/strategies.

They have been set in the context of fiduciary duty and requirement to pay pension benefits according to the LGPS and wider regulations.

Our aims in relation to long-term funding are to:

- Achieve solvency by managing employers' liabilities effectively and ensuring that sufficient resources are available to meet all benefit payments as they arise;
- Achieve long-term cost efficiency by ensuring that employer contribution rates are not set at a level that gives rise to additional costs;
- Enable primary contribution rates to be kept as nearly constant as possible and (subject to not taking undue risks) at reasonable cost to our employers; and
- Seek returns on investment within reasonable risk parameters.

Conflicts of interest

There is a potential conflict of interest in that the FSS is prepared by the Administering Authority which is itself an employer in the Fund. We will ensure that the contents of the FSS are not unduly influenced by any one employer by undertaking a consultation which is extended to all employers.

Monitoring and review of the FSS

The FSS will be monitored annually and it will be reviewed before the completion of the next actuarial valuation of the Fund unless circumstances suggest an earlier review would be desirable or required.

Examples of when we may wish to review the FSS include:

- Material changes to the LGPS benefit structure or regulations;
- Significant changes to our investment strategy;
- Significant changes to our membership profile;
- Such significant changes to the number, type, or individual circumstances of any employers to such an extent that they impact on the funding strategy (e.g. exit/restructuring/failure which could materially impact cashflow and/or maturity profile and/or covenant);
- A material change in the affordability of contributions and/or employer(s) financial strength which has an impact on the future solvency of the Fund;
- Recommendations from MHCLG/Government Actuary's Department (GAD); or
- On the advice of the Fund Actuary.

In a review of the FSS, we would consider whether an update to the FSS was required (and consequently whether an update to the ISS was also required). If we felt an update was required, we will consider communicating with those employers specifically impacted by any changes.

Section B: Key funding principles

Funding target

Employer contribution rates are required by Regulations to be set by an actuarial valuation exercise and securing the solvency and long-term cost efficiency of our Fund is a regulatory requirement. The Regulations also state it is desirable to maintain as nearly constant a Primary rate of employers' contribution as possible and the Fund aims to achieve this. A key principle in determining employer contribution rates is to establish a funding target, with employer contribution rates then set to meet that target over an agreed period.

The past service funding level (often referred to as simply the funding level) is the ratio of assets to liabilities in respect of accrued past service.

We define the funding target as having at least sufficient assets in the Fund to meet the accrued past service liabilities (i.e. a funding level of 100%). We may set different funding targets for different employers or groups (pools) of employers in the Fund.

The Fund Actuary can then assess how the value of the assets held by the Fund compares to the funding target and calculate the past service funding level.

We have many different employers in our Fund and our strategy seeks to strike the right balance between affordable, stable contributions whilst also recognising that failure of an employer to pay contributions, can lead to financial consequences for other employers. More information on the funding target for different employers is set out in the Summary of funding approach table.

How we set employer funding targets

Members' benefits are payable many years into the future and positive investment returns can help make the benefits more affordable for employers. Investment returns are not guaranteed or known in advance so the assumed future rate of investment return (also known as the discount rate) is the key assumption the Fund Actuary makes in calculating the liabilities. In general:

- the lower the investment return over a time period the higher the required contributions to the Fund over that time period and vice versa;
- the higher the assessed risk an employer (or group of employers) may cease to exist in future and be unable to meet their obligations to the Fund, the lower the assumed rate of future investment return may be, whilst recognising this must be balanced with affordability considerations; and
- the time period over which it is appropriate to consider the contributions and investment return may vary depending on the circumstances of an employer (or group of employers).

There are broadly three categories of employer according to the Regulations:

- Schedule 2 Part 1 ("Scheduled") bodies which must admit eligible employees to the LGPS (for example County and District councils, police and fire bodies and academies);
- Schedule 2 Part 2 ("Resolution") bodies which designate employees or posts as being eligible to join the LGPS (for example town and parish councils);
- Schedule 2 Part 3 ("Admission") Bodies which
  - participate by virtue of paragraph 1(d)[1] (generally where a service has been outsourced to a private sector contractor) – "Transferee Admission Bodies" and
  - meet the criteria in paragraphs 1(a) to (c) or 1(e) are typically referred to as Community Admission Bodies (CABs) (for example Charities and Housing associations).

We aim to be fair and consistent across our employers, so for all employers within a category, unless justified by a covenant assessment or agreed with the Fund Actuary, we will:

- adopt the same maximum periods to recover any deficit or surplus;
- apply the same minimum employer contribution rate;
- use the same funding basis to set the employer contributions for the actuarial valuation;
- use the same cessation basis in the event of an employer exit;
- apply the same maximum terms for any deferred debt agreement and debt spreading arrangements.

[1] of Part 3 of Schedule2 to the Regulations

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Summary of funding approach

Below we have summarised the funding approach to participating employers in the Dorset County Pension Fund (the Fund). Please note pass through employers are not included, they pay a contribution rate in line with individual pass-through agreements.

Employer category	Scheduled bodies 1	Scheduled bodies 2	Resolution bodies	Other 1	Other 2
Example employer within category	Police Fire Schools that have not opted to academise	Academies Further Education (FE) bodies falling under the guarantee of the Department for Education	Town and Parish Councils	Contractors with Letting Authority as guarantor	Universities without security Admission bodies without guarantor or security Charities, Housing associations without security
2022 funding approach	Maximum recovery period of 13 years	Academies – All pooled, recovery period of 16 years FE bodies – maximum recovery period of 16 years	All pooled, recovery period of 10 years	Contractors – recovery period in line with contract length	FE bodies – Maximum recovery period of16 years - Admission bodies – recovery period in line with contract length Charities, Housing associations – Maximum recovery period of16

Employer category	Scheduled bodies 1	Scheduled bodies 2	Resolution bodies	Other 1	Other 2
2025 funding target	Achieve fully funded position over appropriate time horizon Allow for reduction of total contribution rate if appropriate Maintain a degree of stability by limiting the total contribution reduction and by stepping in any changes over the intervaluation period Academies and resolution bodies remain fully pooled to increase stability			Achieve fully funded position over appropriate time horizon Allow total contributions to be set at a very low level to avoid overfunding (exit credits) Security / guarantor protects Fund against default	Achieve fully funded position over appropriate time horizon Allow total contributions to be set at a very low level to avoid overfunding (exit credits) with consideration of the position on a full cessation basis.
2025 valuation – funding basis	Ongoing basis				
2025 funding approach – deficit	Recovery period of three years less than in 2022, a lower recovery period may be used depending on an employer's covenant			Recovery period set as the lower of the contract length, Expected Future Working Lifetime (EFWL), and 13 years (a lower recovery period may be used depending on an employer's covenant)	If not fully funded on a full cessation basis then total contribution rates maintained at 2022 level. If fully funded on a full cessation basis then surplus can be paid back over 13 years.

Employer category	Scheduled bodies 1	Scheduled bodies 2	Resolution bodies	Other 1	Other 2
2025 funding approach – surplus	Less than 115% funded – stepping down to new primary rate over intervaluation period More than 115% funded – stepping down to new total contribution rate below primary rate allowing for excess surplus (above the funding target) to be paid back over 13 years				Total contribution rates maintained or increased where required. If cessation deficit met on full cessation basis then total contribution rate will be stepped down.
2025 minimum contribution rate	No employer will receive a reduction of their total contribution rate of more than 1.0% p.a.			0% - contribution rate possible	0% - contribution rate possible
2025 cessation basis	No subsuming guarantor – full cessation basis With subsuming guarantor – ongoing basis	No subsuming guarantor – full cessation basis With subsuming guarantor – ongoing basis Following cessation where there is no subsuming guarantor, academies in a funding pool will be removed from the pool.	Town and parish council pool – ongoing basis Following cessation, town and parish council in a funding pool will remain in the pool.	No subsuming guarantor – full cessation basis With subsuming guarantor – ongoing basis	Full cessation basis

In exceptional circumstances, the Administering Authority may agree contributions that do not align with the table above. In such circumstances, advice will be sought from the Fund Actuary.

Managing risk

Whilst our funding strategy aims to satisfy the funding objectives of ensuring sufficient assets to meet liabilities and stable levels of employer contributions, there are risks that may impact on the ability of the strategy to meet our funding objectives.

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

We maintain a risk register where recent developments are reported. More detail of the various funding-specific risks can be found in Annex D: Managing Risks

Main actuarial assumptions

To value liabilities, the Fund Actuary needs to make assumptions about the factors affecting the Fund's future finances such as price inflation, pay increases, investment returns, rates of mortality, early retirement and employee turnover etc.

The assumptions adopted at the valuation can be considered as:

- The demographic (or statistical) assumptions which are essentially estimates of the likelihood or timing of benefits and contributions being paid, and
- The financial assumptions which will determine the estimated value of the amount of benefits and contributions payable.

A summary of our methodology to determine and monitor the actuarial assumptions is explained below. Financial assumptions are based on a particular date and consider average market yields over the six months straddling the relevant date. The relevant date may be the date of the valuation, or the date an employer joins or leaves the Fund.

Retail Prices Index (RPI) inflation

To measure the future level of price inflation over the long-term, we use the 20 year point on the Bank of England implied RPI inflation curve. A fixed inflation risk premium deduction of 0.3% p.a. is made to the assumption.

Consumer Prices Index (CPI) inflation (future revaluation and pension increases)

Pension increases, both in payment and the rate of revaluation applied to pension accounts, are linked to changes in the level of the CPI. Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods. Based on analysis undertaken by the Fund Actuary, a deduction of 0.4% p.a. is made to the RPI assumption to derive the CPI assumption as at 31 March 2025. This deduction will taper down to 0.2% p.a. by February 2030 when it is anticipated that the RPI will be aligned with the Consumer Prices Index including owner occupiers' housing costs (CPIH).

Pay increases

As some of the benefits are still linked to final pay, the Fund Actuary needs to make an assumption as to future levels of pay increases. Historically, there has been a close link between price inflation and pay increases with pay increases exceeding price inflation in the longer term. The long-term pay increase assumption adopted was CPI plus 1.0% p.a. which includes allowance 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 present day values. The discount rate that is applied to all projected liabilities reflects an estimate of the rate of investment return that is expected to be earned from the underlying investment strategy by considering average market yields in the six months straddling the relevant date.

The discount rate is this rate of return with an adjustment for prudence. The adjustment for prudence has the effect of, all else being equal, increasing the value of liabilities.

The level of "prudence" in the ongoing discount rate has been determined based on a success probability of 67.5% which translates to a fixed deduction of 1.5% p.a. for all employers.

The adjustment for prudence is higher if the discount rate is used to value liabilities where the employer is leaving the fund. Further detail is given in Process for determining the position on termination section.

Demographic assumptions

The demographic assumptions adopted are based on Fund-specific experience and national statistics, adjusted as appropriate to reflect the individual circumstances of the Fund and/or individual employers.

Valuation assumptions

The key assumptions used in the 2025 actuarial valuation as at 31 March 2025 are summarised below:

Assumptions	Assumptions used for the 2025 valuation
Financial assumptions (p.a.)	
CPI inflation	2.7%
Salary increases	3.7%
Discount rate	5.1%
Demographic assumptions	
Post-retirement mortality	
Base table	S3PA
Multiplier (male/female)	95%/115%
CMI Model / long-term rate	2024 / 1.5% p.a.
Initial addition parameter	0%
Overlay half-life	1 year
Retirement assumption	Weighted average
Pre-retirement decrements	GAD 2020 scheme val: no salary scale, 50% multiplier to ill-health rates and 115%/120% multiplier to pre-retirement mortality rates (M/F)
IH assumed proportion in each tier (T1/T2/T3)	75% / 15% / 10%
50:50 assumption	Member data
Commutation	50% Max
Family statistics	
% with qualifying dependant	75% (M) / 65% (F)
Age difference	Males 3 years older

Further information on the assumptions used is explained in the Fund's valuation report [link to be provided in the final version of this document].

Actuarial methods

The actuarial method for open employers is the projected unit method and for closed employers is the attained age method. These are explained further in the section Primary rate of employers' contribution.

Asset valuation

For the purpose of considering funding levels and setting contributions, the asset value used is the market value of the assets at the valuation date, adjusted to reflect average market conditions during the six months straddling the valuation date. This is referred to as the smoothed asset value and is calculated as a consistent

approach to the valuation of the liabilities. For the 2025 valuation this led to assets being taken into account for funding purposes at 102.1% of the market value.

The Fund's assets are effectively unitised and notionally allocated to employers at an individual level by allowing for actual Fund returns achieved on the assets and cashflows paid into and out of the Fund in respect of each employer (e.g. contributions received and benefits paid). For funding pools the assets and liabilities are pooled together and calculated as if the funding pool were a single employer.

Employer pooling and risk sharing

The Fund operates several funding pools where employers share risks. This may impact the calculation of an employer's assets and is explained further in the section Pooling of individual employers.

Links to the Investment Strategy Statement (ISS)

Our ISS is available here.

The funding strategy and the investment strategy are strongly connected. The funding strategy relies on contributions to maintain financial stability, and the investment strategy aims to generate returns that support long-term sustainability.

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 expected rate of investment return anticipated to be achieved by the long-term 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 expected return from the long-term investment strategy. This ensures consistency between the funding strategy and investment strategy.

After employer and employee contributions, investment returns are the third key pillar of LGPS funding. We must be able to pay benefits when they are due. The payments of benefits are met from a combination of contributions (through the funding strategy) and asset return and income (through the investment strategy). Should investment performance or income fall below projected levels, it may be required to increase employer contributions to compensate to meet the cost of the benefits. Hence the required investment returns to meet the discount rate assumption set out in the FSS are considered in setting the strategic asset allocation.

A summary of the asset classes and allocation from the most recent ISS is shown below:

Asset class	Allocation
Bonds	6.5%
Public Equities	58.0%
Private Equities	5.0%
Property	9.0%
Infrastructure	8.0%
Multi-Asset Credit	6.5%
Diversified Growth Fund	7.0%

When setting the strategic asset allocation, the Fund works together with investment advisers to consider funding requirements and to ensure the solvency of the Fund.

How employer contributions are calculated

The total contribution rates an employer must pay is the primary contribution rate plus the secondary contribution rate. The primary and secondary contribution rates are discussed in the sections below. The table in section Funding target above summarises how the primary and secondary contribution rates are set including the bases used under different circumstances of the valuation, or joining or leaving the fund.

The contribution rates that an employer must pay as calculated as part of the actuarial valuations will be communicated to the employers in the late Autumn of the valuation year through an initial results report written by the Fund Actuary.

The contribution rates that an employer must pay when they join the Fund will be calculated by the Fund Actuary and communicated via the Fund upon joining.

Frequency of employers' contributions

Contributions must be paid monthly unless we agree to a special arrangement following discussion with the Fund Actuary. Where contributions are based on a percentage of pay, the amounts paid by employers will fluctuate in line with payroll each month.

For all employers, the primary and secondary contributions they are required to pay along with the frequency of payment will be certified by the Fund Actuary in the Rates and Adjustment Certificate. The latest certificate can be found [here]. [link to be provided in the final version of this document]

Prepayment policy

No discount will be offered in exchange for early payment of either primary or secondary contributions.

Primary rate of employers' contribution

The funding level considers past service, but the Fund Actuary must also calculate the cost of benefits which will be earned in the future by active members.

The primary rate of an employer's contribution, as defined in Regulation 62(5), is the level of contributions required, expressed as a percentage of the pay of active members, which, together with employee contributions, is expected to cover the cost of benefits accruing in future.

The calculation of the primary rate ignores any past service surplus or deficit but allows for any employer-specific circumstances such as whether an employer is open or closed and includes the employer's share of administration costs.

The primary rate for the whole fund is the weighted average (by payroll) of the individual employers' primary rates.

Our approach to setting the primary rate depends on specific employer circumstances, including the strength of the employer covenant and guarantor arrangements which determine the employer categorisation (as set out in the Funding target section above). If an employer has any risk sharing arrangements then the primary rate will depend on the arrangement in place, and if the employer is part of a pooling arrangement, then the primary rate may be set to be the same as other employers in the pool. It may also depend on whether an employer is

an "open" employer – one which allows new employees access to the Fund, or a "closed" employer – one which no longer permits new employees access to the Fund.

For open employers, in general, the actuarial funding method that is adopted is known as the Projected Unit Method. The key feature of this method is that, in assessing the future service cost, the primary rate represents the cost of one year's benefit accrual only.

For closed employers, in general, the actuarial 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.

Our Administration Strategy and Admission Agreements require employers to tell us if they have stopped admitting new employees to the Fund so we can monitor the open or closed status of each employer.

Secondary rate of the employers' contribution

Whilst one of our funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue, we know that at any particular point in time, the value of the assets is unlikely to be equal to the value of accrued liabilities, depending on how the actual experience of the Fund compares to the actuarial assumptions. This means there will be a past service surplus or deficit which can lead to an adjustment to employers' contributions. This contribution adjustment is referred to as the secondary rate, as defined in Regulation 62(7). The secondary rate is a positive or negative adjustment to the primary rate to arrive at the total contribution rate each employer is required to pay.

Secondary contributions can be certified as a percentage of payroll or as monetary amounts (which can be fixed or nominal amounts).

There is a potential conflict of interest whereby a single employer i.e. the Administering Authority of the Fund, is leading the process of setting the adjustments to the primary rate. The Fund manages this conflict of interest by consulting with all employers on the contents of the FSS which sets out how secondary contribution rates are set for all categories of employer.

Payment of additional contributions

Employers will usually be expected to make additional contributions into the Fund under the following circumstances:

- Where an employee under Regulation 30(7) becomes entitled to an immediate unreduced pension as a result of redundancy or business efficiency, we will request the Employer make a strain payment to cover the anticipated cost of the additional pension entitlement;
- Where an employee or former employee is permitted to retire on grounds of ill health leading to pension enhancement and/or early payment of pension benefits, we may request the Employer make a strain payment to cover the anticipated cost of the additional pension entitlement;
- Where an employee or former employee dies resulting in a death grant benefit becoming payable, we may request the Employer make a payment to the Fund to cover the incurred expense;
- Where an employee makes Additional Voluntary Contributions (AVC), at the employer's discretion, they may make an additional payment to the Fund under a cost sharing arrangement with the member.

The employer is required to inform the fund if any of these situations occur, in line with our Administration Strategy.

Actuarial valuation

As required by Regulation 62 (1) of the LGPS Regulations 2013, an actuarial valuation of all LGPS funds is carried out every three years.

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 of the Fund was undertaken as at 31 March 2025. The results of the 31 March 2025 valuation can be found in the Fund's valuation report [link to be provided in final version of this document], which includes:

- An actuarial valuation of the assets and liabilities of the Fund;
- The funding level of the Fund as at the valuation date;
- The primary rate for the whole fund which is the weighted average (by payroll) of the individual employers' primary rates;
- The financial and demographic actuarial assumptions used to value the pension liabilities, including details of the sensitivity of the results to a small change in the assumptions used;
- The valuation report must demonstrate how the demographic assumptions have been set with reference to the actual events affecting Fund members since the previous valuation;
- A Rates and Adjustments certificate outlining the minimum contributions payable by employers in the Fund; specifying both the primary rate and secondary rate of the employer's contribution for each of the three years beginning on 1st April following the year in which the valuation date occurs; and
- Summarised information of the actuarial valuation in the form of a "dashboard" which is agreed between the actuarial firms and GAD.

The valuation documentation must be provided to the Administering Authority before the first anniversary of the valuation date.

Review of employer contributions between valuations

The Fund's Contribution review policy can be accessed in Annex A: Contribution review policy.

Fund approach to managing surpluses and deficits

As set out in Section A – Purpose of the fund and the FSS, our aim is to ensure employers' contributions are set to meet the Regulatory requirements of achieving solvency and long-term cost efficiency but also for the primary rate to be as stable as possible.

We aim to keep primary (and also total) contribution rates stable by:

- asking the Fund Actuary to adopt a discount rate (or assumed investment return) derived from the expected investment return on the Fund's assets;
- reviewing the level of prudence, i.e. the gap between the discount rate (or assumed investment return) and the expected investment return, at each valuation; and

- operating funding pools which increases the stability of contribution rates compared to calculating individual contribution rates for each employer, particularly for small employers.

Where there is a deficit, the secondary contribution rate is generally calculated to pay off the deficit over a maximum period of 13 years.

Where there is a surplus, the secondary contribution may include an adjustment to run off the surplus over a maximum period of 13 depending on the employer group and individual employer circumstances.

The period adopted for individual or groups of employers will depend on:

- The significance of the surplus or deficit relative to the liabilities;
- The Employer covenant of the employer/group (including any security in place) and any limited period of participation in the Fund;
- The remaining contract length of an employer in the Fund (if applicable); and
- The implications in terms of stability of future levels of employers' contribution.

A summary of our approach to employers in the Fund is set out in the table in Summary of funding approach.

Employer covenant

The Pensions Regulator defines employer covenant as *"the extent of the employer's legal obligation and financial ability to support the scheme now and in the future"*.

There is no prescribed way for an LGPS fund to assess and allow for employer covenant within their funding approach. In considering employer covenant as part of our funding strategy we will look to profile and better understand our participating employers, particularly by sector or size.

In reviewing the employer covenant, we look to:

- assess each employer's obligation and ability to support their ongoing LGPS commitments, in the context of any guarantees or security in place,
- reappraise the "riskiness" of employers, given their updated funding position,
- further integrate covenant insights into funding and investment strategy,
- ensure contributions are set appropriately; and
- put in place pragmatic procedures to monitor employers going forward.

The Fund's approach to allowing for employer covenant is set out below.

An employer is obliged to notify the Fund about any changes in circumstances that may affect employer covenant, including:

- an insolvency event
- a merger or acquisition with another employer
- a significant change in credit rating score by one of the major credit rating agencies

The employer should contact the Fund via email lgpsemployers@dorsetcouncil.gov.uk.

Allowance for employer covenant

Where any concerns are highlighted with regard to the default risk of an employer, particular attention is given to the deficit recovery period adopted for the employer and whether any security for the Fund is in place.

The Fund seeks to engage with employers highlighted at risk by any employer covenant review. Such engagement helps the Fund to better understand the financial position of our employers, and where appropriate, allows us to seek further information from employers. Information that could be sought from employers could include, but not limited to, annual reports/accounts, audit opinions and any relevant financial supporting documentation.

Having identified employers posing a risk to the Fund, the Fund considers a number of options to reduce the risk. These include;

- regular monitoring of financial position;
- consideration of any guarantee that could be obtained;
- review of any existing bond amounts, or consider putting bonds in place if not there already;
- obtaining security through a first charge on the employer's assets;
- establish contingency plans that would be triggered on certain events, such as certain funding levels being reached, the LGPS being replaced as the pensions vehicle for new employees, the LGPS's ranking on insolvency being reduced, or certain corporate transactions or decisions.

We may also seek specialist employer covenant advice support as appropriate.

The outcome of any employer covenant review and subsequent employer engagement may influence setting the total contribution rate through, but not limited to:

- The level of prudence adopted in setting the discount rate used to calculate the contribution rate
- The length of the deficit recovery/surplus amortisation period
- The funding target

More detail on how employer covenant has been allowed for with individual employers (or groups of employers) is set out in the section "Summary of funding approach".

The Fund will keep the employer covenant analysis under review and will seek to update this on a triennial basis.

Guarantors

A guarantor of an employer in the LGPS is a formal promise by a party other than the Scheme employer, to meet any pension obligations not met by the Scheme employer. There are different types of guarantee that can be provided:

- A "subsuming guarantor" will assume future responsibility for the pension liabilities and assets following the exit of the Scheme employer. The exiting employer is generally still expected to meet any exit payment due. This is the situation for private contractors where the letting authority will be the "subsuming guarantor".
- An "external guarantor," such as the Department for Education, provides a guarantee that the exit payment will be made to the Fund in the scenario that the exiting employer cannot make it. This is a

one-off payment, the external guarantor does not assume future responsibility for the pension liabilities and assets of the exiting employer.

- A "physical guarantee", often referred to as security. may provide the Fund the opportunity to call on the asset backing the guarantee in the event that the exiting employer cannot make the exit payment.
- A "guarantor of last resort" will be responsible for pension liabilities if the Scheme employer fails to meet its pension obligations to the Fund. The guarantor is liable to cover any exit payment and assume responsibility for pension obligations when all other avenues have been exhausted.

We will consult with guarantors on any proposed changes that significantly increase the risk of costs provided under the original guarantee.

Guarantor treatment for key funding activities

Guarantors will be treated consistently to other Scheme employers for funding purposes as follows:

- For new employers joining the Fund, the new employer should notify us of any guarantor in place and in the case of admission bodies, the existence and type of guarantor will be specified in the admission agreement;
- The guarantee for LGPS liabilities provided by the Department for Education for further education bodies and academy trusts is taken into account in setting the contribution rates for those employers covered by the guarantee (which we understand includes any admission bodies participating under a pass-through arrangement);
- The assessment of the covenant of any guarantors will be included in the covenant review exercise undertaken as part of the actuarial valuation;
- Guarantors are subject to the same notifiable events process as employers. Notifiable events are set out in the Contribution Review policy; and
- For exiting employers, we will carry out a cessation valuation of the employer's liabilities and the existence of a guarantor will affect the actuarial valuation basis used to determine the final cessation valuation. More detail can be found in section Process for determining the position on termination.

Admission bodies

New admission bodies in the Fund are commonly a result of a transfer of employees from an existing employer in the Fund to another body (for example as part of a transfer of services from a council or academy to an external provider under Schedule 2 Part 3 of the Regulations). Typically these transfers will be for a limited period (the contract length), over which the new admission body employer is required to pay contributions into the Fund in respect of the transferred members.

Further details on how to join the fund are provided in section Joining the fund and employer contribution rate setting and monitoring and on the Fund's website for employers: https://dcpfemployers.org/.

Security required by admission bodies

Under the Regulations, the Administering Authority must assess the risk a proposed new admission body poses to the Fund should the admission body become insolvent or go out of business.

For any proposed new admission bodies who are not joining the Fund using a pass-through arrangement, the new admission body may be required to put in place a bond in accordance with Schedule 2 Part 3 of the Regulations, if required by the letting authority and Administering Authority.

If, for any reason, it is not desirable for a new admission body to enter into a bond, the new admission body may provide an alternative form of security which is satisfactory to the Administering Authority.

This security may cover some or all of the:

- strain costs of any early retirements if employees are made redundant when a contract ends prematurely
- allowance for the risk of assets performing less well than expected
- allowance for the risk of liabilities being greater than expected
- allowance for the possible non-payment of employer and member contributions
- admission body's existing deficit.

The Fund will agree with the employer the security required upon admission to the Fund.

Risk sharing arrangements

Subject to agreement with the Administering Authority where required, new admission bodies and the relevant letting authority may make a commercial agreement to deal with the pensions risk differently. For example, it may be agreed that all or part of the pensions risk remains with the letting authority.

Although pensions risk may be shared, it is common for the new admission body to remain responsible for pensions costs that arise from:

- above average pay increases, including the effect on service accrued prior to contract commencement; and
- redundancy and early retirement decisions.

The Administering Authority may consider risk sharing arrangements as long as the approach is clearly documented in the admission agreement, the transfer agreement or any other side agreement. The arrangement also should not lead to any undue risk to the other employers in the Fund.

Legal and actuarial advice in relation to risk sharing arrangements should be sought where required.

Pass-through arrangements

New admission bodies and the relevant letting authority may make a commercial agreement to deal with the pensions risk differently. For example, it may be agreed that all or part of the pensions risk remains with the letting authority. This is commonly known as a pass-through arrangement.

From 1 April 2026, the default approach for all new admission bodies joining the Fund will be under a pass-through arrangement. More detail on this and on pass-through arrangements more generally can be found in Section C: Employer Events.

The approach should be clearly documented in the admission agreement, the transfer agreement or any other side agreement. All information regarding risk sharing arrangements should be shared with the Fund. Legal and actuarial advice in relation to risk sharing arrangements should be sought where required.

In particular, the following information should be documented:

- whether the new admission body remains responsible for pensions costs that arise from above average pay increases, including the effect on service accrued prior to contract commencement;
- redundancy and early retirement decisions; and
- treatment of the admission body on exit.

The arrangement should not lead to any undue risk to the other employers in the Fund.

For any new admission bodies as a result of an outsourcing by an academy trust or a further education body, we understand that where pass-through provisions are in place, the liabilities remain covered by the Department for Education Guarantee.

Links to administration strategy

The membership data provided by employers is used by the Fund to calculate the contributions due from the employers, on joining the fund, terminating the fund or between actuarial valuations. Membership data is required for the actuarial valuations, and also when the employer joins or terminates the Fund. The quality of the data could have an effect on the contributions that an employer is required to pay.

The Fund's administration strategy can be found here.

Section C: Employer events

Joining the fund and employer contribution rate setting and monitoring

When a new employer joins the Fund, the Fund Actuary is required to set the contribution rates payable by the new employer and allocate a share of Fund assets to the new employer as appropriate (unless the new employer joins under a pass-through arrangement). The most common types of new employers joining the Fund are admission bodies and new academies. These are considered in more detail below.

When a new employer wants to join the Fund, this should be approved by the Service Manager for Pensions, as delegated to by the Pension Fund Committee. The new employer will automatically join the appropriate employer category or funding pool as set out in the table in the section Summary of funding approach, unless representations are made by the employer to the Fund. Further details about joining the Fund can be found here.

A new employer must provide membership data where the data is as at the date of joining the Fund. The data should be of good quality as it is used by the Fund Actuary to calculate the funding level and employer contribution rates on joining.

Admission bodies

New admission bodies in the Fund are commonly a result of a transfer of employees from an existing employer in the Fund to another body (for example as part of a transfer of services from a council or academy to an external provider under Schedule 2 Part 3 of the Regulations). Typically these transfers will be for a limited period (the contract length), over which the new admission body employer is required to pay contributions into the Fund in respect of the transferred members.

There are two main ways for the Fund to approach a new admission body joining the Fund.

1) Full risk transfer

2) Pass-through arrangement

More detail around the full risk transfer approach and the pass-through approach are set out below.

Approach of the Fund

From 1 April 2026, the default approach will be for admission bodies to join the Fund under a pass-through arrangement. Under a pass-through arrangement, the letting authority retains the pensions risk. The admission body is responsible for paying the agreed contribution rate and also additional costs as set out in each admission agreement e.g. redundancy and early retirement costs.

Before 1 April 2026, the default approach was a full risk transfer. Under a full risk transfer the admission body becomes responsible for all the pensions risk associated with the benefits accrued by transferring members and the benefits to be accrued over the contract length. The Administering Authority may consider requests for a full risk transfer from new admission bodies.

Funding at start of contract (full risk transfer only)

Under a full risk transfer, when a new admission body joins the Fund, they will become responsible for all the pensions risk associated with the benefits accrued by transferring members and the benefits to be accrued over the contract length. In these cases, it may be appropriate that the new admission body is allocated a share of

Fund assets equal to the value of the benefits transferred, i.e. the new admission body starts off on a fully funded basis. This is calculated on the relevant funding basis and the opening position may be different when calculated on an alternative basis (e.g. on an accounting basis).

However, there may be special arrangements made as part of the contract such that a full risk transfer approach is not adopted. In these cases, the initial assets allocated to the new admission body will reflect the level of risk transferred and may therefore not be on a fully funded basis or may not reflect the full value of the benefits attributable to the transferring members.

Contribution rate

The contribution rate may be set on an open or a closed basis. Where the funding at the start of the contract is on a fully funded basis then the contribution rate will represent the primary rate only; where there is a deficit allocated to the new admission body then the contribution rate will also incorporate a secondary rate with the aim of recovering the deficit over an appropriate recovery period.

For new employers participating under a pass-through arrangement, the default approach will be for the new employer to pay the primary contribution rate of the letting authority where secondary contributions are certified as a monetary amount or the same total contribution rate of the letting authority if secondary contributions have been certified as a percentage of salaries.

Depending on the details of any risk sharing arrangement, then additional adjustments may be made to determine the contribution rate payable by the new admission body. The approach in these cases will be bespoke to the individual arrangement and agreed between the new employer and the letting authority.

Pass-through arrangements

Pass-through arrangements are allowed for at the actuarial valuation by allocating any deficit/liabilities covered by the risk sharing arrangement to the relevant responsible employer.

New academies

When a school converts to academy status, the new academy (or the sponsoring multi-academy trust) becomes a Scheme employer in its own right.

Funding at start

On conversion to academy status, the new academy will become part of the Academies funding pool.

Assets are transferred to the pool based on the active cover of the relevant local authority on the conversion date. The active cover approach is based on the funding level of the local authority's active liabilities, after fully funding the local authority's deferred and pensioner liabilities, assets transferred to the pool will be capped at 100% of the academy's liabilities. The individual academy will then be allocated assets based on the funding level of the pool at the conversion date. More detail on funding pools can be found below.

Contribution rate

The contribution rate payable when a new academy joins the Fund will be in line with the contribution rate certified for the Academies funding pool at the 2025 valuation.

Pooling of individual employers

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.

The main purpose of pooling is to produce more stable employer contribution levels, although recognising that ultimately there will be some level of cross-subsidy of pension cost amongst pooled employers.

The funding pools adopted for the Fund are summarised in the table below:

Pool	Type of pooling	Funding positions	Contribution rate
Dorset Council	Past and future service pooling	All employers in the pool will have the same funding level	All employers in the pool pay the same total contribution rate
Bournemouth, Christchurch and Poole	Past and future service pooling	All employers in the pool will have the same funding level	All employers in the pool pay the same total contribution rate
Academies	Past and future service pooling	All employers in the pool will have the same funding level	All employers in the pool pay the same total contribution rate
Small Scheduled Bodies	Past and future service pooling	All employers in the pool will have the same funding level	All employers in the pool pay the same total contribution rate

Treatment of employers in a pool (excluding pass-through arrangements)

When an employer joins a pool, it will be allocated a notional amount of assets so that the employer has the same funding level as the other employers in the pool at the date of joining. Any transferring assets in excess of this will get shared between the other employers in the pool.

When an employer leaves a pool, it will be allocated a notional amount of assets so that the employer has the same funding level as the other employers in the pool at the date of leaving.

Forming/disbanding a funding pool

Where the Fund identifies a group of employers with similar characteristics and potential merits for pooling, it is possible to form a pool for these employers. In this scenario, employers will be consulted with before this change is made. Advice should be sought from the Fund Actuary to consider the appropriateness and practicalities of forming the funding pool.

Conversely, the Fund may consider it no longer appropriate to pool a group of employers. This could be due to divergence of previously similar characteristics or an employer becoming a dominant party in the pool. Where this scenario arises, advice should be sought from the Fund Actuary.

Funding pools should be monitored on a regular basis, at least at each actuarial valuation, in order to ensure the pooling arrangement remains appropriate. The Fund will define the criteria for employers to be a part of a pool or not. There may be a scenario where an employer may request to be excluded from the pool but this is only likely to be granted in exceptional circumstances following discussion with the Fund Actuary.

Preparing for exit and events which may trigger termination

A cessation valuation may be required for many reasons, including:

- the last active member ceasing participation in the Fund
- the contract / admission agreement expiring
- Insolvency or wind up of the admission body
- Termination of a deferred debt agreement (DDA)
- A breach of the contract e.g. failure to pay contributions within the required period

If an employer wants to leave the Fund, they should notify the Fund via lgpsemployers@dorsetcouncil.gov.uk.

An employer should provide membership data to the Fund at the date of termination. The Fund needs the membership data before it can calculate the termination position. An employer can provide data at an earlier date to obtain an indicative termination position. If the termination takes place at a different date or if there are any changes to the membership from the data supplied than the termination position should be recalculated. The membership data should be of good quality as it affects the termination position and the amount an employer needs to pay or receive when exiting the Fund.

When a Scheme employer exits the Fund they become an exiting employer, as required under the Regulations the Fund Actuary will be asked to carry out an actuarial valuation in order to determine the liabilities in respect of the benefits held by the exiting employer's current and former employees. The Fund Actuary is also required to determine the exit payment due from the exiting employer or the exit credit payable to the exiting employer. The exit position will be determined using membership data relating to the date of exit.

Process for determining the position on termination

The Fund needs to protect the security of the remaining employers when assessing the position of the exiting employer. In assessing the value of the liabilities attributable to the exiting employer, the Fund Actuary may adopt differing actuarial assumptions depending on the employer and the specific details surrounding the employer's termination.

Different valuation approaches are taken depending on the details surrounding the exit of the employer. This generally comes down to the following two questions:

- **What is happening to the active members?**
  For example, at the end of many outsourced contracts, the members may continue in employment with a new contractor. Alternatively, members may be made redundant or transferred to a defined contribution scheme with the same employer.
- **Is there an employer in the Fund willing to underwrite the future pension liabilities?**
  For example, there may be a guarantor that is compelled to or volunteers to be responsible for any future deficits, or the exiting employer may be entering into a deferred debt agreement (DDA) with the Fund.

The Fund classifies a termination into the following scenarios:

Cessation scenarios	
Ongoing cessation	Any remaining active employees are transferred to another employer in the Fund and the deferred and pensioner liabilities are also picked up by another employer in the Fund (which is usually the same employer as the destination for the active members but may not be). The funding position under this scenario is essentially the current ongoing funding position.
Full cessation	No employer in the Fund will be responsible for the Employer's residual liabilities after the Employer's exit from the Fund. Therefore, an approach using a relative high level of prudence is required in order to reduce the risk that the assets held in respect of the Employer's liabilities are not sufficient to pay for the members' benefits. Any members eligible for unreduced early retirement benefits on redundancy are assumed to become entitled to these.

For any employer exiting on the ongoing cessation scenario, their valuation will be carried out under the same method and assumptions as the ongoing funding basis. i.e. the funding basis as set out in section Main actuarial assumptions.

For any pass-through employer exiting the Fund, provided all contributions have been made as required and any additional costs or expenses have been paid, the pass-through employer will have no further responsibility for the pensions obligations. In particular, the pass-through employer will not be responsible for any funding deficit, or entitled to receive any surplus, that has emerged during their participation in the Fund.

For any employer exiting under a full cessation scenario, a more prudent discount rate is adopted than for the ongoing basis. All other assumptions are as for the ongoing funding basis. The more prudent discount rate is determined as follows:

A stochastic analysis was used to assess the "success probabilities" of certain levels of prudence as part of the 2025 valuation. The default approach to calculating the cessation position will be using a discount rate based on the success probability of 85%. This corresponds to a 3.8% prudence adjustment in the discount rate assumption. If we are satisfied that there is another employer willing to take on responsibility for the liabilities (or that there is some other form of guarantee in place) then the cessation position may be calculated on the ongoing funding basis.

The success probability and level of prudence will remain fixed over the inter-valuation period and as a minimum reviewed at each triennial valuation.

It may be appropriate for alternative success probabilities to be adopted, or different discount rate approaches to be taken, to reflect an individual employer's situation. This may be, for example, to reflect an employer targeting a cessation event or to reflect our views on the level of risk that an employer poses to the Fund. The Fund Actuary will incorporate any such adjustments after consultation with the Administering Authority.

Any deficit in the Fund in respect of the exiting employer will be due to the Fund as a single lump sum payment, unless we agree with the other parties involved that an alternative approach is permissible. Alternative approaches are set out in the Fund's policy for entering into, monitoring and terminating a DDA or DSA is set out in the DSA and DDA policy in Annex B: Deferred debt agreement and debt spreading arrangement policies.

Any surplus in the Fund in respect of the exiting employer may be treated differently to an exit payment, subject to the agreement between the relevant parties and any legal documentation. The LGPS (Amendment) Regulations 2018 allow administering authorities to make an exit credit payment to exiting employers. The Fund's exit credit policy is here Annex C: Exit Credit Policy.

The decision made by the Administering Authority is final, however if the employer wishes to appeal the decision please contact lgpsemployers@dorsetcouncil.gov.uk.

Deferred debt agreements or debt spreading arrangements

Where a valuation reveals a deficit and an exit payment is due on termination, the expectation is that the employer settles this debt immediately through a single cash payment. However, should it not be possible for the employer to settle this amount, providing the employer puts forward sufficient supporting evidence to the Administering Authority, the Administering Authority may agree a deferred debt agreement (DDA) with the employer under Regulation 64(7A) or a debt spreading arrangement (DSA) under Regulation 64B.

The Fund's policy for entering into, monitoring and terminating a DDA or DSA is set out in the DSA and DDA policy in Annex B: Deferred debt agreement and debt spreading arrangement policies.

Suspension notices

When the last active member leaves an employer in the Fund, normally under Regulation 64A this would result in a termination event for the employer and an exit valuation produced by the Fund Actuary. However, Regulation 64(2A) allows the suspending of their liability to pay an exit payment.

We will grant a suspension notice if we reasonably believe the employer is likely to have one or more active members contributing into the Fund within three years of the original cessation date. Were a suspension notice issued to a Scheme employer, and after a three-year period no further active members are enrolled, then a cessation valuation should be undertaken by the Fund Actuary, at the date the last active member left the Fund.

Partial terminations

A partial termination is where an employer exits the fund for deferred and pensioner members but seeks to remain a participating employer for active members.

An employer should contact the Fund if they want to request a partial termination. There may also be a requirement for actuarial and legal advice, the costs of which will be met by the employer.

We will only permit an employer in the Fund to complete a partial termination from the Fund in exceptional circumstances.

Exceptional circumstances are unlikely to be demonstrated unless all of the following criteria are met:

- A sufficient surplus on the valuation basis used to calculate the partial termination;
- Size of the employer relative to the remaining Fund is not unduly large;
- Consistent with the interests of other employers in the Fund; and
- Approval from the Fund Actuary.

The basis used to calculate the transfer of assets to cover the deferred and pensioner liabilities would be consistent with the approach used for the cessation valuation.

Bulk transfers (both to or from the LGPS)

Bulk transfers of employees into or out of the Fund can take place from other LGPS Funds or non-LGPS Funds.

A bulk transfer involves a group of employees changing to a new employer in a different Fund or moving along with their existing employer to a new Fund. It is usually triggered by a contract being transferred, a service being restructured, or a merger or acquisition involving an LGPS employer.

If ten or more members move from one LGPS Fund to another LGPS Fund they are covered by Regulation 103 of the Local Government Pension Scheme Regulations 2013.

A bulk transfer may be required by an issued Direction Order. This is generally in relation to an employer merger, where all the assets and liabilities attributable to the transferring employer in its original Fund are transferred to the receiving Fund.

The employer is responsible for making the Fund aware of any such bulk transfer.

The Fund Actuary for both Funds is responsible for negotiating the terms for the bulk transfer – specifically the terms by which the value of assets to be paid from one Fund to the other is calculated.

The agreement will be specific to the situation surrounding each bulk transfer but in general, we will look to receive the bulk transfer on no less than a fully funded transfer (i.e. the assets paid from the ceding Fund are sufficient to cover the value of the liabilities on the agreed basis). The terms must be acceptable to both Funds and if the Funds and their actuaries cannot reach an agreement then a third actuary is required to step in to determine a reasonable solution.

Membership data will be required in respect of members transferring and this will be agreed by both Funds involved.

The Fund actuaries will agree a calculation of the transfer amount and it is the original Fund's responsibility to facilitate payment of the transfer amount to the receiving Fund.

Annex A: Contribution review policy

Introduction

This is the Contribution review policy for the Dorset County Pension Fund (the Fund), part of the Local Government Pension Scheme (LGPS). It has been prepared by Dorset Council in our capacity as Administering Authority of the Fund.

This document sets out the Fund's policy on amending the contribution rates payable by an employer (or group of employers) between formal funding valuations.

Under Regulation 62 of the LGPS Regulations 2013 (the Regulations) we are required to obtain a formal actuarial valuation of the Fund and a rates and adjustments certificate setting out the contribution rates payable by each Scheme employer for three year period beginning 1 April following that in which the valuation date falls.

It is anticipated for most Scheme employers that the contribution rates certified at the formal actuarial valuation will remain payable for the period of the rates and adjustments certificate. However, there may be circumstances where a review of the contribution rates payable by an employer (or a group of employers) under Regulation 64A is deemed appropriate. This policy document sets out our approach to considering the appropriateness of a review and the process in which a review will be conducted.

This policy has been prepared following advice from the Fund Actuary, and following consultation with the Fund's Scheme employers. In drafting this policy document, we have taken into consideration the statutory guidance on drafting a contribution review policy which was issued by the Ministry of Housing, Communities and Local Government, and the Scheme Advisory Board's guide to employer flexibilities.

Throughout this document, any reference to the review of a Scheme employer's contribution rates will also mean the single review of the contribution rates for a group of Scheme employers (for example if the employers are pooled for funding purposes).

Note that where a Scheme employer seems likely to exit the Fund before the next actuarial valuation then we can exercise our powers under Regulation 64(4) to carry out a review of contributions with a view to adjusting the contributions for the Scheme employer to exit on a fully funded basis. These cases do not fall under this contribution review policy.

The contribution review process

As part of the review process, within this policy we include detail on:

- Examples of events that may trigger a contribution review under Regulation 64(A)(1)(b).
- The general process for assessing and conducting a review.
- Timescales including a timeline to provide a rough guide of our general expectation.

Following completion of the review process, we may continue to monitor the Scheme employer's position in order to ensure the revised contribution rate remains appropriate (where a review was completed) or to ensure the Scheme employer's situation does not change such that a review previously deemed not appropriate becomes appropriate. As part of its participation in the Fund, any Scheme employer is expected to support any reasonable information requests made by us in order to allow effective monitoring.

Timelines

Once a review of contribution rates has been agreed, unless the impact of amending the contribution rates is deemed immaterial by the Fund Actuary, then the results of the review will be applied with effect from the agreed review date.

Where initiation is made by the Administering Authority

Where we initiate a review (i.e. under conditions (i) and (ii) of Regulation 64(A)(1)(b)), the first stage is to engage with the Scheme employer and provide written evidence for requiring the review.

The Scheme employer will be given 30 calendar days from the later of the date of receipt of the evidence provided and the date of receipt of the results of the formal contribution review to respond to our proposal. Should no challenge be accepted within this period then we will treat the proposal as accepted and the revised contribution rates will come into effect from the proposed review date.

Should the Scheme employer challenge our proposal, then we will continue to engage with the Scheme employer in order to reach an agreeable decision. If no decision has been agreed within 3 months of the initial proposal, then we may proceed with the revised contribution rates. Further details of the appeals process for the Scheme employer is set out in the Appeals process section.

Although we will make the ultimate decision for a review, we are committed to engaging with any Scheme employer following the initial proposal to ensure that any change is agreeable to all relevant parties.

Where initiation is made by the Scheme employer

Where the review is initiated by the Scheme employer, the process begins once the Scheme employer has provided all the relevant documents required as set out in the Triggering a contribution review section.

We will aim to provide a response to the Scheme employer within 30 calendar days from the date of receipt. This will depend on the quality of the documents provided and any need for us to request further information from the Scheme employer. We will provide a written response setting out the issues considered in reviewing the request from the Scheme employer, together with the outcome and confirming the next steps in the process.

Responsibility of costs

Where we have initiated the review of contributions, any costs incurred as part of the review in relation to the gathering of evidence to present to the Scheme employer and the actuarial costs to commission the contribution review will be met by the Fund. This is with the exception of any costs incurred as a result of extra information requested by the Scheme employer which is not ordinarily anticipated to be incurred by the Administering Authority as part of the review. These exception costs would be recharged to the Scheme employer.

Any costs incurred as a result of a review initiated by the Scheme employer will be the responsibility of the Scheme employer, regardless of the outcome of the review proceeding or not. This may include specialist adviser costs involved in assessing whether or not the request for review should be accepted and the costs in relation to carrying out the review.

Triggering a contribution review

As set out in Regulation 64(A)(1)(b), a review of an employer's contribution rate between formal actuarial valuations may only take place if one of the following conditions are met:

(i) it appears likely to the Administering Authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;

(ii) it appears likely to the Administering Authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or

(iii) a Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review.

Conditions (i) and (ii) are triggered by the Administering Authority and (iii) by the Scheme employer. The key considerations under each of the conditions are detailed below.

It should be noted that the conditions above are as set out in the Regulations therefore do not allow for a review of contributions where the trigger is due to a change in actuarial assumptions or asset values.

(i) change in the amount of the liabilities arising or likely to arise

Examples of changes which may trigger a review under this condition include, but are not limited to:

- Restructuring of a council due to a move to unitary status
- Restructuring of a Multi Academy Trust
- A significant outsourcing or transfer of employees
- Any other restructuring or event which could materially affect the Scheme employer's membership
- Changes to whether a Scheme employer is open or closed to new members, or a decision which will restrict the Scheme employer's active membership in the Fund in future
- Significant changes to the membership of an employer, for example due to redundancies, significant salary awards, ill health retirements or a large number of withdrawals
- Establishment of a wholly owned company by a scheduled body which does not participate in the LGPS.

As part of its participation in the Fund, Scheme employers are required to inform us of any notifiable events as set out in the Fund's Pensions Administration Strategy, service agreements and/or admission agreements. Through this notification process, we may identify events that merit a review of contributions.

In addition, we may initiate a review of contributions if we become aware of any events that we deem could potentially change the liabilities of the Scheme employer. This also applies to any employers for whom a review of contributions has already taken place as a further change in liabilities may merit another review.

(ii) change in the ability of the Scheme employer to meet its obligations

Examples of changes which may trigger a review under this condition include, but are not limited to:

- Change in employer legal status or constitution
- Provision of, or removal of, security, bond, guarantee or other form of indemnity by a Scheme employer
- A change in a Scheme employer's immediate financial strength
- A change in a Scheme employer's longer-term financial outlook
- Confirmation of wrongful trading
- Conviction of senior personnel
- Decision to cease business
- Breach of banking covenant

- Concerns felt by the Administering Authority due to behaviour by a Scheme employer's, for example, a persistent failure to pay contributions (at all, or on time), or to reasonably engage with the Administering Authority over a significant period of time.

We are committed to engaging with Scheme employers on their participation and through this may identify any Scheme employers that might be considered as high risk and whether any Scheme employers have had a significant change in riskiness. This in turn may affect the administering authority's views on whether the ability of a Scheme employer to meet its obligations to the Fund has changed significantly and therefore whether this change may merit a contribution review. This also applies to any employers for whom a review of contributions has already taken place as a further change in an employer's ability to meet its obligations may merit another review.

(iii) request from the Scheme employer for a contribution review

A request can be made by a Scheme employer for a review of contribution rates outside of the formal actuarial process. This may be triggered by one of the following two conditions:

- There has been a significant change in the liabilities arising or likely to arise; and/or
- There has been a significant change in the ability of the Scheme employer to meet its obligations to the Fund.

If a request is made for any other reason, then it will be considered by the Administering Authority on a case-by-case basis.

Requests by a Scheme employer are limited to one review per calendar year.

With the exception of any cases where the Scheme employer is expected to cease before the next rates and adjustments certificate comes into effect, we will not accept a request for a review of contributions with an effective date within the 12 months preceding the next rates and adjustments certificate. It is expected in these cases that any requests can be factored into the formal review and any benefits of carrying out a review just prior to the commencement of a new rates and adjustments certificate are outweighed by the costs and resource required. If a request is made with an effective date within the 12 months preceding the next rates and adjustments certificate, the administering authority will instead reflect these changes in the actuarial valuation and the rates being certified and taking effect the year following the valuation date.

Information required from the Scheme employer

In order to submit a request for a review of contribution rates outside of the formal actuarial valuation process, a Scheme employer must provide the following to the Fund:

- Where a review is sought due to a potential change in the Scheme employer's liabilities:
    - Membership data or details of membership changes to evidence that the liabilities have materially changed, or are likely to change
- Where a review is sought due to a potential change in the ability of the Scheme employer to meet its obligations:
    - The most recent annual report and accounts for the Scheme employer
    - The most recent management accounts
    - Financial forecasts for a minimum of three years

- The change in security or guarantee to be provided in respect of the Scheme employer's liabilities

We may require further evidence to support the request and this will be requested on a case by case basis.

Assessing the appropriateness of a review

We will take following general considerations into account in all scenarios:

- the expected term for which the Scheme employer will continue to participate in the Fund;
- the time remaining to the next formal funding valuation;
- the cost of the review relative to the anticipated change in contribution rates and the benefit to the Scheme employer, the Fund and/or the other Scheme employers; and
- the anticipated impact on the Fund and the other Fund employers, including the relative size of the change in liabilities and contributions and any change in the risk borne by other Fund employers.

Where the review has been requested by the Scheme employer, we will also consider the information and evidence put forward by the Scheme employer. This may be with advice from the Fund Actuary where required. We will include an assessment of whether there is a reasonable likelihood that a review would result in a change in the Scheme employer's contribution rates. We will also consider whether it is necessary to consult with any other Scheme employer e.g. where a guarantee may have been provided by another Scheme employer.

We will make the final decision of whether a review of contribution rates will be carried out after discussion with Fund Actuary. It is acknowledged that each Scheme employer's situation may differ and therefore each decision will be made on a case by case basis. Should a Scheme employer disagree with the decision, then details of the Appeals process is set out later in this document.

Appropriateness of a review due to change in liabilities

This will be subject to the following considerations in addition to the general considerations set out above and:

- the size of the Scheme employer's liabilities relative to the Fund and the extent to which they have changed;
- the size of the event in terms of membership and liabilities relative to the Scheme employer and/or the Fund; and
- the Administering Authority's assessment of the ability of the Scheme employer to meet its obligations.

Appropriateness of a review due to change in ability to meet its obligations to the Fund

This will be subject to the following considerations in addition to the general considerations set out above and:

- The results of any employer risk analysis provided by the Fund Actuary or a covenant specialist
- The perceived change in the value of the indemnity to the Administering Authority, relative to the size of the Scheme employer's liabilities

Further considerations to that set out above may be relevant and will be taken into account as required.

Method used for reviewing contribution rates

If a review of contribution rates is agreed, or if an indicative review is required to help inform the review process, we will take advice from the Fund Actuary on the calculation of the Scheme employer's revised contribution rates. This will take into account the events leading to the anticipated liability change and any impact of the changes in the Scheme employer's ability to meet its obligations to the Fund.

The table below sets out the general approach that will be used when carrying out this review.

	General approach
Member data	The starting point for reviewing a Scheme employer's contribution rates will in some cases be the most recent actuarial valuation. In most cases, given the review is due to an anticipated change in membership, the Administering Authority and Scheme employer should work together to provide updated membership data for use in calculations. There may be instances where updated membership data is not required if it is deemed proportionate to use the most recent actuarial valuation data without adjustment. Where the cause for a review is due to a change in a Scheme employer's ability to meet its obligations to the Fund, updated membership data may not need to be used unless any significant membership movements since the previous valuation are known.
Approach to setting assumptions	This will be in line with that adopted for the most recent actuarial valuation, as set out in the Fund's Funding Strategy Statement (FSS).
Market conditions underlying financial assumptions	Unless an update is deemed more appropriate by the Fund Actuary, the market conditions will be in line with those at the most recent actuarial valuation.
Conditions underlying demographic assumptions	Unless an update is deemed more appropriate by the Fund Actuary, the demographic assumptions will be in line with those at the most recent actuarial valuation.
Funding target	The funding target adopted for a Scheme employer will be set in line with the Fund's FSS, which may be different from the approach adopted at the most recent actuarial valuation due to a change in the Scheme employer's circumstances.
Surplus/deficit recovery period	The surplus/deficit recovery period adopted for a Scheme employer will be set in line with the Fund's FSS, which may be different from the approach adopted at the most recent actuarial valuation due to a change in the Scheme employer's circumstances.

The Fund Actuary will be consulted throughout the review process and will be responsible for providing a revised rates and adjustments certificate. Any deviations from the general approach set out above will be agreed by us and the Fund Actuary.

Appeals process

If a Scheme Employer is dissatisfied with any decision made in relation to the contribution review, they have the right to have their complaint reviewed under the scheme's appeals process.

The Scheme employer will have 30 calendar days from the date of receipt of the results of the formal contribution review to lodge an appeal.

Annex B: Deferred debt agreement and debt spreading arrangement policies

Introduction

This is the policy on deferred debt agreements (DDAs) and debt spreading arrangements (DSAs) for the Dorset County Pension Fund (the Fund), part of the Local Government Pension Scheme (LGPS). It has been prepared by Dorset Council in our capacity as Administering Authority of the Fund.

When a Scheme employer becomes an exiting employer under Regulation 64, the Fund Actuary is required to carry out a valuation to determine the exit payment due from the exiting employer to the Fund, or the excess of assets in the Fund relating to that employer. Where an exit payment is due, the expectation is that the employer settles this debt immediately through a single cash payment. However, if the employer provides evidence that this is not possible, there are two alternatives available: Regulation 64(7A) enables the Administering Authority to enter into a DDA with the employer while Regulation 64B enables the Administering Authority to enter into a DSA.

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying the secondary rate of contributions to fund their deficit. The secondary rate of contributions will be reviewed at each actuarial valuation until the termination of the agreement.

Under a DSA, the cessation debt is crystallised and spread, with interest, over a period deemed reasonable by the Administering Authority having regard to the views of the Fund Actuary.

Whilst a DSA involves crystallising the cessation debt and the employer's only obligation is to settle this set amount, in a DDA the employer remains in the Fund as a Scheme employer and is exposed to the same risks (unless agreed otherwise with the Administering Authority) as active employers in the Fund (e.g. investment, interest rate, inflation, longevity and regulatory risks) meaning that the deficit will change over time.

This policy document sets out the Administering Authority's policy for entering into, monitoring and terminating a DDA or DSA.

These policies have been prepared by the Administering Authority following advice from the Fund Actuary, and following consultation with the Fund's Scheme employers. In drafting this policy document, the Administering Authority has taken into consideration the statutory guidance on preparing and maintaining policies on employer exit payments and deferred debt agreements which was issued on 2 March 2021 by the Ministry of Housing, Communities and Local Government, and the Scheme Advisory Board's guide to employer flexibilities dated 5 March 2021.

Approach for exiting employers

In the event that an employer becomes an exiting employer and an exit payment is identified, the Fund should seek to receive a payment from the exiting employer equal to the exit payment in full.

The Administering Authority makes the exiting employer aware an exit payment is due by providing a revised rates and adjustments certificate in the form of a cessation valuation report produced by the Fund Actuary. Details of the Fund's cessation policy can be found in the Fund's Funding Strategy Statement (FSS).

The default position is that the employer is required to make an exit payment in full immediately. However, if required, the exiting employer can inform the Administering Authority, along with evidence, that they are unable to do so and may request to enter either a DDA or DSA. If the Administering Authority is satisfied with the evidence provided, the DDA or DSA process may proceed.

Requests should be submitted within 30 calendar days of receiving confirmation of the exit payment required, or otherwise the exit payment should be paid to the Fund in full within 30 calendar days as per the Fund's Pension Administration Strategy.

Where possible, the Administering Authority encourages employers who are approaching exit to engage with the Administering Authority in advance in order to understand the options that may be available. An indicative cessation report can be produced to form the basis of discussions.

Choosing a DDA or DSA

Consideration needs to be given as to which approach is the most appropriate in each case. A DDA may be appropriate if:

- the employer temporarily has no active members but expects it may return to active employer status in future. However, please note that if the plan is for active members to join within three years then a suspension notice may be more appropriate;
- the employer wants to minimise costs by potentially benefitting from the upside of the pensions risks it would remain exposed to and therefore does not want to crystallise its debt by becoming an exiting employer. In this case the Administering Authority may be willing to defer crystallisation of the cessation debt for an appropriately significant period of time, subject to the strength of the employer's covenant or security provided;
- initial affordability of the full exit payment is low but there is a prospect of increased affordability in the future, or the payment can only be afforded over a long period and therefore a DDA enables the position to be updated over time in light of changing funding positions; and/or
- the employer has a weak covenant but is not faced with imminent insolvency and must rely on future investment returns to fully or partially fund the exit payment. The Administering Authority may agree that doing so over an appropriate long period is better for the Fund than risking immediate insolvency of the employer.

On the other hand, it may be more appropriate to enter a DSA if:

- the employer does not intend to employ any more active members and therefore is not expected to resume active employer status;
- the employer wishes to crystallise its debt to the Fund and therefore not be subject to any of the pensions risks that could cause the amounts payable to the Fund increasing (or decreasing) in future;
- the employer has ample resources to make the payment within the near future but not immediately; and/or
- the employer is deemed to have a very weak covenant and so the Administering Authority will want to try to recoup as much of the exit payment as possible before the employer becomes insolvent.

The Administering Authority has the right to refuse a DSA or DDA request if they believe it is not in the best interests of the Fund or the other participating employers, for example if entering a DSA or DDA increases the risk of a deficit falling to the other employers.

In considering each request for a DDA or DSA from an exiting employer the Administering Authority will take actuarial, covenant, legal and other advice as necessary. Proposed DDAs/DSAs will always be discussed with the employer, whether the DDA or DSA was at the exiting employer's request or not.

Employers who may be party to either a DSA or a DDA are encouraged to discuss any potential impact on their accounting treatment with their auditors.

Management of costs

On receiving a request the Administering Authority will make the employer aware that any costs associated with setting up the DDA or DSA will be the responsibility of the Scheme employer, regardless of whether the Administering Authority agrees to enter into the agreement or not. This may include the cost of actuarial advice, legal advice, administrative costs and any additional advice required in relation to a covenant assessment or any other specialist adviser costs. If costs deviate from those initially anticipated the Administering Authority will keep the exiting employer up-to-date with any increases. The Administering Authority will provide information on how and when payments should be made.

Internal dispute resolutions

Whether a DDA or DSA arrangement is agreed or not is ultimately the decision of the administering authority. If a Scheme Employer is dissatisfied with any decision made, they have the right to have their complaint reviewed under the scheme's appeals process.

The Scheme employer will have 30 calendar days from the date of receipt of the results of the formal DDA or DSA arrangement to lodge an appeal.

Deferred Debt Agreements (DDAs)

Entering into a DDA

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying the secondary rate of contributions to fund their deficit.

Information required from the employer

When making a request to enter a DDA, the employer should demonstrate that they are unable to settle their exit payment immediately and provide any relevant information to support their request e.g. in relation to their covenant/ability to continue to make payments to the Fund on a continuing basis. Examples of information the employer may provide as evidence include the exiting employer's:

- most recent annual report and accounts
- latest management accounts
- financial forecasts
- details of position of other creditors

This is not an exhaustive list and the Administering Authority may request further evidence. In particular, the Administering Authority may commission a covenant assessment if insufficient evidence is provided.

Assessing the proposal

The Administering Authority will make a decision on whether to enter into a DDA within30 calendar days of receiving a request but this may vary to reflect specific circumstances, for example if the Administering Authority chooses to request a covenant assessment then the process may take longer.

To reach a decision the Administering Authority will consider:

- the size of the exiting employer's residual liabilities relative to the size of the Fund;
- the size of the exit payment relative to the costs associated with entering into a DDA;
- whether a debt spreading agreement or suspension notice would be more appropriate (see specific circumstances below);
- any information provided by the exiting employer to support their covenant strength, including any information on a guarantor or other form of security that the employer may be able to put forward to support their covenant;
- the results of any covenant review carried out by the Fund Actuary or a covenant specialist;
- the exiting employer's accounts;
- the potential impact on the other employers in the Fund; and
- the opinion of the Fund Actuary.

The Administering Authority is not obliged to accept an exiting employer's request for a DDA. For example, in the following circumstances the Administering Authority may consider a DDA not to be appropriate:

- the exiting employer could reasonably be expected to settle their exit payment in a single amount;
- it is known or likely that another active member will come into employment in the three years following the cessation date (in these cases a suspension notice would be considered more appropriate than a DDA); or
- the Administering Authority is concerned that where a DDA is entered, that the employer could not afford the impact of any negative experience which would result in an increase in the required secondary rate of contributions and an increase in the employer's overall deficit (in these cases a debt spreading agreement would be considered more appropriate as the payments are fixed throughout the term of the agreement).

Once all information has been considered the Administering Authority will consult with the exiting employer as required under the Regulations. If the Administering Authority does not wish to enter into a DDA they will explain to the exiting employer their reasoning and any alternatives (e.g. a debt spreading agreement, suspension notice or indeed require the exit payment in full). If the Administering Authority accepts the request to enter into a DDA, they will notify their legal advisers and Fund Actuary. If the Administering Authority has concerns about the level of risk arising due to the DDA, the Administering Authority may only accept the request subject to a one-off cash injection being made by the exiting employer or security being provided as an additional guarantee.

Setting up a DDA

Once agreed that a DDA is permitted, the terms of the DDA will be agreed between the Administering Authority and the exiting employer and will be set out in a formal legal agreement.

The Administering Authority and the exiting employer (with the assistance of the Fund Actuary) will negotiate an appropriate duration of the agreement which will consider the exiting employer's affordability and anticipated strength of covenant over the agreement period. If the exiting employer has sufficient reserves, the Administering Authority may require an immediate cash payment so that the DDA can start from an acceptably stronger funding position.

The Fund Actuary will calculate secondary contributions on an appropriate basis as agreed with the Administering Authority and following consultation with the exiting employer, taking into account any cash payments made in advance. The secondary contributions will be reviewed at each actuarial valuation and certified as part of the Fund's Rates and Adjustments Certificate until the termination of the agreement. Therefore payments throughout the agreement are not known in advance and may increase or decrease at each valuation to reflect changes in the employer's funding position.

The timeline from consultation with the exiting employer to entering into a DDA to the signing of the agreement will vary. Where possible all parties will aim to have the agreement signed within 60 calendar days, although there may be circumstances where timings may vary.

Once finalised, the employer will become a deferred employer in the Fund and will have an obligation to pay their secondary contributions as certified by the Fund Actuary. The responsibilities of the deferred employer will be set out in the legal agreement and these will include the requirements to:

- comply with all the requirements on Scheme employers under the Regulations except the requirement to pay a primary rate of contributions but including any additional applicable costs, such as those arising from an employer discretion, or strain costs as a result of ill health retirements;
- adopt the relevant practices and procedures relating to the operation of the Scheme and the Fund as set out in any employer's guide produced by the Administering Authority;
- comply with all applicable requirements of data protection law relating to the Scheme and with the provisions of any data-sharing protocol produced by the Administering Authority and provided to the deferred employer;
- promptly provide all such information that the Administering Authority may reasonably request in order to administer and manage the agreement; and
- give notice to the Administering Authority, of any actual or proposed change in its status, including take-over, change of control, reconstruction, amalgamation, insolvency, winding up, liquidation or receivership or a material change to its business or constitution.

The deferred employer should consult with their auditors about any impacts the DDA is expected to have on their accounting requirements.

Monitoring a DDA

A deferred debt agreement is subject to the ongoing approval of the Administering Authority. The Administering Authority reserves the right to terminate the agreement should they become concerned about a significant weakening in the deferred employer's covenant or a significant change in funding position. Conversely, if there was an improvement in the employer's circumstance then the Administering Authority and employer may agree to amend the terms of the agreement.

The Administering Authority will monitor a DDA in the following ways:

Changing funding position

The deferred employer's funding position will be reassessed at each triennial actuarial valuation in order to review the progress of the DDA. A requirement for more frequent updates may be included within the DDA where the administering authority considers the level of risk to the Fund merits them. The costs of such reviews will fall to the deferred employer as part of the terms for putting in place a DDA.

If the funding position changes by more than 10% (in absolute terms) from the previous review then the Administering Authority may engage with the deferred employer to discuss a possible review of the DDA.

Changing employer covenant

Once an employer enters into a DDA, the Administering Authority will review the employer's covenant on a regular basis and details of this will be agreed for each DDA on an individual basis. If a deferred employer's covenant deteriorates, the Administering Authority may issue a notice to review and possibly terminate the agreements.

In addition, if a deferred employer requests an extension to the duration of the DDA the Administering Authority will consider an updated covenant review, amongst other factors, in assessing the proposal.

As a condition of entering into a DDA, the deferred employer is required to engage with the Administering Authority to assist with monitoring the level of covenant, for example by providing information requested by the Administering Authority in a timely manner.

Timeliness of payments

The agreement will set out whether payments are made on a monthly or annual basis, and the Administering Authority will monitor if contributions are paid on time. Successive late or in particular missing payments would contribute towards a notice being issued to the deferred employer to review and possibly terminate the agreement.

Strength of guarantee or security

If a particular funding basis has been used by the Fund Actuary on the understanding that there is a particular security in place (e.g. another employer in the Fund willing to underwrite the residual deferred and pensioner liabilities when the employer formally exits) then the Administering Authority will check there has been no change to the security at agreed regular intervals and as a minimum as part of each actuarial valuation. The Fund Actuary may change the funding basis used to set the deferred employer's contributions depending on the strength of the security in place.

Notifiable events from the deferred employer

The deferred employer has a responsibility to make the Administering Authority aware of any changes in their ability to make payments or of a change in circumstance (e.g. a change of the guarantee in place mentioned above). Information should be shared with the Administering Authority at any time throughout the agreement to enable the Administering Authority to consider whether a review of the agreement should be carried out.

Terminating a DDA

Events that may terminate a DDA

As set out in Regulation 64(7E), the DDA terminates on the first of the following events:

- the deferred employer enrols new active members;

- the duration of the agreement elapses;
- the take-over, amalgamation, insolvency, winding up or liquidation of the deferred employer;
- the Administering Authority serves a notice on the deferred employer that it is reasonably satisfied that the employer's ability to meet the contributions payable under the DDA has weakened materially (or is likely to in the next 12 months); or
- a review of the funding position of the deferred employer is carried out at an updated calculation date and the Fund Actuary assesses that the deferred employer has paid sufficient secondary contributions to cover what would be due if the deferred employer terminated at the updated calculation date; in other words the review reveals no deficit remains on the relevant calculation basis.

The deferred employer can also choose to terminate the DDA at any point. Notice should be given to the Administering Authority at the earliest opportunity.

Termination clauses will be included in the formal DDA legal agreement.

Process of termination

Once a termination of the DDA has been triggered, the deferred employer becomes an exiting employer under Regulation 64(1). The Administering Authority will obtain from the Fund Actuary an exit valuation calculated at the date the DDA terminates, and a revised rates and adjustments certificate setting out the exit payment due from the exiting employer or the excess of assets in the Fund relating to the exiting employer (which would then be subject to the Fund's exit credit policy). All fees associated with the termination are to be paid by the exiting employer.

Once the exit payment and any associated fees have been made in full, the exiting employer has no further obligation to the Fund.

If the termination has been triggered because the deferred employer has enrolled new active members then the deferred employer becomes an active employer in the Fund and an immediate exit payment may not be required; this may instead be incorporated in the revised rates and adjustments certificate that will be provided in respect of the active employer. The employer remains responsible for all previously accrued liabilities and the revised contributions required from the active employer will be calculated in line with the Fund's FSS.

If the termination has been triggered because a review of the funding position of the deferred employer reveals that the secondary contributions paid to date by the deferred employer are sufficient to cover what would be due if the deferred employer terminated at the updated calculation date, then the deferred employer becomes an exiting employer and no further payments are required. The exiting employer has no further obligation to the Fund. Where there is a surplus, an exit credit may be payable as determined by the Administering Authority and in line with the Fund's exit credit policy.

Debt Spreading Arrangements (DSAs)

Entering a DSA

Under a DSA, the cessation debt is crystallised and spread, with interest, over a period deemed reasonable by the Administering Authority having regard to the views of the Fund Actuary and following discussion with the exiting employer. The payments are fixed and are not reviewed at each actuarial valuation.

Information required from the employer

When making a request to enter a DSA, the exiting employer should demonstrate that they are unable to settle their exit payment immediately and provide any relevant information to support their request e.g. in relation to their covenant/ability to continue to make payments to the Fund. Examples of information the exiting employer may provide as evidence include the employer's:

- most recent annual report and accounts
- latest management accounts
- financial forecasts
- details of position of other creditors

This is not an exhaustive list and the Administering Authority may request further evidence. In particular, the Administering Authority may commission a covenant assessment if insufficient evidence is provided.

Assessing the proposal

The Administering Authority will make a decision on whether to enter into a DSA within 30 calendar days of receiving a request but this may vary to reflect specific circumstances, for example if the Administering Authority chooses to request a covenant assessment then the process may take longer.

To reach a decision the Administering Authority will consider:

- the size of the exit payment relative to the exiting employer's business cashflow;
- the size of the exit payment relative to the costs associated with entering into a DSA;
- whether a deferred debt agreement or suspension notice would be more appropriate;
- any information provided by the employer to support their covenant strength;
- the results of any covenant review carried out by the Fund Actuary or a covenant specialist;
- the merit of any guarantees from another source and whether this is deemed sufficient to cover the outstanding payments should the exiting employer fail;
- the exiting employer's accounts;
- any legal advice as appropriate;
- the potential impact on the other employers in the Fund; and
- the opinion of the Fund Actuary.

The Administering Authority is not obliged to accept an exiting employer's request for a DSA. For example, in the following circumstances the Administering Authority may consider a DSA not to be appropriate:

- the exiting employer could reasonably be expected to settle their exit payment in a single amount;
- there is doubt that the exiting employer can operate as a going concern during the spreading period; or
- the exiting employer cannot afford the speeded payments over the maximum spreading period or is requesting a spreading period longer than the maximum (see below).

The structure of the DSA is at the discretion of the Administering Authority having taken advice from the Fund Actuary and consulted with the exiting employer. The structure should protect all other employers in the Fund whilst being achievable for the exiting employer. The structure of the DSA will take into consideration:

- the period that the payments will be spread. This is expected to be no more than 5 years. For longer periods it may be more appropriate to consider a DDA but the Administering Authority reserves the right to set whatever spreading period they deem appropriate provided they are satisfied with the exiting employer's ability to meet the payments over that period. The length of the spreading period will be set as to be as short as possible whilst remaining affordable for the exiting employer;
- the interest rate applicable to the spread payments. In general, this will be set with reference to the discount rate in the exiting employer's cessation valuation report;
- the regularity of the payments and when they fall due;
- other costs payable; and
- the responsibilities of the exiting employer during the spreading period (for example, to make payments on time and to notify the Administering Authority of a change in circumstances that could affect their ability to make payments).

Once all information has been considered the Administering Authority will consult with the exiting employer as required under the Regulations. If the Administering Authority does not wish to accept the exiting employer's request to enter into a DSA they will explain their reasoning and any alternatives (e.g. a DDA, suspension notice or indeed require the exit payment in full). If the Administering Authority accepts the request to enter into a DSA, they will notify their legal advisers and Fund Actuary. If the Administering Authority has concerns about the level of risk arising due to the DSA, the Administering Authority may only accept the request subject to a one-off cash injection being made by the exiting employer or security being provided as an additional guarantee.

Setting up a DSA

The Administering Authority and the exiting employer, with the assistance of the Fund Actuary, will then negotiate the structure of the schedule of payments which takes into consideration the exiting employer's affordability and an appropriate period of the spreading.

The schedule of payments will be set out in a revised rates and adjustments certificate prepared by the Fund Actuary. There may be circumstances where timings may vary, however, in general the certificate will be prepared and provided to the exiting employer within 60 calendar days of agreeing the structure of the schedule of payments with the exiting employer.

Monitoring a DSA

Over the term that the cessation debt payment is spread, the Administering Authority will monitor the ability and willingness of the exiting employer to pay the schedule of contributions in the revised rates and adjustments certificate. While it is expected the schedule of payments would be fixed for the spreading period, the Administering Authority may alter the structure of the schedule at any time if there is a change in the exiting employer's circumstances or indeed, if the exiting employer wanted to pay the remaining balance. This will be agreed on a case by case basis and set out in a side agreement as required.

The Administering Authority will be in regular contact with the exiting employer until their obligations to the Fund are removed when all payments set out in the schedule of payments are made.

Examples of factors which will be monitored are set out below. Should any of these raise any concerns with the Administering Authority then the DSA may be reviewed and/or terminated.

Changing employer covenant

The Administering Authority will monitor the ability of the exiting employer to make their set payments by monitoring publicly available information such as credit ratings and/or company accounts as well as keeping in regular contact, at least annually, with the exiting employer to ensure that the payments can be met.

As a condition of entering into a DSA, the exiting employer is required to engage with the Administering Authority to assist with monitoring the level of covenant, for example by providing information requested by the Administering Authority in a timely manner.

Timeliness of payments

The DSA will set out whether payments are made on a monthly or annual basis and how long for, and the Administering Authority will monitor if contributions are paid on time. Successive late or in particular missing payments would contribute towards further interest charges or the spreading agreement may be reviewed and/or terminated.

Strength of guarantee or security

If a particular schedule of payments has been agreed between the Administering Authority and the exiting employer on the understanding that there is a particular security in place (e.g. another employer in the Fund willing to pay the remaining balance or a fixed charge on property that covers the remaining balance) then the Administering Authority will check there has been no change to the security regularly. The frequency of these reviews may reduce as the level of outstanding debt reduces. The Administering Authority with advice from the Fund Actuary may change the schedule of payments depending on the strength of the security in place. The exiting employer would be consulted prior to any changes.

Notifiable events from the exiting employer

The exiting employer has a responsibility to make the Administering Authority aware of any changes in their ability to make payments or of a change in circumstance that affects their ability to make payments. Information should be shared with the Administering Authority at any time throughout the agreement to enable the Administering Authority to consider whether a review of the agreement should be carried out.

Terminating a DSA

Events that may terminate a DSA

On paying all the payments set out in the revised rates and adjustments certificate the exiting employer will no longer have any obligations to the Fund.

In the event that the Administering Authority believes that the exiting employer may not be able to make any of their remaining payments, the Administering Authority reserves the right to review and/or terminate the DSA to ensure it is appropriate for the Fund and does not adversely impact the other participating employers.

The exiting employer may also request to terminate the DSA early, in which case an immediate payment of the outstanding amounts set out in the contribution schedule should be paid.

Process of termination

In the event of a DSA being amended or terminated the Administering Authority will communicate this to the exiting employer along with reasons for the decision. Before the decision is made the Administering Authority

will consult with the exiting employer about their change in circumstances and also take advice from the Fund Actuary.

If the DSA has to be terminated prematurely the Administering Authority will seek to obtain from the exiting employer as much of the outstanding exit payments as possible or look at alternative arrangements such as a DDA.

Once the exit payment has been made in full, the exiting employer has no further obligation to the Fund.

Annex C: Exit Credit Policy

This is the Exit Credit policy for the Dorset County Pension Fund (the Fund), part of the Local Government Pension Scheme (LGPS). It has been prepared by Dorset Council in our capacity as Administering Authority of the Fund.

The LGPS (Amendment) Regulations 2018 allow administering authorities to make an exit credit payment to exiting employers. This will be reviewed on a case by case basis before any payment is made. Considerations will be based on any previous agreements made and discussions between us, the exiting employer and the guaranteeing employer (if relevant).

Having regard to any relevant considerations, we will take the following approach to the payment of exit credits:

- Any employer who cannot demonstrate that they have been exposed to underfunding risk during their participation in the Fund will not be entitled to an exit credit payment. This is on the basis that these employers would not have been asked to pay an exit payment had a deficit existed at the time of exit.
- We do not need to enquire into the precise risk sharing arrangement adopted by an employer but we must be satisfied that the risk sharing arrangement has been in place before we will pay out an exit credit. The level of risk that an employer has borne will be taken into account when determining the amount of any exit credit. It is the responsibility of the exiting employer to set out why the arrangements make payment of an exit credit appropriate.
- Any exit credit payable may be subject to a maximum of the actual employer contributions paid into the Fund as certified in the Fund's rates and adjustments certificates, up to any cap arrangements that may have been in place and excluding any additional payments such as strain payments.
- We will pay out any exit credits within six months of the cessation date where possible. We may agree to a longer time with the exiting employer where necessary. For example if the employer does not provide us with all the relevant information within one month of the cessation date, we will not be able to guarantee payment within six months of the cessation date.
- Under the Regulations, we have the discretion to take into account any other relevant factors in the calculation of any exit credit payable and we will seek legal advice where appropriate.

Applications for adjudication and disagreements

An exiting employer, or other employers affected by the decision (such as guarantors), will be able to make representations if there is any conflict or difference of opinion regarding the amount of an exit credit paid or the process by which it was determined. In this situation, the review and adjudication provisions set out in Regulations 74-78 of the LGPS Regulations 2013 will apply.

Annex D: Managing Risks

Investment risks

The main financial risk is that the investment strategy fails to deliver the discount rate, or 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 expected 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 (i.e. the difference between the discount rate assumption and the price inflation assumption). Broadly speaking an increase/decrease of 0.5% p.a. in the real discount rate will decrease/increase the valuation of the liabilities by 10%, and decrease/increase the required employer contribution by around 3% of payroll p.a.

The Pension Fund Committee regularly monitors the investment returns achieved and receives advice from the investment consultants/independent advisers and officers on investment strategy.

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

Demographic risks

The Fund Actuary makes an allowance for future improvements in life expectancy when calculating the liabilities. The main demographic risk is that the assumptions underestimate future longevity, noting that the Fund Actuary has advised that an increase of one year to life expectancy of all members in the Fund will increase the liabilities by approximately 4%.

Information on pensioner deaths in the Fund is reviewed by the Fund Actuary at each actuarial valuation and the assumptions for how long members will live in retirement in future are adjusted as needed. In line with previous funding valuations, we have commissioned a bespoke longevity analysis by Barnett Waddingham's specialist longevity team in order to assess the mortality experience of the Fund and help set an appropriate mortality assumption for funding purposes.

The liabilities of the Fund can also increase by more than planned as a result of the additional financial costs of early retirements, including ill-health retirements. We monitor 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.

Climate risk

There are a large number of interlinked systemic long-term financial risks related to climate change which could potentially have a material impact on the assets and/or the liabilities of the Fund. The most obvious of these climate change risks will be the financial risks to the value of the Fund's assets, the potential increased volatility of markets and potential changes in life expectancy. It is possible that some of these factors will impact the assets and liabilities of the Fund in the same direction, although not necessarily by the same amount.

Our policy in this area is included in our Investment Strategy Statement.

When considering funding issues related to climate change, we have regard to the key principles document for preparing climate scenario analysis, agreed by the actuarial firms who act as fund actuary for the LGPS funds

and approved by GAD, MHCLG and SAB. The relevant information will then be provided to GAD by our Fund Actuary for the purpose of their reporting under Section 13 of the Public Service Pensions Act.

As part of the 2025 valuation we have commissioned scenario analysis to assess the resilience of the funding strategy against climate change risk over the agreed period. The quantitative analysis will involve at least two alternate scenarios to test if the funding strategy is sufficiently robust and any potential contribution impacts. We will also undertake a qualitative analysis to identify any potential actions the Fund is taking to improve resilience to climate change. The Fund Actuary will produce a report on the climate analysis and will also summarise the analysis/commentary in the final valuation report.

The climate risk analysis is integrated into our funding strategy by having regard to the climate analysis when setting the prudence level to include in the discount rate assumptions.

We will assess the implications of climate risk on funding strategy at least as part of each actuarial valuation.

Maturity risk

The maturity of a fund (or of an employer) is an assessment of the balance between active (contributing) members and pensioner members as well as how close on average the non-pensioner members are to retirement. The more mature the fund or employer, the greater proportion of its membership that is near or in retirement. For a mature fund or employer, the time available to generate investment returns is shorter and therefore the level of maturity needs to be considered as part of setting funding and investment strategies.

We consider the cashflow profile of the Fund alongside the level of maturity: as the Fund matures, the amount of pensions in payment increases compared to contributions being paid in for active members. This increases the risk of the Fund having to sell assets in order to meets its benefit payments.

The Fund Actuary provides us with cashflow projections at each triennial valuation to help to inform our investment strategy and to better understand our cashflow position.

As part of the employer covenant review process, we may ask individual employers about decisions that could affect the maturity profile (e.g. plans to close to new employees or redundancy exercises). This information may be used to inform the process in setting the contribution rates.

Regulatory and compliance risks

The benefits provided by the LGPS 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 LGPS and changes to the tax regime which may affect the cost to individual employers participating in the LGPS as well as members, whose behaviour may change if tax relief on pension contributions is reduced/removed.

To mitigate this risk, we participate in any consultation process of any proposed changes in Regulations and seek advice from the Fund Actuary on the financial implications of any proposed changes.

There are a number of general risks to the Fund and the LGPS, including:

- As a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the government.
- Changes to the State Pension Age changing the benefits.

At the time of preparing this FSS, specific regulatory risks of particular relevance to our funding strategy are in relation to the McCloud/Sargeant judgments and recent consultations as discussed in the sections below.

McCloud/Sargeant judgments

Following the McCloud and Sargeant cases the transitional protections implemented when the new career average schemes were introduced to public service pension schemes, were found to constitute unlawful age discrimination. In the case of the LGPS, a new underpin was introduced for qualifying members, covering benefits relating to the period from 1 April 2014 to 31 March 2022. The McCloud remedy became law on 1 October 2023.

An estimate for the McCloud ruling was included in the 2025 valuation for active members, but not for deferred or pensioner members. This is the same approach as was adopted for the 2022 valuation.

New Fair Deal

On 13 October 2025 the Government issued its Access and Protections consultation which includes proposals to implement New Fair Deal in the LGPS. As expected, the proposals will change how pensions are protected for outsourced workers. It is proposed that admission agreements will not be needed in future, through introduction of the concept of the letting authority being the "deemed employer" for LGPS members employed by contractors and that the option for service providers to offer a broadly comparable scheme instead of continued LGPS membership for transferred employees will be removed other than in "exceptional circumstances". The consultation closed on 22 December 2025 and, as the new arrangements were not in place during the 2025 valuation process, we may need to revisit this FSS to ensure our approach to any new arrangements is appropriate.

Consultation: Fit for the Future

On 29 May 2025, the Government issued its response to the Fit for Future consultation. One requirement will be to move all listed assets to "under the management of the pool" by 31 March 2026. There is a risk that moving assets will result in a different (lower) net investment return to that assumed by the valuation. This risk is mitigated by our prudent approach to setting the discount rate, and use of various mechanisms to deliver greater stability in employer contributions if the funding position in 2028 is lower than expected due to higher investment costs/lower investment returns. The costs of moving pools is unknown and could be very high. The Pension Scheme Bill, published on 5 June 2025, introduced a directive that the Government has the power to force Funds to merge which could be used as a method of last resort if a Fund does not comply with moving all it's assets under the management of a pool by the deadline.

Consultation: Access and Fairness

On 15 May 2025, the Government published a wide-ranging consultation. Key proposals include backdated equalisation of eligibility for survivor pensions and making some unpaid leave automatically pensionable at employers' costs. Technical amendments are also proposed including changes to the McCloud remedy. There is a risk that outcomes from this consultation increase the cost benefits due under the LGPS which could worsen the Fund's funding position. It is likely that backpayments will need to be made to individual members and therefore individual employers may be affected differently. Implementing the changes will also increase administration costs and put further pressure on resource.

Employer risks

Many different employers participate in the Fund. Accordingly, we recognise 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; and
- An employer ceasing to exist without having fully funded their pension liabilities.

The introduction of a Department for Education guarantee for further education bodies has helped reduce the overall level of employer risk. To further mitigate this risk, we monitor the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined, and take advice from the Fund Actuary when required. In addition, the Fund has the option to commission an employer risk review from the Fund Actuary to help identify the employers in the Fund that might be considered as high risk. In the case of admission bodies, the Fund has a policy of requiring some form of security from the employer, in the form of a guarantee or a bond, in case of employer default where the risk falls to the Fund. Where the risk of default falls on the liabilities of an original letting authority, the Fund provides advice to the letting authority to enable them to make a decision on whether a guarantee, some other form of security or a bond should be required.

In addition, we keep in close touch with all individual employers participating in the Fund to ensure that, as Administering Authority, we have the most up to date information available on individual employer situations. We also keep individual employers briefed on funding and related issues.

Economic risks

Economic risks due to global events such as the conflict in Ukraine and the Middle East and pandemics could lead to instability in the economy and lead to high inflation which could cause unaffordable contribution increases for employers. High unemployment could lead to reduced contributions to the Fund and a change in the maturity of the membership profile meaning that contribution rates were no longer appropriate. A valuation is carried out every three years using updated membership data, and updated assumptions based on market conditions at the time of the valuation. Using updated membership data for valuation ensures the maturity of employers is priced into the employer contributions and updated market conditions takes account of the collective views of investors in the financial markets of the expectation of future inflation due to global events.

Employer data quality risks

There is a risk that the member data provided to us is inaccurate and leads to employer contribution rates which are greater or lower than required to cover the liabilities being accrued and a longer or shorter period than intended to reach a target funding level. In particular there is a risk that the administration software does not provide complete McCloud data for the 2025 valuation. To mitigate this risk, our Fund Actuary carries out a detailed analysis of the data provided for the valuation and we agree an appropriate course of action where gaps or (potential) errors are identified, which includes measures to reduce the risk of underestimating the liabilities. The Fund Actuary has also advised that the effect of the absence of complete McCloud data should not have a material effect on the funding position at whole fund or employer level.

Governance risks

The Pension Regulator's (TPR's) General Code of Practice (the Code) merged ten of its existing codes of practice into one (including the public service pension code) and came into force on 28 March 2024. The Code covers TPR's expectations on governance and best practice. The Code itself does not create new legal obligations but is framed around legal obligations which funds must comply with. In not having a separate code for the public sector, there is a risk that Funds might not comply with all aspects of the Code intended to apply to the LGPS. However, Funds should already be complying with the majority of the Code which is framed around existing legal requirements. Schemes are not expected to comply with the Code from the date it came into force.

Orphan liabilities

Orphan liabilities do not have a specific employer responsible for their liabilities in the Fund. New orphaned liabilities can arise from existing employers in the Fund ceasing their participation, where the residual liabilities are not subsumed by another employer in the Fund. There is a risk that orphan liabilities cause a significant increase in the costs for the remaining employers in the Fund. To mitigate this risk, when an employer ceases to participate in the Fund and the liabilities become orphaned, a cessation valuation is likely to be carried out on a more prudent basis than the ongoing basis and the ceasing employer is liable to pay an exit payment if in deficit. In addition, our Fund Actuary reviews all orphan liabilities as part of the valuation and the assets notionally allocated to employers are adjusted to ensure that these are at least fully funded on an ongoing basis.

Long-term employer covenant alongside shorter-term affordability

When considering deficit payments or exit payments, there is a risk that the initial affordability is low but there is the prospect of increased affordability in future. In extreme cases the payments due to the Fund may cause the immediate insolvency of an employer. The Fund makes use of the employer flexibilities which came into force on 23 September 2020 as set out in its DSA and DDA policy, to work with employers exiting the Fund.

Annex E: Glossary

This Glossary has been copied from Annex D of the FSS guidance here but supplemented with some additional terms as used in this FSS.

Actuarial certificates/rates and adjustments certificate

A statement of the contributions payable by each scheme employer. A statement of the contributions payable by the employer. Following the actuarial valuation exercise, the effective date is 12 months after the completion of the valuation.

Actuarial valuation

An investigation by an actuary, appointed by an Administering Authority into the costs of the scheme and the ability of the fund managed by that authority to meet its liabilities. This assesses the funding level and recommended employer contribution rates based on estimating the cost of pensions both in payment and those yet to be paid and comparing this to the value of the assets held in the fund. Valuations take place every three years (triennial).

Administering Authority (referred to as 'the fund')

A body listed in Part 1 of Schedule 3 of the regulations who maintains a fund within the LGPS and a body with a statutory duty to manage and administer the LGPS and maintain a pension fund (the fund). Usually, but not restricted to being, a local authority.

Admission agreement

A written agreement which provides for a body to participate in the LGPS as a scheme employer.

Assumptions

Forecasts of future experience which impact the costs of the scheme. For example, pay growth, longevity of pensioners, inflation, and investment returns.

Code of Practice

The Pensions Regulator's General Code of Practice.

Data

For GAD to carry out its function under Section 13 of the Public Service Pensions Act 2013, GAD will request data to be provided by the local administering authorities/local fund actuaries, and it is assumed that this data will be provided promptly and accurately.

Debt spreading arrangement (DSA)

The ability to spread an exit payment over a period of time.

Deferred debt agreement (DDA)

An agreement for an employer to continue to participate in the LGPS without any contributing scheme members.

Discount rate

A prudent estimate of the rate of investment return that is expected to be earned from the Fund's long-term investment strategy.

Employer covenant

The extent of the employer's legal obligation and financial ability to support its pension scheme now and in the future.

Funding level

The funding level is the value of assets compared with the liabilities.

Funding Pool

Where the Fund identifies a group of employers with similar characteristics, it is possible to form a pool for these employers. Employers within a pool will pay the same contribution rates and share risks.

Fund valuation date

The effective date of the triennial fund valuation.

GAD

Government Actuary's Department

Guarantee / guarantor

A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the fund can consider the employer's covenant to be as strong as its guarantor's.

Inflation Risk Premium

An adjustment to RPI inflation to reflect the view that investors are willing to pay a premium for inflation-linked products in return for protection against unexpected inflation.

Local Pension Board

The board established to assist the Administering Authority as the Scheme Manager for each fund.

MHCLG

Ministry of Housing, Communities and Local Government

Non-statutory guidance

Guidance which although it confers no statutory obligation on the parties named, they should nevertheless have regard to its contents.

Notifiable events

Events which the employer should make the Administering Authority aware of.

Past service liabilities

The cost of pensions already built up or in payment.

Pension Committee

A committee or sub-committee to which an Administering Authority has delegated its pension function.

Pensions Administration Strategy

A statement of the duties and responsibilities of scheme employers and administering authorities to ensure the effective management of the scheme.

Primary rate of the employers' contribution

The primary rate for each employer is that employer's future service contribution rate, which is the contribution rate required to meet the cost of the future accrual of benefits, expressed as a percentage of pensionable pay, ignoring any past service surplus or deficit but allowing for any employer-specific circumstances, such as the membership profile of that employer, the funding strategy adopted for that employer (including any risk sharing arrangements operated by the Administering Authority), the actuarial method chosen and/or the employer's covenant. The primary rate for the whole fund is the weighted average (by payroll) of the individual employers' primary rates**.**

SAB

Scheme Advisory Board

Secondary rate of the employers' contribution

The secondary rate is an adjustment to the primary rate to arrive at the rate each employer is required to pay. It may be expressed as a percentage adjustment to the primary rate, and/or a cash adjustment in each of the three years beginning with 1 April in the year following that in which the valuation date falls. The secondary rate is specified in the rates and adjustments certificate. For any employer, the rate they are required to pay is the sum of the primary and secondary rates. The actuary should also disclose the secondary rates for the whole scheme in each of the three years beginning with 1 April in the year following that in which the valuation date falls. These should be calculated as a weighted average based on the whole scheme payroll in respect of percentage rates and as a total amount in respect of cash adjustments. The purpose of this is to facilitate a single net rate of contributions expected to be received over each of the three years that can be readily compared with other rates and reconciled with actual receipts.

Scheme Manager

A person or body responsible for managing or administering a pension scheme established under section 1 of the 2013 Act. In the case of the LGPS, each fund has a Scheme Manager which is the Administering Authority.

Solvency

The notes to the Public Service Pensions Act 2013 state that solvency means that the rate of employer contributions should be set at "such level as to ensure that the scheme's liabilities can be met as they arise". It is not regarded that this means that the pension fund should be 100% funded at all times. Rather, and for the purposes of Section 13 of the Public Service.

Pensions Act 2013, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

- the rate of employer contributions is set to target a funding level for the whole fund (assets divided by liabilities) of 100% over an appropriate time period and using appropriate actuarial assumptions; and either
- employers collectively have the financial capacity to increase employer contributions, and/or the fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or
- there is an appropriate plan in place should there be, or if there is expected in future to be, no or a limited number of fund employers, or a material reduction in the capacity of fund employers to increase contributions as might be needed.

If the conditions above are met, then it is expected that the fund will be able to pay scheme benefits as they fall due.

Long-term cost efficiency

The notes to the Public Service Pensions Act 2013 state that Long-term cost-efficiency implies that the rate must not be set at a level that gives rise to additional costs. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the time.

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long-term cost efficiency if the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual, with an appropriate adjustment to that rate for any surplus or deficit in the fund.

In assessing whether the above condition is met, GAD may have regard to the following considerations:

- the implied average deficit recovery period
- the investment return required to achieve full funding over different periods, e.g. the recovery period
- if there is no deficit, the extent to which contributions payable are likely to lead to a deficit arising in the future
- the extent to which the required investment return above is less than the Administering Authority's view of the expected future return being targeted by a fund's investment strategy, taking into account changes in maturity/strategy as appropriate.

BARNETT WADDINGHAM

Part of HOWDEN

Dorset County Pension Fund

Funding Strategy Statement

BARNETT WADDINGHAM

Part of HOWDEN

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Section A – Purpose of the fund and the FSS

Introduction

This is the Funding Strategy Statement (FSS) for the Dorset County Pension Fund (the Fund), part of the Local Government Pension Scheme (LGPS). It has been prepared by Dorset Council in our capacity as Administering Authority of the Fund.

We have prepared this statement:

- in accordance with Regulation 58 of the LGPS Regulations 2013 as amended (the Regulations);
- with regard to the guidance (*Guidance for Preparing and maintaining a Funding Strategy Statement (FSS)*) jointly produced by the Scheme Advisory Board (SAB), the Chartered Institute of Public Finance and Accountancy (CIPFA) and Ministry of Housing, Communities and Local Government (MHCLG); and
- having taken advice from the Fund Actuary, Barnett Waddingham.

This statement should be read in conjunction with our Investment Strategy Statement (ISS) here.

Employers and other relevant parties have been consulted during the development of this FSS.

This FSS was approved by the Pension Fund Committee on 17 March 2026 on the recommendation of the Chief Financial Officer (section 151 officer) and following consultation with our employers.

We have included an explanation of the key terminology used in this document in Annex E: Glossary.

Contact details

Any queries relating to this FSS should be directed to lgpsemployers@dorsetcouncil.gov.uk and investments@dorsetcouncil.gov.uk.

Aims and objectives of the FSS

The aims and objectives of this FSS are to:

- Enable our Fund Actuary to undertake appropriate funding calculations for the Fund, whether as part of a triennial actuarial valuation exercise or otherwise, which also meet the requirements of the LGPS Regulations and guidance and their professional obligations;
- Establish a clear and transparent fund-specific strategy that will identify how our 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(6) of the Regulations;
- Ensure that the regulatory requirements to set employer contributions to ensure the solvency and long-term cost efficiency of the Fund are met in the context of fiduciary duty;
- Explain how we seek to balance the interests of different employers; and
- Explain how we deal with conflicts of interest and references other policies/strategies.

They have been set in the context of fiduciary duty and requirement to pay pension benefits according to the LGPS and wider regulations.

Our aims in relation to long-term funding are to:

- Achieve solvency by managing employers' liabilities effectively and ensuring that sufficient resources are available to meet all benefit payments as they arise;
- Achieve long-term cost efficiency by ensuring that employer contribution rates are not set at a level that gives rise to additional costs;
- Enable primary contribution rates to be kept as nearly constant as possible and (subject to not taking undue risks) at reasonable cost to our employers; and
- Seek returns on investment within reasonable risk parameters.

Conflicts of interest

There is a potential conflict of interest in that the FSS is prepared by the Administering Authority which is itself an employer in the Fund. We will ensure that the contents of the FSS are not unduly influenced by any one employer by undertaking a consultation which is extended to all employers.

Monitoring and review of the FSS

The FSS will be monitored annually and it will be reviewed before the completion of the next actuarial valuation of the Fund unless circumstances suggest an earlier review would be desirable or required.

Examples of when we may wish to review the FSS include:

- Material changes to the LGPS benefit structure or regulations;
- Significant changes to our investment strategy;
- Significant changes to our membership profile;
- Such significant changes to the number, type, or individual circumstances of any employers to such an extent that they impact on the funding strategy (e.g. exit/restructuring/failure which could materially impact cashflow and/or maturity profile and/or covenant);
- A material change in the affordability of contributions and/or employer(s) financial strength which has an impact on the future solvency of the Fund;
- Recommendations from MHCLG/Government Actuary's Department (GAD); or
- On the advice of the Fund Actuary.

In a review of the FSS, we would consider whether an update to the FSS was required (and consequently whether an update to the ISS was also required). If we felt an update was required, we will consider communicating with those employers specifically impacted by any changes.

Section B: Key funding principles

Funding target

Employer contribution rates are required by Regulations to be set by an actuarial valuation exercise and securing the solvency and long-term cost efficiency of our Fund is a regulatory requirement. The Regulations also state it is desirable to maintain as nearly constant a Primary rate of employers' contribution as possible and the Fund aims to achieve this. A key principle in determining employer contribution rates is to establish a funding target, with employer contribution rates then set to meet that target over an agreed period.

The past service funding level (often referred to as simply the funding level) is the ratio of assets to liabilities in respect of accrued past service.

We define the funding target as having at least sufficient assets in the Fund to meet the accrued past service liabilities (i.e. a funding level of 100%). We may set different funding targets for different employers or groups (pools) of employers in the Fund.

The Fund Actuary can then assess how the value of the assets held by the Fund compares to the funding target and calculate the past service funding level.

We have many different employers in our Fund and our strategy seeks to strike the right balance between affordable, stable contributions whilst also recognising that failure of an employer to pay contributions, can lead to financial consequences for other employers. More information on the funding target for different employers is set out in the Summary of funding approach table.

How we set employer funding targets

Members' benefits are payable many years into the future and positive investment returns can help make the benefits more affordable for employers. Investment returns are not guaranteed or known in advance so the assumed future rate of investment return (also known as the discount rate) is the key assumption the Fund Actuary makes in calculating the liabilities. In general:

- the lower the investment return over a time period the higher the required contributions to the Fund over that time period and vice versa;
- the higher the assessed risk an employer (or group of employers) may cease to exist in future and be unable to meet their obligations to the Fund, the lower the assumed rate of future investment return may be, whilst recognising this must be balanced with affordability considerations; and
- the time period over which it is appropriate to consider the contributions and investment return may vary depending on the circumstances of an employer (or group of employers).

There are broadly three categories of employer according to the Regulations:

- Schedule 2 Part 1 ("Scheduled") bodies which must admit eligible employees to the LGPS (for example County and District councils, police and fire bodies and academies);
- Schedule 2 Part 2 ("Resolution") bodies which designate employees or posts as being eligible to join the LGPS (for example town and parish councils);
- Schedule 2 Part 3 ("Admission") Bodies which
  - participate by virtue of paragraph 1(d)[1] (generally where a service has been outsourced to a private sector contractor) – "Transferee Admission Bodies" and
  - meet the criteria in paragraphs 1(a) to (c) or 1(e) are typically referred to as Community Admission Bodies (CABs) (for example Charities and Housing associations).

We aim to be fair and consistent across our employers, so for all employers within a category, unless justified by a covenant assessment or agreed with the Fund Actuary, we will:

- adopt the same maximum periods to recover any deficit or surplus;
- apply the same minimum employer contribution rate;
- use the same funding basis to set the employer contributions for the actuarial valuation;
- use the same cessation basis in the event of an employer exit;
- apply the same maximum terms for any deferred debt agreement and debt spreading arrangements.

[1] of Part 3 of Schedule2 to the Regulations

BARNETT WADDINGHAM

Part of HOWDEN

Summary of funding approach

Below we have summarised the funding approach to participating employers in the Dorset County Pension Fund (the Fund). Please note pass through employers are not included, they pay a contribution rate in line with individual pass-through agreements.

Employer category	Scheduled bodies 1	Scheduled bodies 2	Resolution bodies	Other 1	Other 2
Example employer within category	Police Fire Schools that have not opted to academise	Academies Further Education (FE) bodies falling under the guarantee of the Department for Education	Town and Parish Councils	Contractors with Letting Authority as guarantor	Universities without security Admission bodies without guarantor or security Charities, Housing associations without security
2022 funding approach	Maximum recovery period of 13 years	Academies – All pooled, recovery period of 16 years FE bodies – maximum recovery period of 16 years	All pooled, recovery period of 10 years	Contractors – recovery period in line with contract length	FE bodies – Maximum recovery period of16 years - Admission bodies – recovery period in line with contract length Charities, Housing associations – Maximum recovery period of16

Employer category	Scheduled bodies 1	Scheduled bodies 2	Resolution bodies	Other 1	Other 2
2025 funding target	Achieve fully funded position over appropriate time horizon Allow for reduction of total contribution rate if appropriate Maintain a degree of stability by limiting the total contribution reduction and by stepping in any changes over the intervaluation period Academies and resolution bodies remain fully pooled to increase stability			Achieve fully funded position over appropriate time horizon Allow total contributions to be set at a very low level to avoid overfunding (exit credits) Security / guarantor protects Fund against default	Achieve fully funded position over appropriate time horizon Allow total contributions to be set at a very low level to avoid overfunding (exit credits) with consideration of the position on a full cessation basis.
2025 valuation – funding basis	Ongoing basis				
2025 funding approach – deficit	Recovery period of three years less than in 2022, a lower recovery period may be used depending on an employer's covenant			Recovery period set as the lower of the contract length, Expected Future Working Lifetime (EFWL), and 13 years (a lower recovery period may be used depending on an employer's covenant)	If not fully funded on a full cessation basis then total contribution rates maintained at 2022 level. If fully funded on a full cessation basis then surplus can be paid back over 13 years.

Employer category	Scheduled bodies 1	Scheduled bodies 2	Resolution bodies	Other 1	Other 2
2025 funding approach – surplus	Less than 115% funded – stepping down to new primary rate over intervaluation period More than 115% funded – stepping down to new total contribution rate below primary rate allowing for excess surplus (above the funding target) to be paid back over 13 years				Total contribution rates maintained or increased where required. If cessation deficit met on full cessation basis then total contribution rate will be stepped down.
2025 minimum contribution rate	No employer will receive a reduction of their total contribution rate of more than 1.0% p.a.			0% - contribution rate possible	0% - contribution rate possible
2025 cessation basis	No subsuming guarantor – full cessation basis With subsuming guarantor – ongoing basis	No subsuming guarantor – full cessation basis With subsuming guarantor – ongoing basis Following cessation where there is no subsuming guarantor, academies in a funding pool will be removed from the pool.	Town and parish council pool – ongoing basis Following cessation, town and parish council in a funding pool will remain in the pool.	No subsuming guarantor – full cessation basis With subsuming guarantor – ongoing basis	Full cessation basis

In exceptional circumstances, the Administering Authority may agree contributions that do not align with the table above. In such circumstances, advice will be sought from the Fund Actuary.

Managing risk

Whilst our funding strategy aims to satisfy the funding objectives of ensuring sufficient assets to meet liabilities and stable levels of employer contributions, there are risks that may impact on the ability of the strategy to meet our funding objectives.

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

We maintain a risk register where recent developments are reported. More detail of the various funding-specific risks can be found in Annex D: Managing Risks

Main actuarial assumptions

To value liabilities, the Fund Actuary needs to make assumptions about the factors affecting the Fund's future finances such as price inflation, pay increases, investment returns, rates of mortality, early retirement and employee turnover etc.

The assumptions adopted at the valuation can be considered as:

- The demographic (or statistical) assumptions which are essentially estimates of the likelihood or timing of benefits and contributions being paid, and
- The financial assumptions which will determine the estimated value of the amount of benefits and contributions payable.

A summary of our methodology to determine and monitor the actuarial assumptions is explained below. Financial assumptions are based on a particular date and consider average market yields over the six months straddling the relevant date. The relevant date may be the date of the valuation, or the date an employer joins or leaves the Fund.

Retail Prices Index (RPI) inflation

To measure the future level of price inflation over the long-term, we use the 20 year point on the Bank of England implied RPI inflation curve. A fixed inflation risk premium deduction of 0.3% p.a. is made to the assumption.

Consumer Prices Index (CPI) inflation (future revaluation and pension increases)

Pension increases, both in payment and the rate of revaluation applied to pension accounts, are linked to changes in the level of the CPI. Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods. Based on analysis undertaken by the Fund Actuary, a deduction of 0.4% p.a. is made to the RPI assumption to derive the CPI assumption as at 31 March 2025. This deduction will taper down to 0.2% p.a. by February 2030 when it is anticipated that the RPI will be aligned with the Consumer Prices Index including owner occupiers' housing costs (CPIH).

Pay increases

As some of the benefits are still linked to final pay, the Fund Actuary needs to make an assumption as to future levels of pay increases. Historically, there has been a close link between price inflation and pay increases with pay increases exceeding price inflation in the longer term. The long-term pay increase assumption adopted was CPI plus 1.0% p.a. which includes allowance 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 present day values. The discount rate that is applied to all projected liabilities reflects an estimate of the rate of investment return that is expected to be earned from the underlying investment strategy by considering average market yields in the six months straddling the relevant date.

The discount rate is this rate of return with an adjustment for prudence. The adjustment for prudence has the effect of, all else being equal, increasing the value of liabilities.

The level of "prudence" in the ongoing discount rate has been determined based on a success probability of 67.5% which translates to a fixed deduction of 1.5% p.a. for all employers.

The adjustment for prudence is higher if the discount rate is used to value liabilities where the employer is leaving the fund. Further detail is given in Process for determining the position on termination section.

Demographic assumptions

The demographic assumptions adopted are based on Fund-specific experience and national statistics, adjusted as appropriate to reflect the individual circumstances of the Fund and/or individual employers.

Valuation assumptions

The key assumptions used in the 2025 actuarial valuation as at 31 March 2025 are summarised below:

Assumptions	Assumptions used for the 2025 valuation
Financial assumptions (p.a.)	
CPI inflation	2.7%
Salary increases	3.7%
Discount rate	5.1%
Demographic assumptions	
Post-retirement mortality	
Base table	S3PA
Multiplier (male/female)	95%/115%
CMI Model / long-term rate	2024 / 1.5% p.a.
Initial addition parameter	0%
Overlay half-life	1 year
Retirement assumption	Weighted average
Pre-retirement decrements	GAD 2020 scheme val: no salary scale, 50% multiplier to ill-health rates and 115%/120% multiplier to pre-retirement mortality rates (M/F)
IH assumed proportion in each tier (T1/T2/T3)	75% / 15% / 10%
50:50 assumption	Member data
Commutation	50% Max
Family statistics	
% with qualifying dependant	75% (M) / 65% (F)
Age difference	Males 3 years older

Further information on the assumptions used is explained in the Fund's valuation report [link to be provided in the final version of this document].

Actuarial methods

The actuarial method for open employers is the projected unit method and for closed employers is the attained age method. These are explained further in the section Primary rate of employers' contribution.

Asset valuation

For the purpose of considering funding levels and setting contributions, the asset value used is the market value of the assets at the valuation date, adjusted to reflect average market conditions during the six months straddling the valuation date. This is referred to as the smoothed asset value and is calculated as a consistent

approach to the valuation of the liabilities. For the 2025 valuation this led to assets being taken into account for funding purposes at 102.1% of the market value.

The Fund's assets are effectively unitised and notionally allocated to employers at an individual level by allowing for actual Fund returns achieved on the assets and cashflows paid into and out of the Fund in respect of each employer (e.g. contributions received and benefits paid). For funding pools the assets and liabilities are pooled together and calculated as if the funding pool were a single employer.

Employer pooling and risk sharing

The Fund operates several funding pools where employers share risks. This may impact the calculation of an employer's assets and is explained further in the section Pooling of individual employers.

Links to the Investment Strategy Statement (ISS)

Our ISS is available here.

The funding strategy and the investment strategy are strongly connected. The funding strategy relies on contributions to maintain financial stability, and the investment strategy aims to generate returns that support long-term sustainability.

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 expected rate of investment return anticipated to be achieved by the long-term 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 expected return from the long-term investment strategy. This ensures consistency between the funding strategy and investment strategy.

After employer and employee contributions, investment returns are the third key pillar of LGPS funding. We must be able to pay benefits when they are due. The payments of benefits are met from a combination of contributions (through the funding strategy) and asset return and income (through the investment strategy). Should investment performance or income fall below projected levels, it may be required to increase employer contributions to compensate to meet the cost of the benefits. Hence the required investment returns to meet the discount rate assumption set out in the FSS are considered in setting the strategic asset allocation.

A summary of the asset classes and allocation from the most recent ISS is shown below:

Asset class	Allocation
Bonds	6.5%
Public Equities	58.0%
Private Equities	5.0%
Property	9.0%
Infrastructure	8.0%
Multi-Asset Credit	6.5%
Diversified Growth Fund	7.0%

When setting the strategic asset allocation, the Fund works together with investment advisers to consider funding requirements and to ensure the solvency of the Fund.

How employer contributions are calculated

The total contribution rates an employer must pay is the primary contribution rate plus the secondary contribution rate. The primary and secondary contribution rates are discussed in the sections below. The table in section Funding target above summarises how the primary and secondary contribution rates are set including the bases used under different circumstances of the valuation, or joining or leaving the fund.

The contribution rates that an employer must pay as calculated as part of the actuarial valuations will be communicated to the employers in the late Autumn of the valuation year through an initial results report written by the Fund Actuary.

The contribution rates that an employer must pay when they join the Fund will be calculated by the Fund Actuary and communicated via the Fund upon joining.

Frequency of employers' contributions

Contributions must be paid monthly unless we agree to a special arrangement following discussion with the Fund Actuary. Where contributions are based on a percentage of pay, the amounts paid by employers will fluctuate in line with payroll each month.

For all employers, the primary and secondary contributions they are required to pay along with the frequency of payment will be certified by the Fund Actuary in the Rates and Adjustment Certificate. The latest certificate can be found [here]. [link to be provided in the final version of this document]

Prepayment policy

No discount will be offered in exchange for early payment of either primary or secondary contributions.

Primary rate of employers' contribution

The funding level considers past service, but the Fund Actuary must also calculate the cost of benefits which will be earned in the future by active members.

The primary rate of an employer's contribution, as defined in Regulation 62(5), is the level of contributions required, expressed as a percentage of the pay of active members, which, together with employee contributions, is expected to cover the cost of benefits accruing in future.

The calculation of the primary rate ignores any past service surplus or deficit but allows for any employer-specific circumstances such as whether an employer is open or closed and includes the employer's share of administration costs.

The primary rate for the whole fund is the weighted average (by payroll) of the individual employers' primary rates.

Our approach to setting the primary rate depends on specific employer circumstances, including the strength of the employer covenant and guarantor arrangements which determine the employer categorisation (as set out in the Funding target section above). If an employer has any risk sharing arrangements then the primary rate will depend on the arrangement in place, and if the employer is part of a pooling arrangement, then the primary rate may be set to be the same as other employers in the pool. It may also depend on whether an employer is

an "open" employer – one which allows new employees access to the Fund, or a "closed" employer – one which no longer permits new employees access to the Fund.

For open employers, in general, the actuarial funding method that is adopted is known as the Projected Unit Method. The key feature of this method is that, in assessing the future service cost, the primary rate represents the cost of one year's benefit accrual only.

For closed employers, in general, the actuarial 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.

Our Administration Strategy and Admission Agreements require employers to tell us if they have stopped admitting new employees to the Fund so we can monitor the open or closed status of each employer.

Secondary rate of the employers' contribution

Whilst one of our funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue, we know that at any particular point in time, the value of the assets is unlikely to be equal to the value of accrued liabilities, depending on how the actual experience of the Fund compares to the actuarial assumptions. This means there will be a past service surplus or deficit which can lead to an adjustment to employers' contributions. This contribution adjustment is referred to as the secondary rate, as defined in Regulation 62(7). The secondary rate is a positive or negative adjustment to the primary rate to arrive at the total contribution rate each employer is required to pay.

Secondary contributions can be certified as a percentage of payroll or as monetary amounts (which can be fixed or nominal amounts).

There is a potential conflict of interest whereby a single employer i.e. the Administering Authority of the Fund, is leading the process of setting the adjustments to the primary rate. The Fund manages this conflict of interest by consulting with all employers on the contents of the FSS which sets out how secondary contribution rates are set for all categories of employer.

Payment of additional contributions

Employers will usually be expected to make additional contributions into the Fund under the following circumstances:

- Where an employee under Regulation 30(7) becomes entitled to an immediate unreduced pension as a result of redundancy or business efficiency, we will request the Employer make a strain payment to cover the anticipated cost of the additional pension entitlement;
- Where an employee or former employee is permitted to retire on grounds of ill health leading to pension enhancement and/or early payment of pension benefits, we may request the Employer make a strain payment to cover the anticipated cost of the additional pension entitlement;
- Where an employee or former employee dies resulting in a death grant benefit becoming payable, we may request the Employer make a payment to the Fund to cover the incurred expense;
- Where an employee makes Additional Voluntary Contributions (AVC), at the employer's discretion, they may make an additional payment to the Fund under a cost sharing arrangement with the member.

The employer is required to inform the fund if any of these situations occur, in line with our Administration Strategy.

Actuarial valuation

As required by Regulation 62 (1) of the LGPS Regulations 2013, an actuarial valuation of all LGPS funds is carried out every three years.

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 of the Fund was undertaken as at 31 March 2025. The results of the 31 March 2025 valuation can be found in the Fund's valuation report [link to be provided in final version of this document], which includes:

- An actuarial valuation of the assets and liabilities of the Fund;
- The funding level of the Fund as at the valuation date;
- The primary rate for the whole fund which is the weighted average (by payroll) of the individual employers' primary rates;
- The financial and demographic actuarial assumptions used to value the pension liabilities, including details of the sensitivity of the results to a small change in the assumptions used;
- The valuation report must demonstrate how the demographic assumptions have been set with reference to the actual events affecting Fund members since the previous valuation;
- A Rates and Adjustments certificate outlining the minimum contributions payable by employers in the Fund; specifying both the primary rate and secondary rate of the employer's contribution for each of the three years beginning on 1st April following the year in which the valuation date occurs; and
- Summarised information of the actuarial valuation in the form of a "dashboard" which is agreed between the actuarial firms and GAD.

The valuation documentation must be provided to the Administering Authority before the first anniversary of the valuation date.

Review of employer contributions between valuations

The Fund's Contribution review policy can be accessed in Annex A: Contribution review policy.

Fund approach to managing surpluses and deficits

As set out in Section A – Purpose of the fund and the FSS, our aim is to ensure employers' contributions are set to meet the Regulatory requirements of achieving solvency and long-term cost efficiency but also for the primary rate to be as stable as possible.

We aim to keep primary (and also total) contribution rates stable by:

- asking the Fund Actuary to adopt a discount rate (or assumed investment return) derived from the expected investment return on the Fund's assets;
- reviewing the level of prudence, i.e. the gap between the discount rate (or assumed investment return) and the expected investment return, at each valuation; and

- operating funding pools which increases the stability of contribution rates compared to calculating individual contribution rates for each employer, particularly for small employers.

Where there is a deficit, the secondary contribution rate is generally calculated to pay off the deficit over a maximum period of 13 years.

Where there is a surplus, the secondary contribution may include an adjustment to run off the surplus over a maximum period of 13 depending on the employer group and individual employer circumstances.

The period adopted for individual or groups of employers will depend on:

- The significance of the surplus or deficit relative to the liabilities;
- The Employer covenant of the employer/group (including any security in place) and any limited period of participation in the Fund;
- The remaining contract length of an employer in the Fund (if applicable); and
- The implications in terms of stability of future levels of employers' contribution.

A summary of our approach to employers in the Fund is set out in the table in Summary of funding approach.

Employer covenant

The Pensions Regulator defines employer covenant as *"the extent of the employer's legal obligation and financial ability to support the scheme now and in the future"*.

There is no prescribed way for an LGPS fund to assess and allow for employer covenant within their funding approach. In considering employer covenant as part of our funding strategy we will look to profile and better understand our participating employers, particularly by sector or size.

In reviewing the employer covenant, we look to:

- assess each employer's obligation and ability to support their ongoing LGPS commitments, in the context of any guarantees or security in place,
- reappraise the "riskiness" of employers, given their updated funding position,
- further integrate covenant insights into funding and investment strategy,
- ensure contributions are set appropriately; and
- put in place pragmatic procedures to monitor employers going forward.

The Fund's approach to allowing for employer covenant is set out below.

An employer is obliged to notify the Fund about any changes in circumstances that may affect employer covenant, including:

- an insolvency event
- a merger or acquisition with another employer
- a significant change in credit rating score by one of the major credit rating agencies

The employer should contact the Fund via email lgpsemployers@dorsetcouncil.gov.uk.

Allowance for employer covenant

Where any concerns are highlighted with regard to the default risk of an employer, particular attention is given to the deficit recovery period adopted for the employer and whether any security for the Fund is in place.

The Fund seeks to engage with employers highlighted at risk by any employer covenant review. Such engagement helps the Fund to better understand the financial position of our employers, and where appropriate, allows us to seek further information from employers. Information that could be sought from employers could include, but not limited to, annual reports/accounts, audit opinions and any relevant financial supporting documentation.

Having identified employers posing a risk to the Fund, the Fund considers a number of options to reduce the risk. These include;

- regular monitoring of financial position;
- consideration of any guarantee that could be obtained;
- review of any existing bond amounts, or consider putting bonds in place if not there already;
- obtaining security through a first charge on the employer's assets;
- establish contingency plans that would be triggered on certain events, such as certain funding levels being reached, the LGPS being replaced as the pensions vehicle for new employees, the LGPS's ranking on insolvency being reduced, or certain corporate transactions or decisions.

We may also seek specialist employer covenant advice support as appropriate.

The outcome of any employer covenant review and subsequent employer engagement may influence setting the total contribution rate through, but not limited to:

- The level of prudence adopted in setting the discount rate used to calculate the contribution rate
- The length of the deficit recovery/surplus amortisation period
- The funding target

More detail on how employer covenant has been allowed for with individual employers (or groups of employers) is set out in the section "Summary of funding approach".

The Fund will keep the employer covenant analysis under review and will seek to update this on a triennial basis.

Guarantors

A guarantor of an employer in the LGPS is a formal promise by a party other than the Scheme employer, to meet any pension obligations not met by the Scheme employer. There are different types of guarantee that can be provided:

- A "subsuming guarantor" will assume future responsibility for the pension liabilities and assets following the exit of the Scheme employer. The exiting employer is generally still expected to meet any exit payment due. This is the situation for private contractors where the letting authority will be the "subsuming guarantor".
- An "external guarantor," such as the Department for Education, provides a guarantee that the exit payment will be made to the Fund in the scenario that the exiting employer cannot make it. This is a

one-off payment, the external guarantor does not assume future responsibility for the pension liabilities and assets of the exiting employer.

- A "physical guarantee", often referred to as security. may provide the Fund the opportunity to call on the asset backing the guarantee in the event that the exiting employer cannot make the exit payment.
- A "guarantor of last resort" will be responsible for pension liabilities if the Scheme employer fails to meet its pension obligations to the Fund. The guarantor is liable to cover any exit payment and assume responsibility for pension obligations when all other avenues have been exhausted.

We will consult with guarantors on any proposed changes that significantly increase the risk of costs provided under the original guarantee.

Guarantor treatment for key funding activities

Guarantors will be treated consistently to other Scheme employers for funding purposes as follows:

- For new employers joining the Fund, the new employer should notify us of any guarantor in place and in the case of admission bodies, the existence and type of guarantor will be specified in the admission agreement;
- The guarantee for LGPS liabilities provided by the Department for Education for further education bodies and academy trusts is taken into account in setting the contribution rates for those employers covered by the guarantee (which we understand includes any admission bodies participating under a pass-through arrangement);
- The assessment of the covenant of any guarantors will be included in the covenant review exercise undertaken as part of the actuarial valuation;
- Guarantors are subject to the same notifiable events process as employers. Notifiable events are set out in the Contribution Review policy; and
- For exiting employers, we will carry out a cessation valuation of the employer's liabilities and the existence of a guarantor will affect the actuarial valuation basis used to determine the final cessation valuation. More detail can be found in section Process for determining the position on termination.

Admission bodies

New admission bodies in the Fund are commonly a result of a transfer of employees from an existing employer in the Fund to another body (for example as part of a transfer of services from a council or academy to an external provider under Schedule 2 Part 3 of the Regulations). Typically these transfers will be for a limited period (the contract length), over which the new admission body employer is required to pay contributions into the Fund in respect of the transferred members.

Further details on how to join the fund are provided in section Joining the fund and employer contribution rate setting and monitoring and on the Fund's website for employers: https://dcpfemployers.org/.

Security required by admission bodies

Under the Regulations, the Administering Authority must assess the risk a proposed new admission body poses to the Fund should the admission body become insolvent or go out of business.

For any proposed new admission bodies who are not joining the Fund using a pass-through arrangement, the new admission body may be required to put in place a bond in accordance with Schedule 2 Part 3 of the Regulations, if required by the letting authority and Administering Authority.

If, for any reason, it is not desirable for a new admission body to enter into a bond, the new admission body may provide an alternative form of security which is satisfactory to the Administering Authority.

This security may cover some or all of the:

- strain costs of any early retirements if employees are made redundant when a contract ends prematurely
- allowance for the risk of assets performing less well than expected
- allowance for the risk of liabilities being greater than expected
- allowance for the possible non-payment of employer and member contributions
- admission body's existing deficit.

The Fund will agree with the employer the security required upon admission to the Fund.

Risk sharing arrangements

Subject to agreement with the Administering Authority where required, new admission bodies and the relevant letting authority may make a commercial agreement to deal with the pensions risk differently. For example, it may be agreed that all or part of the pensions risk remains with the letting authority.

Although pensions risk may be shared, it is common for the new admission body to remain responsible for pensions costs that arise from:

- above average pay increases, including the effect on service accrued prior to contract commencement; and
- redundancy and early retirement decisions.

The Administering Authority may consider risk sharing arrangements as long as the approach is clearly documented in the admission agreement, the transfer agreement or any other side agreement. The arrangement also should not lead to any undue risk to the other employers in the Fund.

Legal and actuarial advice in relation to risk sharing arrangements should be sought where required.

Pass-through arrangements

New admission bodies and the relevant letting authority may make a commercial agreement to deal with the pensions risk differently. For example, it may be agreed that all or part of the pensions risk remains with the letting authority. This is commonly known as a pass-through arrangement.

From 1 April 2026, the default approach for all new admission bodies joining the Fund will be under a pass-through arrangement. More detail on this and on pass-through arrangements more generally can be found in Section C: Employer Events.

The approach should be clearly documented in the admission agreement, the transfer agreement or any other side agreement. All information regarding risk sharing arrangements should be shared with the Fund. Legal and actuarial advice in relation to risk sharing arrangements should be sought where required.

In particular, the following information should be documented:

- whether the new admission body remains responsible for pensions costs that arise from above average pay increases, including the effect on service accrued prior to contract commencement;
- redundancy and early retirement decisions; and
- treatment of the admission body on exit.

The arrangement should not lead to any undue risk to the other employers in the Fund.

For any new admission bodies as a result of an outsourcing by an academy trust or a further education body, we understand that where pass-through provisions are in place, the liabilities remain covered by the Department for Education Guarantee.

Links to administration strategy

The membership data provided by employers is used by the Fund to calculate the contributions due from the employers, on joining the fund, terminating the fund or between actuarial valuations. Membership data is required for the actuarial valuations, and also when the employer joins or terminates the Fund. The quality of the data could have an effect on the contributions that an employer is required to pay.

The Fund's administration strategy can be found here.

Section C: Employer events

Joining the fund and employer contribution rate setting and monitoring

When a new employer joins the Fund, the Fund Actuary is required to set the contribution rates payable by the new employer and allocate a share of Fund assets to the new employer as appropriate (unless the new employer joins under a pass-through arrangement). The most common types of new employers joining the Fund are admission bodies and new academies. These are considered in more detail below.

When a new employer wants to join the Fund, this should be approved by the Service Manager for Pensions, as delegated to by the Pension Fund Committee. The new employer will automatically join the appropriate employer category or funding pool as set out in the table in the section Summary of funding approach, unless representations are made by the employer to the Fund. Further details about joining the Fund can be found here.

A new employer must provide membership data where the data is as at the date of joining the Fund. The data should be of good quality as it is used by the Fund Actuary to calculate the funding level and employer contribution rates on joining.

Admission bodies

New admission bodies in the Fund are commonly a result of a transfer of employees from an existing employer in the Fund to another body (for example as part of a transfer of services from a council or academy to an external provider under Schedule 2 Part 3 of the Regulations). Typically these transfers will be for a limited period (the contract length), over which the new admission body employer is required to pay contributions into the Fund in respect of the transferred members.

There are two main ways for the Fund to approach a new admission body joining the Fund.

1) Full risk transfer

2) Pass-through arrangement

More detail around the full risk transfer approach and the pass-through approach are set out below.

Approach of the Fund

From 1 April 2026, the default approach will be for admission bodies to join the Fund under a pass-through arrangement. Under a pass-through arrangement, the letting authority retains the pensions risk. The admission body is responsible for paying the agreed contribution rate and also additional costs as set out in each admission agreement e.g. redundancy and early retirement costs.

Before 1 April 2026, the default approach was a full risk transfer. Under a full risk transfer the admission body becomes responsible for all the pensions risk associated with the benefits accrued by transferring members and the benefits to be accrued over the contract length. The Administering Authority may consider requests for a full risk transfer from new admission bodies.

Funding at start of contract (full risk transfer only)

Under a full risk transfer, when a new admission body joins the Fund, they will become responsible for all the pensions risk associated with the benefits accrued by transferring members and the benefits to be accrued over the contract length. In these cases, it may be appropriate that the new admission body is allocated a share of

Fund assets equal to the value of the benefits transferred, i.e. the new admission body starts off on a fully funded basis. This is calculated on the relevant funding basis and the opening position may be different when calculated on an alternative basis (e.g. on an accounting basis).

However, there may be special arrangements made as part of the contract such that a full risk transfer approach is not adopted. In these cases, the initial assets allocated to the new admission body will reflect the level of risk transferred and may therefore not be on a fully funded basis or may not reflect the full value of the benefits attributable to the transferring members.

Contribution rate

The contribution rate may be set on an open or a closed basis. Where the funding at the start of the contract is on a fully funded basis then the contribution rate will represent the primary rate only; where there is a deficit allocated to the new admission body then the contribution rate will also incorporate a secondary rate with the aim of recovering the deficit over an appropriate recovery period.

For new employers participating under a pass-through arrangement, the default approach will be for the new employer to pay the primary contribution rate of the letting authority where secondary contributions are certified as a monetary amount or the same total contribution rate of the letting authority if secondary contributions have been certified as a percentage of salaries.

Depending on the details of any risk sharing arrangement, then additional adjustments may be made to determine the contribution rate payable by the new admission body. The approach in these cases will be bespoke to the individual arrangement and agreed between the new employer and the letting authority.

Pass-through arrangements

Pass-through arrangements are allowed for at the actuarial valuation by allocating any deficit/liabilities covered by the risk sharing arrangement to the relevant responsible employer.

New academies

When a school converts to academy status, the new academy (or the sponsoring multi-academy trust) becomes a Scheme employer in its own right.

Funding at start

On conversion to academy status, the new academy will become part of the Academies funding pool.

Assets are transferred to the pool based on the active cover of the relevant local authority on the conversion date. The active cover approach is based on the funding level of the local authority's active liabilities, after fully funding the local authority's deferred and pensioner liabilities, assets transferred to the pool will be capped at 100% of the academy's liabilities. The individual academy will then be allocated assets based on the funding level of the pool at the conversion date. More detail on funding pools can be found below.

Contribution rate

The contribution rate payable when a new academy joins the Fund will be in line with the contribution rate certified for the Academies funding pool at the 2025 valuation.

Pooling of individual employers

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.

The main purpose of pooling is to produce more stable employer contribution levels, although recognising that ultimately there will be some level of cross-subsidy of pension cost amongst pooled employers.

The funding pools adopted for the Fund are summarised in the table below:

Pool	Type of pooling	Funding positions	Contribution rate
Dorset Council	Past and future service pooling	All employers in the pool will have the same funding level	All employers in the pool pay the same total contribution rate
Bournemouth, Christchurch and Poole	Past and future service pooling	All employers in the pool will have the same funding level	All employers in the pool pay the same total contribution rate
Academies	Past and future service pooling	All employers in the pool will have the same funding level	All employers in the pool pay the same total contribution rate
Small Scheduled Bodies	Past and future service pooling	All employers in the pool will have the same funding level	All employers in the pool pay the same total contribution rate

Treatment of employers in a pool (excluding pass-through arrangements)

When an employer joins a pool, it will be allocated a notional amount of assets so that the employer has the same funding level as the other employers in the pool at the date of joining. Any transferring assets in excess of this will get shared between the other employers in the pool.

When an employer leaves a pool, it will be allocated a notional amount of assets so that the employer has the same funding level as the other employers in the pool at the date of leaving.

Forming/disbanding a funding pool

Where the Fund identifies a group of employers with similar characteristics and potential merits for pooling, it is possible to form a pool for these employers. In this scenario, employers will be consulted with before this change is made. Advice should be sought from the Fund Actuary to consider the appropriateness and practicalities of forming the funding pool.

Conversely, the Fund may consider it no longer appropriate to pool a group of employers. This could be due to divergence of previously similar characteristics or an employer becoming a dominant party in the pool. Where this scenario arises, advice should be sought from the Fund Actuary.

Funding pools should be monitored on a regular basis, at least at each actuarial valuation, in order to ensure the pooling arrangement remains appropriate. The Fund will define the criteria for employers to be a part of a pool or not. There may be a scenario where an employer may request to be excluded from the pool but this is only likely to be granted in exceptional circumstances following discussion with the Fund Actuary.

Preparing for exit and events which may trigger termination

A cessation valuation may be required for many reasons, including:

- the last active member ceasing participation in the Fund
- the contract / admission agreement expiring
- Insolvency or wind up of the admission body
- Termination of a deferred debt agreement (DDA)
- A breach of the contract e.g. failure to pay contributions within the required period

If an employer wants to leave the Fund, they should notify the Fund via lgpsemployers@dorsetcouncil.gov.uk.

An employer should provide membership data to the Fund at the date of termination. The Fund needs the membership data before it can calculate the termination position. An employer can provide data at an earlier date to obtain an indicative termination position. If the termination takes place at a different date or if there are any changes to the membership from the data supplied than the termination position should be recalculated. The membership data should be of good quality as it affects the termination position and the amount an employer needs to pay or receive when exiting the Fund.

When a Scheme employer exits the Fund they become an exiting employer, as required under the Regulations the Fund Actuary will be asked to carry out an actuarial valuation in order to determine the liabilities in respect of the benefits held by the exiting employer's current and former employees. The Fund Actuary is also required to determine the exit payment due from the exiting employer or the exit credit payable to the exiting employer. The exit position will be determined using membership data relating to the date of exit.

Process for determining the position on termination

The Fund needs to protect the security of the remaining employers when assessing the position of the exiting employer. In assessing the value of the liabilities attributable to the exiting employer, the Fund Actuary may adopt differing actuarial assumptions depending on the employer and the specific details surrounding the employer's termination.

Different valuation approaches are taken depending on the details surrounding the exit of the employer. This generally comes down to the following two questions:

- **What is happening to the active members?**
  For example, at the end of many outsourced contracts, the members may continue in employment with a new contractor. Alternatively, members may be made redundant or transferred to a defined contribution scheme with the same employer.
- **Is there an employer in the Fund willing to underwrite the future pension liabilities?**
  For example, there may be a guarantor that is compelled to or volunteers to be responsible for any future deficits, or the exiting employer may be entering into a deferred debt agreement (DDA) with the Fund.

The Fund classifies a termination into the following scenarios:

Cessation scenarios

Ongoing cessation	Any remaining active employees are transferred to another employer in the Fund and the deferred and pensioner liabilities are also picked up by another employer in the Fund (which is usually the same employer as the destination for the active members but may not be). The funding position under this scenario is essentially the current ongoing funding position.
Full cessation	No employer in the Fund will be responsible for the Employer's residual liabilities after the Employer's exit from the Fund. Therefore, an approach using a relative high level of prudence is required in order to reduce the risk that the assets held in respect of the Employer's liabilities are not sufficient to pay for the members' benefits. Any members eligible for unreduced early retirement benefits on redundancy are assumed to become entitled to these.

For any employer exiting on the ongoing cessation scenario, their valuation will be carried out under the same method and assumptions as the ongoing funding basis. i.e. the funding basis as set out in section Main actuarial assumptions.

For any pass-through employer exiting the Fund, provided all contributions have been made as required and any additional costs or expenses have been paid, the pass-through employer will have no further responsibility for the pensions obligations. In particular, the pass-through employer will not be responsible for any funding deficit, or entitled to receive any surplus, that has emerged during their participation in the Fund.

For any employer exiting under a full cessation scenario, a more prudent discount rate is adopted than for the ongoing basis. All other assumptions are as for the ongoing funding basis. The more prudent discount rate is determined as follows:

A stochastic analysis was used to assess the "success probabilities" of certain levels of prudence as part of the 2025 valuation. The default approach to calculating the cessation position will be using a discount rate based on the success probability of 85%. This corresponds to a 3.8% prudence adjustment in the discount rate assumption. If we are satisfied that there is another employer willing to take on responsibility for the liabilities (or that there is some other form of guarantee in place) then the cessation position may be calculated on the ongoing funding basis.

The success probability and level of prudence will remain fixed over the inter-valuation period and as a minimum reviewed at each triennial valuation.

It may be appropriate for alternative success probabilities to be adopted, or different discount rate approaches to be taken, to reflect an individual employer's situation. This may be, for example, to reflect an employer targeting a cessation event or to reflect our views on the level of risk that an employer poses to the Fund. The Fund Actuary will incorporate any such adjustments after consultation with the Administering Authority.

Any deficit in the Fund in respect of the exiting employer will be due to the Fund as a single lump sum payment, unless we agree with the other parties involved that an alternative approach is permissible. Alternative approaches are set out in the Fund's policy for entering into, monitoring and terminating a DDA or DSA is set out in the DSA and DDA policy in Annex B: Deferred debt agreement and debt spreading arrangement policies.

Any surplus in the Fund in respect of the exiting employer may be treated differently to an exit payment, subject to the agreement between the relevant parties and any legal documentation. The LGPS (Amendment) Regulations 2018 allow administering authorities to make an exit credit payment to exiting employers. The Fund's exit credit policy is here Annex C: Exit Credit Policy.

The decision made by the Administering Authority is final, however if the employer wishes to appeal the decision please contact lgpsemployers@dorsetcouncil.gov.uk.

Deferred debt agreements or debt spreading arrangements

Where a valuation reveals a deficit and an exit payment is due on termination, the expectation is that the employer settles this debt immediately through a single cash payment. However, should it not be possible for the employer to settle this amount, providing the employer puts forward sufficient supporting evidence to the Administering Authority, the Administering Authority may agree a deferred debt agreement (DDA) with the employer under Regulation 64(7A) or a debt spreading arrangement (DSA) under Regulation 64B.

The Fund's policy for entering into, monitoring and terminating a DDA or DSA is set out in the DSA and DDA policy in Annex B: Deferred debt agreement and debt spreading arrangement policies.

Suspension notices

When the last active member leaves an employer in the Fund, normally under Regulation 64A this would result in a termination event for the employer and an exit valuation produced by the Fund Actuary. However, Regulation 64(2A) allows the suspending of their liability to pay an exit payment.

We will grant a suspension notice if we reasonably believe the employer is likely to have one or more active members contributing into the Fund within three years of the original cessation date. Were a suspension notice issued to a Scheme employer, and after a three-year period no further active members are enrolled, then a cessation valuation should be undertaken by the Fund Actuary, at the date the last active member left the Fund.

Partial terminations

A partial termination is where an employer exits the fund for deferred and pensioner members but seeks to remain a participating employer for active members.

An employer should contact the Fund if they want to request a partial termination. There may also be a requirement for actuarial and legal advice, the costs of which will be met by the employer.

We will only permit an employer in the Fund to complete a partial termination from the Fund in exceptional circumstances.

Exceptional circumstances are unlikely to be demonstrated unless all of the following criteria are met:

- A sufficient surplus on the valuation basis used to calculate the partial termination;
- Size of the employer relative to the remaining Fund is not unduly large;
- Consistent with the interests of other employers in the Fund; and
- Approval from the Fund Actuary.

The basis used to calculate the transfer of assets to cover the deferred and pensioner liabilities would be consistent with the approach used for the cessation valuation.

Bulk transfers (both to or from the LGPS)

Bulk transfers of employees into or out of the Fund can take place from other LGPS Funds or non-LGPS Funds.

A bulk transfer involves a group of employees changing to a new employer in a different Fund or moving along with their existing employer to a new Fund. It is usually triggered by a contract being transferred, a service being restructured, or a merger or acquisition involving an LGPS employer.

If ten or more members move from one LGPS Fund to another LGPS Fund they are covered by Regulation 103 of the Local Government Pension Scheme Regulations 2013.

A bulk transfer may be required by an issued Direction Order. This is generally in relation to an employer merger, where all the assets and liabilities attributable to the transferring employer in its original Fund are transferred to the receiving Fund.

The employer is responsible for making the Fund aware of any such bulk transfer.

The Fund Actuary for both Funds is responsible for negotiating the terms for the bulk transfer – specifically the terms by which the value of assets to be paid from one Fund to the other is calculated.

The agreement will be specific to the situation surrounding each bulk transfer but in general, we will look to receive the bulk transfer on no less than a fully funded transfer (i.e. the assets paid from the ceding Fund are sufficient to cover the value of the liabilities on the agreed basis). The terms must be acceptable to both Funds and if the Funds and their actuaries cannot reach an agreement then a third actuary is required to step in to determine a reasonable solution.

Membership data will be required in respect of members transferring and this will be agreed by both Funds involved.

The Fund actuaries will agree a calculation of the transfer amount and it is the original Fund's responsibility to facilitate payment of the transfer amount to the receiving Fund.

Annex A: Contribution review policy

Introduction

This is the Contribution review policy for the Dorset County Pension Fund (the Fund), part of the Local Government Pension Scheme (LGPS). It has been prepared by Dorset Council in our capacity as Administering Authority of the Fund.

This document sets out the Fund's policy on amending the contribution rates payable by an employer (or group of employers) between formal funding valuations.

Under Regulation 62 of the LGPS Regulations 2013 (the Regulations) we are required to obtain a formal actuarial valuation of the Fund and a rates and adjustments certificate setting out the contribution rates payable by each Scheme employer for three year period beginning 1 April following that in which the valuation date falls.

It is anticipated for most Scheme employers that the contribution rates certified at the formal actuarial valuation will remain payable for the period of the rates and adjustments certificate. However, there may be circumstances where a review of the contribution rates payable by an employer (or a group of employers) under Regulation 64A is deemed appropriate. This policy document sets out our approach to considering the appropriateness of a review and the process in which a review will be conducted.

This policy has been prepared following advice from the Fund Actuary, and following consultation with the Fund's Scheme employers. In drafting this policy document, we have taken into consideration the statutory guidance on drafting a contribution review policy which was issued by the Ministry of Housing, Communities and Local Government, and the Scheme Advisory Board's guide to employer flexibilities.

Throughout this document, any reference to the review of a Scheme employer's contribution rates will also mean the single review of the contribution rates for a group of Scheme employers (for example if the employers are pooled for funding purposes).

Note that where a Scheme employer seems likely to exit the Fund before the next actuarial valuation then we can exercise our powers under Regulation 64(4) to carry out a review of contributions with a view to adjusting the contributions for the Scheme employer to exit on a fully funded basis. These cases do not fall under this contribution review policy.

The contribution review process

As part of the review process, within this policy we include detail on:

- Examples of events that may trigger a contribution review under Regulation 64(A)(1)(b).
- The general process for assessing and conducting a review.
- Timescales including a timeline to provide a rough guide of our general expectation.

Following completion of the review process, we may continue to monitor the Scheme employer's position in order to ensure the revised contribution rate remains appropriate (where a review was completed) or to ensure the Scheme employer's situation does not change such that a review previously deemed not appropriate becomes appropriate. As part of its participation in the Fund, any Scheme employer is expected to support any reasonable information requests made by us in order to allow effective monitoring.

Timelines

Once a review of contribution rates has been agreed, unless the impact of amending the contribution rates is deemed immaterial by the Fund Actuary, then the results of the review will be applied with effect from the agreed review date.

Where initiation is made by the Administering Authority

Where we initiate a review (i.e. under conditions (i) and (ii) of Regulation 64(A)(1)(b)), the first stage is to engage with the Scheme employer and provide written evidence for requiring the review.

The Scheme employer will be given 30 calendar days from the later of the date of receipt of the evidence provided and the date of receipt of the results of the formal contribution review to respond to our proposal. Should no challenge be accepted within this period then we will treat the proposal as accepted and the revised contribution rates will come into effect from the proposed review date.

Should the Scheme employer challenge our proposal, then we will continue to engage with the Scheme employer in order to reach an agreeable decision. If no decision has been agreed within 3 months of the initial proposal, then we may proceed with the revised contribution rates. Further details of the appeals process for the Scheme employer is set out in the Appeals process section.

Although we will make the ultimate decision for a review, we are committed to engaging with any Scheme employer following the initial proposal to ensure that any change is agreeable to all relevant parties.

Where initiation is made by the Scheme employer

Where the review is initiated by the Scheme employer, the process begins once the Scheme employer has provided all the relevant documents required as set out in the Triggering a contribution review section.

We will aim to provide a response to the Scheme employer within 30 calendar days from the date of receipt. This will depend on the quality of the documents provided and any need for us to request further information from the Scheme employer. We will provide a written response setting out the issues considered in reviewing the request from the Scheme employer, together with the outcome and confirming the next steps in the process.

Responsibility of costs

Where we have initiated the review of contributions, any costs incurred as part of the review in relation to the gathering of evidence to present to the Scheme employer and the actuarial costs to commission the contribution review will be met by the Fund. This is with the exception of any costs incurred as a result of extra information requested by the Scheme employer which is not ordinarily anticipated to be incurred by the Administering Authority as part of the review. These exception costs would be recharged to the Scheme employer.

Any costs incurred as a result of a review initiated by the Scheme employer will be the responsibility of the Scheme employer, regardless of the outcome of the review proceeding or not. This may include specialist adviser costs involved in assessing whether or not the request for review should be accepted and the costs in relation to carrying out the review.

Triggering a contribution review

As set out in Regulation 64(A)(1)(b), a review of an employer's contribution rate between formal actuarial valuations may only take place if one of the following conditions are met:

(i) it appears likely to the Administering Authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;

(ii) it appears likely to the Administering Authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or

(iii) a Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review.

Conditions (i) and (ii) are triggered by the Administering Authority and (iii) by the Scheme employer. The key considerations under each of the conditions are detailed below.

It should be noted that the conditions above are as set out in the Regulations therefore do not allow for a review of contributions where the trigger is due to a change in actuarial assumptions or asset values.

(i) change in the amount of the liabilities arising or likely to arise

Examples of changes which may trigger a review under this condition include, but are not limited to:

- Restructuring of a council due to a move to unitary status
- Restructuring of a Multi Academy Trust
- A significant outsourcing or transfer of employees
- Any other restructuring or event which could materially affect the Scheme employer's membership
- Changes to whether a Scheme employer is open or closed to new members, or a decision which will restrict the Scheme employer's active membership in the Fund in future
- Significant changes to the membership of an employer, for example due to redundancies, significant salary awards, ill health retirements or a large number of withdrawals
- Establishment of a wholly owned company by a scheduled body which does not participate in the LGPS.

As part of its participation in the Fund, Scheme employers are required to inform us of any notifiable events as set out in the Fund's Pensions Administration Strategy, service agreements and/or admission agreements. Through this notification process, we may identify events that merit a review of contributions.

In addition, we may initiate a review of contributions if we become aware of any events that we deem could potentially change the liabilities of the Scheme employer. This also applies to any employers for whom a review of contributions has already taken place as a further change in liabilities may merit another review.

(ii) change in the ability of the Scheme employer to meet its obligations

Examples of changes which may trigger a review under this condition include, but are not limited to:

- Change in employer legal status or constitution
- Provision of, or removal of, security, bond, guarantee or other form of indemnity by a Scheme employer
- A change in a Scheme employer's immediate financial strength
- A change in a Scheme employer's longer-term financial outlook
- Confirmation of wrongful trading
- Conviction of senior personnel
- Decision to cease business
- Breach of banking covenant

- Concerns felt by the Administering Authority due to behaviour by a Scheme employer's, for example, a persistent failure to pay contributions (at all, or on time), or to reasonably engage with the Administering Authority over a significant period of time.

We are committed to engaging with Scheme employers on their participation and through this may identify any Scheme employers that might be considered as high risk and whether any Scheme employers have had a significant change in riskiness. This in turn may affect the administering authority's views on whether the ability of a Scheme employer to meet its obligations to the Fund has changed significantly and therefore whether this change may merit a contribution review. This also applies to any employers for whom a review of contributions has already taken place as a further change in an employer's ability to meet its obligations may merit another review.

(iii) request from the Scheme employer for a contribution review

A request can be made by a Scheme employer for a review of contribution rates outside of the formal actuarial process. This may be triggered by one of the following two conditions:

- There has been a significant change in the liabilities arising or likely to arise; and/or
- There has been a significant change in the ability of the Scheme employer to meet its obligations to the Fund.

If a request is made for any other reason, then it will be considered by the Administering Authority on a case-by-case basis.

Requests by a Scheme employer are limited to one review per calendar year.

With the exception of any cases where the Scheme employer is expected to cease before the next rates and adjustments certificate comes into effect, we will not accept a request for a review of contributions with an effective date within the 12 months preceding the next rates and adjustments certificate. It is expected in these cases that any requests can be factored into the formal review and any benefits of carrying out a review just prior to the commencement of a new rates and adjustments certificate are outweighed by the costs and resource required. If a request is made with an effective date within the 12 months preceding the next rates and adjustments certificate, the administering authority will instead reflect these changes in the actuarial valuation and the rates being certified and taking effect the year following the valuation date.

Information required from the Scheme employer

In order to submit a request for a review of contribution rates outside of the formal actuarial valuation process, a Scheme employer must provide the following to the Fund:

- Where a review is sought due to a potential change in the Scheme employer's liabilities:
    - Membership data or details of membership changes to evidence that the liabilities have materially changed, or are likely to change
- Where a review is sought due to a potential change in the ability of the Scheme employer to meet its obligations:
    - The most recent annual report and accounts for the Scheme employer
    - The most recent management accounts
    - Financial forecasts for a minimum of three years

- The change in security or guarantee to be provided in respect of the Scheme employer's liabilities

We may require further evidence to support the request and this will be requested on a case by case basis.

Assessing the appropriateness of a review

We will take following general considerations into account in all scenarios:

- the expected term for which the Scheme employer will continue to participate in the Fund;
- the time remaining to the next formal funding valuation;
- the cost of the review relative to the anticipated change in contribution rates and the benefit to the Scheme employer, the Fund and/or the other Scheme employers; and
- the anticipated impact on the Fund and the other Fund employers, including the relative size of the change in liabilities and contributions and any change in the risk borne by other Fund employers.

Where the review has been requested by the Scheme employer, we will also consider the information and evidence put forward by the Scheme employer. This may be with advice from the Fund Actuary where required. We will include an assessment of whether there is a reasonable likelihood that a review would result in a change in the Scheme employer's contribution rates. We will also consider whether it is necessary to consult with any other Scheme employer e.g. where a guarantee may have been provided by another Scheme employer.

We will make the final decision of whether a review of contribution rates will be carried out after discussion with Fund Actuary. It is acknowledged that each Scheme employer's situation may differ and therefore each decision will be made on a case by case basis. Should a Scheme employer disagree with the decision, then details of the Appeals process is set out later in this document.

Appropriateness of a review due to change in liabilities

This will be subject to the following considerations in addition to the general considerations set out above and:

- the size of the Scheme employer's liabilities relative to the Fund and the extent to which they have changed;
- the size of the event in terms of membership and liabilities relative to the Scheme employer and/or the Fund; and
- the Administering Authority's assessment of the ability of the Scheme employer to meet its obligations.

Appropriateness of a review due to change in ability to meet its obligations to the Fund

This will be subject to the following considerations in addition to the general considerations set out above and:

- The results of any employer risk analysis provided by the Fund Actuary or a covenant specialist
- The perceived change in the value of the indemnity to the Administering Authority, relative to the size of the Scheme employer's liabilities

Further considerations to that set out above may be relevant and will be taken into account as required.

Method used for reviewing contribution rates

If a review of contribution rates is agreed, or if an indicative review is required to help inform the review process, we will take advice from the Fund Actuary on the calculation of the Scheme employer's revised contribution rates. This will take into account the events leading to the anticipated liability change and any impact of the changes in the Scheme employer's ability to meet its obligations to the Fund.

The table below sets out the general approach that will be used when carrying out this review.

	General approach
Member data	The starting point for reviewing a Scheme employer's contribution rates will in some cases be the most recent actuarial valuation. In most cases, given the review is due to an anticipated change in membership, the Administering Authority and Scheme employer should work together to provide updated membership data for use in calculations. There may be instances where updated membership data is not required if it is deemed proportionate to use the most recent actuarial valuation data without adjustment. Where the cause for a review is due to a change in a Scheme employer's ability to meet its obligations to the Fund, updated membership data may not need to be used unless any significant membership movements since the previous valuation are known.
Approach to setting assumptions	This will be in line with that adopted for the most recent actuarial valuation, as set out in the Fund's Funding Strategy Statement (FSS).
Market conditions underlying financial assumptions	Unless an update is deemed more appropriate by the Fund Actuary, the market conditions will be in line with those at the most recent actuarial valuation.
Conditions underlying demographic assumptions	Unless an update is deemed more appropriate by the Fund Actuary, the demographic assumptions will be in line with those at the most recent actuarial valuation.
Funding target	The funding target adopted for a Scheme employer will be set in line with the Fund's FSS, which may be different from the approach adopted at the most recent actuarial valuation due to a change in the Scheme employer's circumstances.
Surplus/deficit recovery period	The surplus/deficit recovery period adopted for a Scheme employer will be set in line with the Fund's FSS, which may be different from the approach adopted at the most recent actuarial valuation due to a change in the Scheme employer's circumstances.

The Fund Actuary will be consulted throughout the review process and will be responsible for providing a revised rates and adjustments certificate. Any deviations from the general approach set out above will be agreed by us and the Fund Actuary.

Appeals process

If a Scheme Employer is dissatisfied with any decision made in relation to the contribution review, they have the right to have their complaint reviewed under the scheme's appeals process.

The Scheme employer will have 30 calendar days from the date of receipt of the results of the formal contribution review to lodge an appeal.

Annex B: Deferred debt agreement and debt spreading arrangement policies

Introduction

This is the policy on deferred debt agreements (DDAs) and debt spreading arrangements (DSAs) for the Dorset County Pension Fund (the Fund), part of the Local Government Pension Scheme (LGPS). It has been prepared by Dorset Council in our capacity as Administering Authority of the Fund.

When a Scheme employer becomes an exiting employer under Regulation 64, the Fund Actuary is required to carry out a valuation to determine the exit payment due from the exiting employer to the Fund, or the excess of assets in the Fund relating to that employer. Where an exit payment is due, the expectation is that the employer settles this debt immediately through a single cash payment. However, if the employer provides evidence that this is not possible, there are two alternatives available: Regulation 64(7A) enables the Administering Authority to enter into a DDA with the employer while Regulation 64B enables the Administering Authority to enter into a DSA.

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying the secondary rate of contributions to fund their deficit. The secondary rate of contributions will be reviewed at each actuarial valuation until the termination of the agreement.

Under a DSA, the cessation debt is crystallised and spread, with interest, over a period deemed reasonable by the Administering Authority having regard to the views of the Fund Actuary.

Whilst a DSA involves crystallising the cessation debt and the employer's only obligation is to settle this set amount, in a DDA the employer remains in the Fund as a Scheme employer and is exposed to the same risks (unless agreed otherwise with the Administering Authority) as active employers in the Fund (e.g. investment, interest rate, inflation, longevity and regulatory risks) meaning that the deficit will change over time.

This policy document sets out the Administering Authority's policy for entering into, monitoring and terminating a DDA or DSA.

These policies have been prepared by the Administering Authority following advice from the Fund Actuary, and following consultation with the Fund's Scheme employers. In drafting this policy document, the Administering Authority has taken into consideration the statutory guidance on preparing and maintaining policies on employer exit payments and deferred debt agreements which was issued on 2 March 2021 by the Ministry of Housing, Communities and Local Government, and the Scheme Advisory Board's guide to employer flexibilities dated 5 March 2021.

Approach for exiting employers

In the event that an employer becomes an exiting employer and an exit payment is identified, the Fund should seek to receive a payment from the exiting employer equal to the exit payment in full.

The Administering Authority makes the exiting employer aware an exit payment is due by providing a revised rates and adjustments certificate in the form of a cessation valuation report produced by the Fund Actuary. Details of the Fund's cessation policy can be found in the Fund's Funding Strategy Statement (FSS).

The default position is that the employer is required to make an exit payment in full immediately. However, if required, the exiting employer can inform the Administering Authority, along with evidence, that they are unable to do so and may request to enter either a DDA or DSA. If the Administering Authority is satisfied with the evidence provided, the DDA or DSA process may proceed.

Requests should be submitted within 30 calendar days of receiving confirmation of the exit payment required, or otherwise the exit payment should be paid to the Fund in full within 30 calendar days as per the Fund's Pension Administration Strategy.

Where possible, the Administering Authority encourages employers who are approaching exit to engage with the Administering Authority in advance in order to understand the options that may be available. An indicative cessation report can be produced to form the basis of discussions.

Choosing a DDA or DSA

Consideration needs to be given as to which approach is the most appropriate in each case. A DDA may be appropriate if:

- the employer temporarily has no active members but expects it may return to active employer status in future. However, please note that if the plan is for active members to join within three years then a suspension notice may be more appropriate;
- the employer wants to minimise costs by potentially benefitting from the upside of the pensions risks it would remain exposed to and therefore does not want to crystallise its debt by becoming an exiting employer. In this case the Administering Authority may be willing to defer crystallisation of the cessation debt for an appropriately significant period of time, subject to the strength of the employer's covenant or security provided;
- initial affordability of the full exit payment is low but there is a prospect of increased affordability in the future, or the payment can only be afforded over a long period and therefore a DDA enables the position to be updated over time in light of changing funding positions; and/or
- the employer has a weak covenant but is not faced with imminent insolvency and must rely on future investment returns to fully or partially fund the exit payment. The Administering Authority may agree that doing so over an appropriate long period is better for the Fund than risking immediate insolvency of the employer.

On the other hand, it may be more appropriate to enter a DSA if:

- the employer does not intend to employ any more active members and therefore is not expected to resume active employer status;
- the employer wishes to crystallise its debt to the Fund and therefore not be subject to any of the pensions risks that could cause the amounts payable to the Fund increasing (or decreasing) in future;
- the employer has ample resources to make the payment within the near future but not immediately; and/or
- the employer is deemed to have a very weak covenant and so the Administering Authority will want to try to recoup as much of the exit payment as possible before the employer becomes insolvent.

The Administering Authority has the right to refuse a DSA or DDA request if they believe it is not in the best interests of the Fund or the other participating employers, for example if entering a DSA or DDA increases the risk of a deficit falling to the other employers.

In considering each request for a DDA or DSA from an exiting employer the Administering Authority will take actuarial, covenant, legal and other advice as necessary. Proposed DDAs/DSAs will always be discussed with the employer, whether the DDA or DSA was at the exiting employer's request or not.

Employers who may be party to either a DSA or a DDA are encouraged to discuss any potential impact on their accounting treatment with their auditors.

Management of costs

On receiving a request the Administering Authority will make the employer aware that any costs associated with setting up the DDA or DSA will be the responsibility of the Scheme employer, regardless of whether the Administering Authority agrees to enter into the agreement or not. This may include the cost of actuarial advice, legal advice, administrative costs and any additional advice required in relation to a covenant assessment or any other specialist adviser costs. If costs deviate from those initially anticipated the Administering Authority will keep the exiting employer up-to-date with any increases. The Administering Authority will provide information on how and when payments should be made.

Internal dispute resolutions

Whether a DDA or DSA arrangement is agreed or not is ultimately the decision of the administering authority. If a Scheme Employer is dissatisfied with any decision made, they have the right to have their complaint reviewed under the scheme's appeals process.

The Scheme employer will have 30 calendar days from the date of receipt of the results of the formal DDA or DSA arrangement to lodge an appeal.

Deferred Debt Agreements (DDAs)

Entering into a DDA

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying the secondary rate of contributions to fund their deficit.

Information required from the employer

When making a request to enter a DDA, the employer should demonstrate that they are unable to settle their exit payment immediately and provide any relevant information to support their request e.g. in relation to their covenant/ability to continue to make payments to the Fund on a continuing basis. Examples of information the employer may provide as evidence include the exiting employer's:

- most recent annual report and accounts
- latest management accounts
- financial forecasts
- details of position of other creditors

This is not an exhaustive list and the Administering Authority may request further evidence. In particular, the Administering Authority may commission a covenant assessment if insufficient evidence is provided.

Assessing the proposal

The Administering Authority will make a decision on whether to enter into a DDA within30 calendar days of receiving a request but this may vary to reflect specific circumstances, for example if the Administering Authority chooses to request a covenant assessment then the process may take longer.

To reach a decision the Administering Authority will consider:

- the size of the exiting employer's residual liabilities relative to the size of the Fund;
- the size of the exit payment relative to the costs associated with entering into a DDA;
- whether a debt spreading agreement or suspension notice would be more appropriate (see specific circumstances below);
- any information provided by the exiting employer to support their covenant strength, including any information on a guarantor or other form of security that the employer may be able to put forward to support their covenant;
- the results of any covenant review carried out by the Fund Actuary or a covenant specialist;
- the exiting employer's accounts;
- the potential impact on the other employers in the Fund; and
- the opinion of the Fund Actuary.

The Administering Authority is not obliged to accept an exiting employer's request for a DDA. For example, in the following circumstances the Administering Authority may consider a DDA not to be appropriate:

- the exiting employer could reasonably be expected to settle their exit payment in a single amount;
- it is known or likely that another active member will come into employment in the three years following the cessation date (in these cases a suspension notice would be considered more appropriate than a DDA); or
- the Administering Authority is concerned that where a DDA is entered, that the employer could not afford the impact of any negative experience which would result in an increase in the required secondary rate of contributions and an increase in the employer's overall deficit (in these cases a debt spreading agreement would be considered more appropriate as the payments are fixed throughout the term of the agreement).

Once all information has been considered the Administering Authority will consult with the exiting employer as required under the Regulations. If the Administering Authority does not wish to enter into a DDA they will explain to the exiting employer their reasoning and any alternatives (e.g. a debt spreading agreement, suspension notice or indeed require the exit payment in full). If the Administering Authority accepts the request to enter into a DDA, they will notify their legal advisers and Fund Actuary. If the Administering Authority has concerns about the level of risk arising due to the DDA, the Administering Authority may only accept the request subject to a one-off cash injection being made by the exiting employer or security being provided as an additional guarantee.

Setting up a DDA

Once agreed that a DDA is permitted, the terms of the DDA will be agreed between the Administering Authority and the exiting employer and will be set out in a formal legal agreement.

The Administering Authority and the exiting employer (with the assistance of the Fund Actuary) will negotiate an appropriate duration of the agreement which will consider the exiting employer's affordability and anticipated strength of covenant over the agreement period. If the exiting employer has sufficient reserves, the Administering Authority may require an immediate cash payment so that the DDA can start from an acceptably stronger funding position.

The Fund Actuary will calculate secondary contributions on an appropriate basis as agreed with the Administering Authority and following consultation with the exiting employer, taking into account any cash payments made in advance. The secondary contributions will be reviewed at each actuarial valuation and certified as part of the Fund's Rates and Adjustments Certificate until the termination of the agreement. Therefore payments throughout the agreement are not known in advance and may increase or decrease at each valuation to reflect changes in the employer's funding position.

The timeline from consultation with the exiting employer to entering into a DDA to the signing of the agreement will vary. Where possible all parties will aim to have the agreement signed within 60 calendar days, although there may be circumstances where timings may vary.

Once finalised, the employer will become a deferred employer in the Fund and will have an obligation to pay their secondary contributions as certified by the Fund Actuary. The responsibilities of the deferred employer will be set out in the legal agreement and these will include the requirements to:

- comply with all the requirements on Scheme employers under the Regulations except the requirement to pay a primary rate of contributions but including any additional applicable costs, such as those arising from an employer discretion, or strain costs as a result of ill health retirements;
- adopt the relevant practices and procedures relating to the operation of the Scheme and the Fund as set out in any employer's guide produced by the Administering Authority;
- comply with all applicable requirements of data protection law relating to the Scheme and with the provisions of any data-sharing protocol produced by the Administering Authority and provided to the deferred employer;
- promptly provide all such information that the Administering Authority may reasonably request in order to administer and manage the agreement; and
- give notice to the Administering Authority, of any actual or proposed change in its status, including take-over, change of control, reconstruction, amalgamation, insolvency, winding up, liquidation or receivership or a material change to its business or constitution.

The deferred employer should consult with their auditors about any impacts the DDA is expected to have on their accounting requirements.

Monitoring a DDA

A deferred debt agreement is subject to the ongoing approval of the Administering Authority. The Administering Authority reserves the right to terminate the agreement should they become concerned about a significant weakening in the deferred employer's covenant or a significant change in funding position. Conversely, if there was an improvement in the employer's circumstance then the Administering Authority and employer may agree to amend the terms of the agreement.

The Administering Authority will monitor a DDA in the following ways:

Changing funding position

The deferred employer's funding position will be reassessed at each triennial actuarial valuation in order to review the progress of the DDA. A requirement for more frequent updates may be included within the DDA where the administering authority considers the level of risk to the Fund merits them. The costs of such reviews will fall to the deferred employer as part of the terms for putting in place a DDA.

If the funding position changes by more than 10% (in absolute terms) from the previous review then the Administering Authority may engage with the deferred employer to discuss a possible review of the DDA.

Changing employer covenant

Once an employer enters into a DDA, the Administering Authority will review the employer's covenant on a regular basis and details of this will be agreed for each DDA on an individual basis. If a deferred employer's covenant deteriorates, the Administering Authority may issue a notice to review and possibly terminate the agreements.

In addition, if a deferred employer requests an extension to the duration of the DDA the Administering Authority will consider an updated covenant review, amongst other factors, in assessing the proposal.

As a condition of entering into a DDA, the deferred employer is required to engage with the Administering Authority to assist with monitoring the level of covenant, for example by providing information requested by the Administering Authority in a timely manner.

Timeliness of payments

The agreement will set out whether payments are made on a monthly or annual basis, and the Administering Authority will monitor if contributions are paid on time. Successive late or in particular missing payments would contribute towards a notice being issued to the deferred employer to review and possibly terminate the agreement.

Strength of guarantee or security

If a particular funding basis has been used by the Fund Actuary on the understanding that there is a particular security in place (e.g. another employer in the Fund willing to underwrite the residual deferred and pensioner liabilities when the employer formally exits) then the Administering Authority will check there has been no change to the security at agreed regular intervals and as a minimum as part of each actuarial valuation. The Fund Actuary may change the funding basis used to set the deferred employer's contributions depending on the strength of the security in place.

Notifiable events from the deferred employer

The deferred employer has a responsibility to make the Administering Authority aware of any changes in their ability to make payments or of a change in circumstance (e.g. a change of the guarantee in place mentioned above). Information should be shared with the Administering Authority at any time throughout the agreement to enable the Administering Authority to consider whether a review of the agreement should be carried out.

Terminating a DDA

Events that may terminate a DDA

As set out in Regulation 64(7E), the DDA terminates on the first of the following events:

- the deferred employer enrols new active members;

- the duration of the agreement elapses;
- the take-over, amalgamation, insolvency, winding up or liquidation of the deferred employer;
- the Administering Authority serves a notice on the deferred employer that it is reasonably satisfied that the employer's ability to meet the contributions payable under the DDA has weakened materially (or is likely to in the next 12 months); or
- a review of the funding position of the deferred employer is carried out at an updated calculation date and the Fund Actuary assesses that the deferred employer has paid sufficient secondary contributions to cover what would be due if the deferred employer terminated at the updated calculation date; in other words the review reveals no deficit remains on the relevant calculation basis.

The deferred employer can also choose to terminate the DDA at any point. Notice should be given to the Administering Authority at the earliest opportunity.

Termination clauses will be included in the formal DDA legal agreement.

Process of termination

Once a termination of the DDA has been triggered, the deferred employer becomes an exiting employer under Regulation 64(1). The Administering Authority will obtain from the Fund Actuary an exit valuation calculated at the date the DDA terminates, and a revised rates and adjustments certificate setting out the exit payment due from the exiting employer or the excess of assets in the Fund relating to the exiting employer (which would then be subject to the Fund's exit credit policy). All fees associated with the termination are to be paid by the exiting employer.

Once the exit payment and any associated fees have been made in full, the exiting employer has no further obligation to the Fund.

If the termination has been triggered because the deferred employer has enrolled new active members then the deferred employer becomes an active employer in the Fund and an immediate exit payment may not be required; this may instead be incorporated in the revised rates and adjustments certificate that will be provided in respect of the active employer. The employer remains responsible for all previously accrued liabilities and the revised contributions required from the active employer will be calculated in line with the Fund's FSS.

If the termination has been triggered because a review of the funding position of the deferred employer reveals that the secondary contributions paid to date by the deferred employer are sufficient to cover what would be due if the deferred employer terminated at the updated calculation date, then the deferred employer becomes an exiting employer and no further payments are required. The exiting employer has no further obligation to the Fund. Where there is a surplus, an exit credit may be payable as determined by the Administering Authority and in line with the Fund's exit credit policy.

Debt Spreading Arrangements (DSAs)

Entering a DSA

Under a DSA, the cessation debt is crystallised and spread, with interest, over a period deemed reasonable by the Administering Authority having regard to the views of the Fund Actuary and following discussion with the exiting employer. The payments are fixed and are not reviewed at each actuarial valuation.

Information required from the employer

When making a request to enter a DSA, the exiting employer should demonstrate that they are unable to settle their exit payment immediately and provide any relevant information to support their request e.g. in relation to their covenant/ability to continue to make payments to the Fund. Examples of information the exiting employer may provide as evidence include the employer's:

- most recent annual report and accounts
- latest management accounts
- financial forecasts
- details of position of other creditors

This is not an exhaustive list and the Administering Authority may request further evidence. In particular, the Administering Authority may commission a covenant assessment if insufficient evidence is provided.

Assessing the proposal

The Administering Authority will make a decision on whether to enter into a DSA within 30 calendar days of receiving a request but this may vary to reflect specific circumstances, for example if the Administering Authority chooses to request a covenant assessment then the process may take longer.

To reach a decision the Administering Authority will consider:

- the size of the exit payment relative to the exiting employer's business cashflow;
- the size of the exit payment relative to the costs associated with entering into a DSA;
- whether a deferred debt agreement or suspension notice would be more appropriate;
- any information provided by the employer to support their covenant strength;
- the results of any covenant review carried out by the Fund Actuary or a covenant specialist;
- the merit of any guarantees from another source and whether this is deemed sufficient to cover the outstanding payments should the exiting employer fail;
- the exiting employer's accounts;
- any legal advice as appropriate;
- the potential impact on the other employers in the Fund; and
- the opinion of the Fund Actuary.

The Administering Authority is not obliged to accept an exiting employer's request for a DSA. For example, in the following circumstances the Administering Authority may consider a DSA not to be appropriate:

- the exiting employer could reasonably be expected to settle their exit payment in a single amount;
- there is doubt that the exiting employer can operate as a going concern during the spreading period; or
- the exiting employer cannot afford the speeded payments over the maximum spreading period or is requesting a spreading period longer than the maximum (see below).

The structure of the DSA is at the discretion of the Administering Authority having taken advice from the Fund Actuary and consulted with the exiting employer. The structure should protect all other employers in the Fund whilst being achievable for the exiting employer. The structure of the DSA will take into consideration:

- the period that the payments will be spread. This is expected to be no more than 5 years. For longer periods it may be more appropriate to consider a DDA but the Administering Authority reserves the right to set whatever spreading period they deem appropriate provided they are satisfied with the exiting employer's ability to meet the payments over that period. The length of the spreading period will be set as to be as short as possible whilst remaining affordable for the exiting employer;
- the interest rate applicable to the spread payments. In general, this will be set with reference to the discount rate in the exiting employer's cessation valuation report;
- the regularity of the payments and when they fall due;
- other costs payable; and
- the responsibilities of the exiting employer during the spreading period (for example, to make payments on time and to notify the Administering Authority of a change in circumstances that could affect their ability to make payments).

Once all information has been considered the Administering Authority will consult with the exiting employer as required under the Regulations. If the Administering Authority does not wish to accept the exiting employer's request to enter into a DSA they will explain their reasoning and any alternatives (e.g. a DDA, suspension notice or indeed require the exit payment in full). If the Administering Authority accepts the request to enter into a DSA, they will notify their legal advisers and Fund Actuary. If the Administering Authority has concerns about the level of risk arising due to the DSA, the Administering Authority may only accept the request subject to a one-off cash injection being made by the exiting employer or security being provided as an additional guarantee.

Setting up a DSA

The Administering Authority and the exiting employer, with the assistance of the Fund Actuary, will then negotiate the structure of the schedule of payments which takes into consideration the exiting employer's affordability and an appropriate period of the spreading.

The schedule of payments will be set out in a revised rates and adjustments certificate prepared by the Fund Actuary. There may be circumstances where timings may vary, however, in general the certificate will be prepared and provided to the exiting employer within 60 calendar days of agreeing the structure of the schedule of payments with the exiting employer.

Monitoring a DSA

Over the term that the cessation debt payment is spread, the Administering Authority will monitor the ability and willingness of the exiting employer to pay the schedule of contributions in the revised rates and adjustments certificate. While it is expected the schedule of payments would be fixed for the spreading period, the Administering Authority may alter the structure of the schedule at any time if there is a change in the exiting employer's circumstances or indeed, if the exiting employer wanted to pay the remaining balance. This will be agreed on a case by case basis and set out in a side agreement as required.

The Administering Authority will be in regular contact with the exiting employer until their obligations to the Fund are removed when all payments set out in the schedule of payments are made.

Examples of factors which will be monitored are set out below. Should any of these raise any concerns with the Administering Authority then the DSA may be reviewed and/or terminated.

Changing employer covenant

The Administering Authority will monitor the ability of the exiting employer to make their set payments by monitoring publicly available information such as credit ratings and/or company accounts as well as keeping in regular contact, at least annually, with the exiting employer to ensure that the payments can be met.

As a condition of entering into a DSA, the exiting employer is required to engage with the Administering Authority to assist with monitoring the level of covenant, for example by providing information requested by the Administering Authority in a timely manner.

Timeliness of payments

The DSA will set out whether payments are made on a monthly or annual basis and how long for, and the Administering Authority will monitor if contributions are paid on time. Successive late or in particular missing payments would contribute towards further interest charges or the spreading agreement may be reviewed and/or terminated.

Strength of guarantee or security

If a particular schedule of payments has been agreed between the Administering Authority and the exiting employer on the understanding that there is a particular security in place (e.g. another employer in the Fund willing to pay the remaining balance or a fixed charge on property that covers the remaining balance) then the Administering Authority will check there has been no change to the security regularly. The frequency of these reviews may reduce as the level of outstanding debt reduces. The Administering Authority with advice from the Fund Actuary may change the schedule of payments depending on the strength of the security in place. The exiting employer would be consulted prior to any changes.

Notifiable events from the exiting employer

The exiting employer has a responsibility to make the Administering Authority aware of any changes in their ability to make payments or of a change in circumstance that affects their ability to make payments. Information should be shared with the Administering Authority at any time throughout the agreement to enable the Administering Authority to consider whether a review of the agreement should be carried out.

Terminating a DSA

Events that may terminate a DSA

On paying all the payments set out in the revised rates and adjustments certificate the exiting employer will no longer have any obligations to the Fund.

In the event that the Administering Authority believes that the exiting employer may not be able to make any of their remaining payments, the Administering Authority reserves the right to review and/or terminate the DSA to ensure it is appropriate for the Fund and does not adversely impact the other participating employers.

The exiting employer may also request to terminate the DSA early, in which case an immediate payment of the outstanding amounts set out in the contribution schedule should be paid.

Process of termination

In the event of a DSA being amended or terminated the Administering Authority will communicate this to the exiting employer along with reasons for the decision. Before the decision is made the Administering Authority

will consult with the exiting employer about their change in circumstances and also take advice from the Fund Actuary.

If the DSA has to be terminated prematurely the Administering Authority will seek to obtain from the exiting employer as much of the outstanding exit payments as possible or look at alternative arrangements such as a DDA.

Once the exit payment has been made in full, the exiting employer has no further obligation to the Fund.

Annex C: Exit Credit Policy

This is the Exit Credit policy for the Dorset County Pension Fund (the Fund), part of the Local Government Pension Scheme (LGPS). It has been prepared by Dorset Council in our capacity as Administering Authority of the Fund.

The LGPS (Amendment) Regulations 2018 allow administering authorities to make an exit credit payment to exiting employers. This will be reviewed on a case by case basis before any payment is made. Considerations will be based on any previous agreements made and discussions between us, the exiting employer and the guaranteeing employer (if relevant).

Having regard to any relevant considerations, we will take the following approach to the payment of exit credits:

- Any employer who cannot demonstrate that they have been exposed to underfunding risk during their participation in the Fund will not be entitled to an exit credit payment. This is on the basis that these employers would not have been asked to pay an exit payment had a deficit existed at the time of exit.
- We do not need to enquire into the precise risk sharing arrangement adopted by an employer but we must be satisfied that the risk sharing arrangement has been in place before we will pay out an exit credit. The level of risk that an employer has borne will be taken into account when determining the amount of any exit credit. It is the responsibility of the exiting employer to set out why the arrangements make payment of an exit credit appropriate.
- Any exit credit payable may be subject to a maximum of the actual employer contributions paid into the Fund as certified in the Fund's rates and adjustments certificates, up to any cap arrangements that may have been in place and excluding any additional payments such as strain payments.
- We will pay out any exit credits within six months of the cessation date where possible. We may agree to a longer time with the exiting employer where necessary. For example if the employer does not provide us with all the relevant information within one month of the cessation date, we will not be able to guarantee payment within six months of the cessation date.
- Under the Regulations, we have the discretion to take into account any other relevant factors in the calculation of any exit credit payable and we will seek legal advice where appropriate.

Applications for adjudication and disagreements

An exiting employer, or other employers affected by the decision (such as guarantors), will be able to make representations if there is any conflict or difference of opinion regarding the amount of an exit credit paid or the process by which it was determined. In this situation, the review and adjudication provisions set out in Regulations 74-78 of the LGPS Regulations 2013 will apply.

Annex D: Managing Risks

Investment risks

The main financial risk is that the investment strategy fails to deliver the discount rate, or 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 expected 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 (i.e. the difference between the discount rate assumption and the price inflation assumption). Broadly speaking an increase/decrease of 0.5% p.a. in the real discount rate will decrease/increase the valuation of the liabilities by 10%, and decrease/increase the required employer contribution by around 3% of payroll p.a.

The Pension Fund Committee regularly monitors the investment returns achieved and receives advice from the investment consultants/independent advisers and officers on investment strategy.

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

Demographic risks

The Fund Actuary makes an allowance for future improvements in life expectancy when calculating the liabilities. The main demographic risk is that the assumptions underestimate future longevity, noting that the Fund Actuary has advised that an increase of one year to life expectancy of all members in the Fund will increase the liabilities by approximately 4%.

Information on pensioner deaths in the Fund is reviewed by the Fund Actuary at each actuarial valuation and the assumptions for how long members will live in retirement in future are adjusted as needed. In line with previous funding valuations, we have commissioned a bespoke longevity analysis by Barnett Waddingham's specialist longevity team in order to assess the mortality experience of the Fund and help set an appropriate mortality assumption for funding purposes.

The liabilities of the Fund can also increase by more than planned as a result of the additional financial costs of early retirements, including ill-health retirements. We monitor 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.

Climate risk

There are a large number of interlinked systemic long-term financial risks related to climate change which could potentially have a material impact on the assets and/or the liabilities of the Fund. The most obvious of these climate change risks will be the financial risks to the value of the Fund's assets, the potential increased volatility of markets and potential changes in life expectancy. It is possible that some of these factors will impact the assets and liabilities of the Fund in the same direction, although not necessarily by the same amount.

Our policy in this area is included in our Investment Strategy Statement.

When considering funding issues related to climate change, we have regard to the key principles document for preparing climate scenario analysis, agreed by the actuarial firms who act as fund actuary for the LGPS funds

and approved by GAD, MHCLG and SAB. The relevant information will then be provided to GAD by our Fund Actuary for the purpose of their reporting under Section 13 of the Public Service Pensions Act.

As part of the 2025 valuation we have commissioned scenario analysis to assess the resilience of the funding strategy against climate change risk over the agreed period. The quantitative analysis will involve at least two alternate scenarios to test if the funding strategy is sufficiently robust and any potential contribution impacts. We will also undertake a qualitative analysis to identify any potential actions the Fund is taking to improve resilience to climate change. The Fund Actuary will produce a report on the climate analysis and will also summarise the analysis/commentary in the final valuation report.

The climate risk analysis is integrated into our funding strategy by having regard to the climate analysis when setting the prudence level to include in the discount rate assumptions.

We will assess the implications of climate risk on funding strategy at least as part of each actuarial valuation.

Maturity risk

The maturity of a fund (or of an employer) is an assessment of the balance between active (contributing) members and pensioner members as well as how close on average the non-pensioner members are to retirement. The more mature the fund or employer, the greater proportion of its membership that is near or in retirement. For a mature fund or employer, the time available to generate investment returns is shorter and therefore the level of maturity needs to be considered as part of setting funding and investment strategies.

We consider the cashflow profile of the Fund alongside the level of maturity: as the Fund matures, the amount of pensions in payment increases compared to contributions being paid in for active members. This increases the risk of the Fund having to sell assets in order to meets its benefit payments.

The Fund Actuary provides us with cashflow projections at each triennial valuation to help to inform our investment strategy and to better understand our cashflow position.

As part of the employer covenant review process, we may ask individual employers about decisions that could affect the maturity profile (e.g. plans to close to new employees or redundancy exercises). This information may be used to inform the process in setting the contribution rates.

Regulatory and compliance risks

The benefits provided by the LGPS 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 LGPS and changes to the tax regime which may affect the cost to individual employers participating in the LGPS as well as members, whose behaviour may change if tax relief on pension contributions is reduced/removed.

To mitigate this risk, we participate in any consultation process of any proposed changes in Regulations and seek advice from the Fund Actuary on the financial implications of any proposed changes.

There are a number of general risks to the Fund and the LGPS, including:

- As a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the government.
- Changes to the State Pension Age changing the benefits.

At the time of preparing this FSS, specific regulatory risks of particular relevance to our funding strategy are in relation to the McCloud/Sargeant judgments and recent consultations as discussed in the sections below.

McCloud/Sargeant judgments

Following the McCloud and Sargeant cases the transitional protections implemented when the new career average schemes were introduced to public service pension schemes, were found to constitute unlawful age discrimination. In the case of the LGPS, a new underpin was introduced for qualifying members, covering benefits relating to the period from 1 April 2014 to 31 March 2022. The McCloud remedy became law on 1 October 2023.

An estimate for the McCloud ruling was included in the 2025 valuation for active members, but not for deferred or pensioner members. This is the same approach as was adopted for the 2022 valuation.

New Fair Deal

On 13 October 2025 the Government issued its Access and Protections consultation which includes proposals to implement New Fair Deal in the LGPS. As expected, the proposals will change how pensions are protected for outsourced workers. It is proposed that admission agreements will not be needed in future, through introduction of the concept of the letting authority being the "deemed employer" for LGPS members employed by contractors and that the option for service providers to offer a broadly comparable scheme instead of continued LGPS membership for transferred employees will be removed other than in "exceptional circumstances". The consultation closed on 22 December 2025 and, as the new arrangements were not in place during the 2025 valuation process, we may need to revisit this FSS to ensure our approach to any new arrangements is appropriate.

Consultation: Fit for the Future

On 29 May 2025, the Government issued its response to the Fit for Future consultation. One requirement will be to move all listed assets to "under the management of the pool" by 31 March 2026. There is a risk that moving assets will result in a different (lower) net investment return to that assumed by the valuation. This risk is mitigated by our prudent approach to setting the discount rate, and use of various mechanisms to deliver greater stability in employer contributions if the funding position in 2028 is lower than expected due to higher investment costs/lower investment returns. The costs of moving pools is unknown and could be very high. The Pension Scheme Bill, published on 5 June 2025, introduced a directive that the Government has the power to force Funds to merge which could be used as a method of last resort if a Fund does not comply with moving all it's assets under the management of a pool by the deadline.

Consultation: Access and Fairness

On 15 May 2025, the Government published a wide-ranging consultation. Key proposals include backdated equalisation of eligibility for survivor pensions and making some unpaid leave automatically pensionable at employers' costs. Technical amendments are also proposed including changes to the McCloud remedy. There is a risk that outcomes from this consultation increase the cost benefits due under the LGPS which could worsen the Fund's funding position. It is likely that backpayments will need to be made to individual members and therefore individual employers may be affected differently. Implementing the changes will also increase administration costs and put further pressure on resource.

Employer risks

Many different employers participate in the Fund. Accordingly, we recognise 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; and
- An employer ceasing to exist without having fully funded their pension liabilities.

The introduction of a Department for Education guarantee for further education bodies has helped reduce the overall level of employer risk. To further mitigate this risk, we monitor the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined, and take advice from the Fund Actuary when required. In addition, the Fund has the option to commission an employer risk review from the Fund Actuary to help identify the employers in the Fund that might be considered as high risk. In the case of admission bodies, the Fund has a policy of requiring some form of security from the employer, in the form of a guarantee or a bond, in case of employer default where the risk falls to the Fund. Where the risk of default falls on the liabilities of an original letting authority, the Fund provides advice to the letting authority to enable them to make a decision on whether a guarantee, some other form of security or a bond should be required.

In addition, we keep in close touch with all individual employers participating in the Fund to ensure that, as Administering Authority, we have the most up to date information available on individual employer situations. We also keep individual employers briefed on funding and related issues.

Economic risks

Economic risks due to global events such as the conflict in Ukraine and the Middle East and pandemics could lead to instability in the economy and lead to high inflation which could cause unaffordable contribution increases for employers. High unemployment could lead to reduced contributions to the Fund and a change in the maturity of the membership profile meaning that contribution rates were no longer appropriate. A valuation is carried out every three years using updated membership data, and updated assumptions based on market conditions at the time of the valuation. Using updated membership data for valuation ensures the maturity of employers is priced into the employer contributions and updated market conditions takes account of the collective views of investors in the financial markets of the expectation of future inflation due to global events.

Employer data quality risks

There is a risk that the member data provided to us is inaccurate and leads to employer contribution rates which are greater or lower than required to cover the liabilities being accrued and a longer or shorter period than intended to reach a target funding level. In particular there is a risk that the administration software does not provide complete McCloud data for the 2025 valuation. To mitigate this risk, our Fund Actuary carries out a detailed analysis of the data provided for the valuation and we agree an appropriate course of action where gaps or (potential) errors are identified, which includes measures to reduce the risk of underestimating the liabilities. The Fund Actuary has also advised that the effect of the absence of complete McCloud data should not have a material effect on the funding position at whole fund or employer level.

Governance risks

The Pension Regulator's (TPR's) General Code of Practice (the Code) merged ten of its existing codes of practice into one (including the public service pension code) and came into force on 28 March 2024. The Code covers TPR's expectations on governance and best practice. The Code itself does not create new legal obligations but is framed around legal obligations which funds must comply with. In not having a separate code for the public sector, there is a risk that Funds might not comply with all aspects of the Code intended to apply to the LGPS. However, Funds should already be complying with the majority of the Code which is framed around existing legal requirements. Schemes are not expected to comply with the Code from the date it came into force.

Orphan liabilities

Orphan liabilities do not have a specific employer responsible for their liabilities in the Fund. New orphaned liabilities can arise from existing employers in the Fund ceasing their participation, where the residual liabilities are not subsumed by another employer in the Fund. There is a risk that orphan liabilities cause a significant increase in the costs for the remaining employers in the Fund. To mitigate this risk, when an employer ceases to participate in the Fund and the liabilities become orphaned, a cessation valuation is likely to be carried out on a more prudent basis than the ongoing basis and the ceasing employer is liable to pay an exit payment if in deficit. In addition, our Fund Actuary reviews all orphan liabilities as part of the valuation and the assets notionally allocated to employers are adjusted to ensure that these are at least fully funded on an ongoing basis.

Long-term employer covenant alongside shorter-term affordability

When considering deficit payments or exit payments, there is a risk that the initial affordability is low but there is the prospect of increased affordability in future. In extreme cases the payments due to the Fund may cause the immediate insolvency of an employer. The Fund makes use of the employer flexibilities which came into force on 23 September 2020 as set out in its DSA and DDA policy, to work with employers exiting the Fund.

Annex E: Glossary

This Glossary has been copied from Annex D of the FSS guidance here but supplemented with some additional terms as used in this FSS.

Actuarial certificates/rates and adjustments certificate

A statement of the contributions payable by each scheme employer. A statement of the contributions payable by the employer. Following the actuarial valuation exercise, the effective date is 12 months after the completion of the valuation.

Actuarial valuation

An investigation by an actuary, appointed by an Administering Authority into the costs of the scheme and the ability of the fund managed by that authority to meet its liabilities. This assesses the funding level and recommended employer contribution rates based on estimating the cost of pensions both in payment and those yet to be paid and comparing this to the value of the assets held in the fund. Valuations take place every three years (triennial).

Administering Authority (referred to as 'the fund')

A body listed in Part 1 of Schedule 3 of the regulations who maintains a fund within the LGPS and a body with a statutory duty to manage and administer the LGPS and maintain a pension fund (the fund). Usually, but not restricted to being, a local authority.

Admission agreement

A written agreement which provides for a body to participate in the LGPS as a scheme employer.

Assumptions

Forecasts of future experience which impact the costs of the scheme. For example, pay growth, longevity of pensioners, inflation, and investment returns.

Code of Practice

The Pensions Regulator's General Code of Practice.

Data

For GAD to carry out its function under Section 13 of the Public Service Pensions Act 2013, GAD will request data to be provided by the local administering authorities/local fund actuaries, and it is assumed that this data will be provided promptly and accurately.

Debt spreading arrangement (DSA)

The ability to spread an exit payment over a period of time.

Deferred debt agreement (DDA)

An agreement for an employer to continue to participate in the LGPS without any contributing scheme members.

Discount rate

A prudent estimate of the rate of investment return that is expected to be earned from the Fund's long-term investment strategy.

Employer covenant

The extent of the employer's legal obligation and financial ability to support its pension scheme now and in the future.

Funding level

The funding level is the value of assets compared with the liabilities.

Funding Pool

Where the Fund identifies a group of employers with similar characteristics, it is possible to form a pool for these employers. Employers within a pool will pay the same contribution rates and share risks.

Fund valuation date

The effective date of the triennial fund valuation.

GAD

Government Actuary's Department

Guarantee / guarantor

A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the fund can consider the employer's covenant to be as strong as its guarantor's.

Inflation Risk Premium

An adjustment to RPI inflation to reflect the view that investors are willing to pay a premium for inflation-linked products in return for protection against unexpected inflation.

Local Pension Board

The board established to assist the Administering Authority as the Scheme Manager for each fund.

MHCLG

Ministry of Housing, Communities and Local Government

Non-statutory guidance

Guidance which although it confers no statutory obligation on the parties named, they should nevertheless have regard to its contents.

Notifiable events

Events which the employer should make the Administering Authority aware of.

Past service liabilities

The cost of pensions already built up or in payment.

Pension Committee

A committee or sub-committee to which an Administering Authority has delegated its pension function.

Pensions Administration Strategy

A statement of the duties and responsibilities of scheme employers and administering authorities to ensure the effective management of the scheme.

Primary rate of the employers' contribution

The primary rate for each employer is that employer's future service contribution rate, which is the contribution rate required to meet the cost of the future accrual of benefits, expressed as a percentage of pensionable pay, ignoring any past service surplus or deficit but allowing for any employer-specific circumstances, such as the membership profile of that employer, the funding strategy adopted for that employer (including any risk sharing arrangements operated by the Administering Authority), the actuarial method chosen and/or the employer's covenant. The primary rate for the whole fund is the weighted average (by payroll) of the individual employers' primary rates**.**

SAB

Scheme Advisory Board

Secondary rate of the employers' contribution

The secondary rate is an adjustment to the primary rate to arrive at the rate each employer is required to pay. It may be expressed as a percentage adjustment to the primary rate, and/or a cash adjustment in each of the three years beginning with 1 April in the year following that in which the valuation date falls. The secondary rate is specified in the rates and adjustments certificate. For any employer, the rate they are required to pay is the sum of the primary and secondary rates. The actuary should also disclose the secondary rates for the whole scheme in each of the three years beginning with 1 April in the year following that in which the valuation date falls. These should be calculated as a weighted average based on the whole scheme payroll in respect of percentage rates and as a total amount in respect of cash adjustments. The purpose of this is to facilitate a single net rate of contributions expected to be received over each of the three years that can be readily compared with other rates and reconciled with actual receipts.

Scheme Manager

A person or body responsible for managing or administering a pension scheme established under section 1 of the 2013 Act. In the case of the LGPS, each fund has a Scheme Manager which is the Administering Authority.

Solvency

The notes to the Public Service Pensions Act 2013 state that solvency means that the rate of employer contributions should be set at "such level as to ensure that the scheme's liabilities can be met as they arise". It is not regarded that this means that the pension fund should be 100% funded at all times. Rather, and for the purposes of Section 13 of the Public Service.

Pensions Act 2013, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

- the rate of employer contributions is set to target a funding level for the whole fund (assets divided by liabilities) of 100% over an appropriate time period and using appropriate actuarial assumptions; and either
- employers collectively have the financial capacity to increase employer contributions, and/or the fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or
- there is an appropriate plan in place should there be, or if there is expected in future to be, no or a limited number of fund employers, or a material reduction in the capacity of fund employers to increase contributions as might be needed.

If the conditions above are met, then it is expected that the fund will be able to pay scheme benefits as they fall due.

Long-term cost efficiency

The notes to the Public Service Pensions Act 2013 state that Long-term cost-efficiency implies that the rate must not be set at a level that gives rise to additional costs. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the time.

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long-term cost efficiency if the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual, with an appropriate adjustment to that rate for any surplus or deficit in the fund.

In assessing whether the above condition is met, GAD may have regard to the following considerations:

- the implied average deficit recovery period
- the investment return required to achieve full funding over different periods, e.g. the recovery period
- if there is no deficit, the extent to which contributions payable are likely to lead to a deficit arising in the future
- the extent to which the required investment return above is less than the Administering Authority's view of the expected future return being targeted by a fund's investment strategy, taking into account changes in maturity/strategy as appropriate.

BARNETT WADDINGHAM

Part of HOWDEN

Dorset County Pension Fund

Actuarial valuation as at 31 March 2025

Roisin McGuire FFA | Principal

Hagen Eichel FFA | Senior Consulting Actuary

Barnett Waddingham LLP

4 March 2026

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Executive Summary

Some of the key results contained within this report are set out below:

1. Funding position

- Using the agreed assumptions, the Fund had a funding position of 98% as at 31 March 2025, which has increased from 96% at the 2022 valuation.

2. Contributions

- Individual employer contributions are set out in Appendix 8 in the Rates and Adjustments Certificate to cover the period from 1 April 2026 to 31 March 2029.

3. Methods and assumptions

- The assumptions are set out in Appendix 2 and we believe they are appropriate for the 31 March 2025 valuation. The key assumptions used are a discount rate assumption of 5.1% p.a. and a CPI inflation assumption of 2.7% p.a.
- Inflation experience has been significant since the 2022 valuation, with pension increases of 10.1% in 2023 and 6.7% in 2024, increasing the liabilities.

4. Investment performance

- Investment returns have been volatile since the previous valuation. Fund returns were lower on average than the discount rate set at 2022, results in a lower funding level at 2025. An increase in future anticipated investment returns net of inflation (i.e. an increase in the real discount rate) has improved the funding level.

5. Regulatory developments

- There have been a number of important regulatory developments since the 2022 valuation which have impacted the valuation including McCloud, Climate risk and the additional reporting requirements on Gender Pensions Gap.
- Details of how we have approached each development, as well as any relevant outcomes, is detailed in this report.

Comparison with other LGPS funds

The funding position and resulting contributions are based on assumptions about future factors such as investment returns, inflation and life expectancy. As these are uncertain, different assumptions and funding parameters are used by each LGPS fund to reflect their own views, circumstances and strategic objectives. These differences (amongst other factors including crucially the previous funding level and employer short and long-term affordability) will lead to differences in funding positions and contributions across LGPS funds.

To support comparison, LGPS funds are required to report a funding position on a consistent set of assumptions (called the "SAB funding level"). The Fund's SAB funding level at 31 March 2025 is 96%.

IMPORTANT NOTE: the SAB assumptions are to allow comparison only, they are not intended to be appropriate for funding purposes or setting contribution rates. As such, this result has no impact on the Fund's funding strategy or employer contribution rates.

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Compliance statements

This advice is provided in our capacity as Fund Actuary.

This report summarises the results of the valuation and is addressed to the administering authority of the Fund. It is not intended to assist any user other than the administering authority in making decisions or for any other purpose and neither we nor Barnett Waddingham LLP accept liability to third parties in relation to this advice.

This advice complies with Technical Actuarial Standards (TASs) issued by the Financial Reporting Council – in particular TAS 100: General Actuarial Standards and TAS 300: Pensions.

Background

We have been asked by Dorset Council, the administering authority for the Dorset County Pension Fund (the Fund), to carry out an actuarial valuation of the Fund as at 31 March 2025. The Fund is part of the Local Government Pension Scheme (LGPS), a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 (the Regulations) as amended.

The purpose of the valuation is to review the financial position of the Fund and to set appropriate contribution rates for each employer in the Fund for the period from 1 April 2026 to 31 March 2029 as required under Regulation 62 of the Regulations.

This report is provided further to earlier advice dated 9 September 2025 which sets out the background to the valuation and explained the underlying methods and assumptions derivation.

We would be pleased to discuss any aspect of this report in more detail.

Valuation methodology

Setting contributions

The contribution rates consist of two elements, the primary rate and the secondary rate:

- The **primary rate** for each employer is the employer's future service contribution rate (i.e. the rate required to meet the cost of future accrual of benefits) expressed as a percentage of pay.
- The **secondary rate** is an adjustment to the primary rate to arrive at the total rate each employer is required to pay (for example, to allow for deficit recovery) over a specified "recovery period". The secondary rate may be expressed as a percentage of pay or a monetary amount.

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Regulation 62 specifies four requirements that the actuary "must have regard" to:

1. The existing and prospective liabilities arising from circumstances common to all those bodies
2. The desirability of maintaining as nearly a constant a primary rate as possible
3. The current version of the administering authority's Funding Strategy Statement (FSS)
4. The requirement to secure the "solvency" of the pension fund and the "long-term cost efficiency" of the Scheme, so far as relating to the pension fund

The wording of the second objective is not ideal in that it appears to be aimed towards the primary rate rather than taking into account the surplus or deficit of the employer. We believe that if we achieve reasonably stable total individual employer rates (which seems like a preferable objective) then we will also meet the regulatory aim.

The FSS guidance includes further details in the glossary, as follows:

"solvency" means contributions should be set at "such a level as to ensure that the scheme's liabilities can be met as they arise". It is not regarded that this means that the pension fund should be 100% funded at all times, and **"long-term cost efficiency"** means that contributions must not be set at a level that gives rise to additional costs. The contributions set will be deemed to ensure long-term cost efficiency if the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual, with an appropriate adjustment to that rate for any surplus or deficit in the fund.

Secondary rate "recovery period"

The recovery period for individual employers varies across the Fund. The administering authority's approach to setting recovery periods is set out in the FSS. Where there is a surplus, this may also be reflected in contribution rates in line with the Fund's FSS.

The primary and secondary rate of the individual employer contributions payable are set out in the Rates and Adjustments Certificate in Appendix 8. These will differ from the whole Fund primary rate and differ from each other, as they are either based on the employer's own membership and experience or they are the employer's share of the contributions payable within a pool of employers.

Assumptions used

We have considered these four requirements when providing our advice and choosing the method and assumptions used.

A number of reports and discussions have taken place with the administering authority and, where required, its investment advisors before agreeing the assumptions to calculate the results and set contribution rates. In particular:

- An indicative assumptions report dated 24 March 2025 provides information on the background to the expected method and derivation of the assumptions

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- The initial results report dated 9 September 2025 provides information and results on a whole fund basis as well as background to the method and derivation of the assumptions.
- The follow up assumptions paper dated 6 October 2025 confirming the agreed actuarial assumptions following the meeting of 9 September 2025.
- The climate analysis report dated 11 November 2025 which considers climate risk in the context of the Fund's 2025 actuarial valuation. It considers whether the 2025 valuation funding strategy is sufficiently robust in the context of this climate scenario analysis and any potential contribution impacts.
- The FSS which will confirm the approach in setting employer contributions.

Note that not all of these documents may be in the public domain and may be restricted to the administering authority which has no obligation to share them with any third parties.

The Fund's FSS has been reviewed in collaboration with the administering authority to ensure that it is consistent with this approach. The FSS complies with the updated FSS guidance published in January 2025 by the Scheme Advisory Board's Compliance and Reporting Committee, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Ministry of Housing, Communities and Local Government (MHCLG).

We confirm that in our opinion the agreed assumptions are appropriate for the purpose of the valuation. The assumptions in full are set out in Appendix 2.

Valuation of liabilities

To calculate the value of the liabilities, we estimate the future cashflows which will be made to and from the Fund throughout the future lifetime of existing active members, deferred benefit members, pensioners and their dependants. We then discount these projected cashflows using the discount rate assumption which is essentially a calculation of the amount of money which, if invested now, would be sufficient together with the income and growth in the accumulating assets to make these payments in future, using our assumption about investment returns.

This amount is called the present value (or, more simply, the value) of members' benefits. Separate calculations are made in respect of benefits arising in relation to membership before the valuation date (past service) and for membership after the valuation date (future service).

To produce the future cashflows or liabilities and their present value we need to formulate assumptions about the factors affecting the Fund's future finances such as inflation, salary increases, investment returns, rates of mortality and staff turnover etc.

The assumptions used in projecting the future cashflows in respect of both past service and future service are summarised in Appendix 2.

Valuation of assets

We have been provided with Fund accounts for each of the three years to 31 March 2025. We understand that the audit for Fund accounts to 31 March 2025 has been completed but is yet to be finalised.

The market asset valuation as at 31 March 2025 was £4.09bn. Please note that this excludes members' additional voluntary contributions (AVCs).

For the purposes of the valuation, we use a smoothed value of the assets rather than the market value. The financial assumptions that we use in valuing the liabilities are smoothed around the valuation date so that the market conditions used are the average of the daily observations over the period 1 January 2025 to 30 June 2025. Therefore, we value the assets in a consistent way and apply the same smoothing adjustment to the market value of the assets.

The smoothed asset valuation as at 31 March 2025 was £4.17bn. This was based on a smoothing adjustment of 102.1%.

The Fund's long-term investment strategy has been taken into consideration in the derivation of the discount rate assumption. The investment strategy is set out in the Fund's Investment Strategy Statement (ISS) that is available on the Fund's website.

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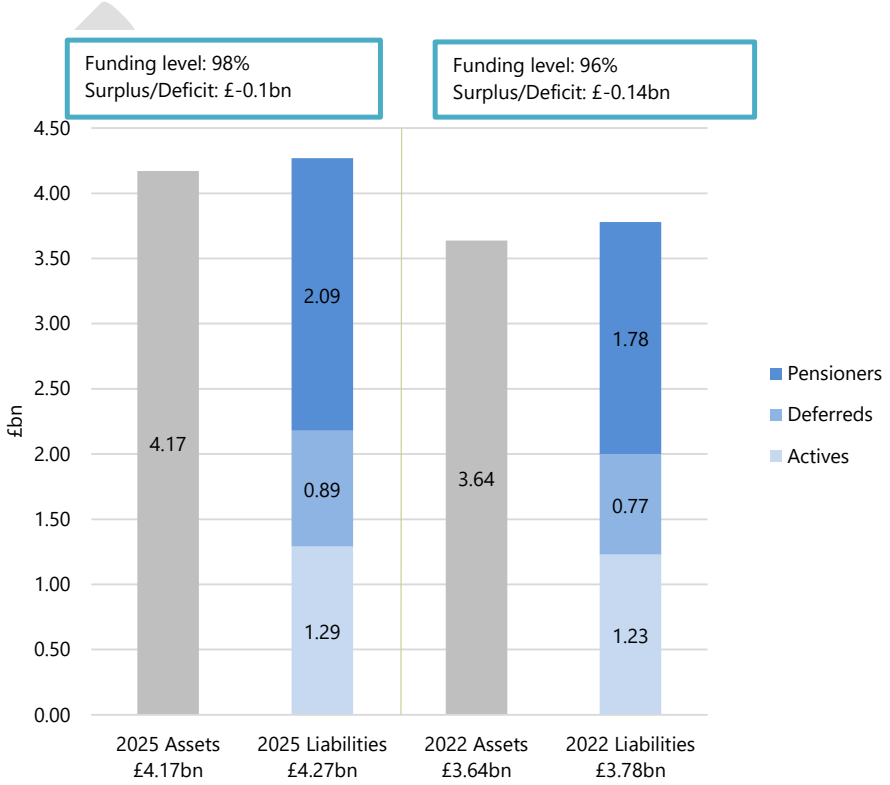
Results

Funding position

A comparison is made of the value of the existing assets with the value of the accrued liabilities. If there are more assets than liabilities, then there is a surplus. If the converse applies there is a deficit.

Using the assumptions summarised in Appendix 2, the funding position is set out in the graph below. This shows the funding position of the Fund at the current and previous valuation dates.

There was a deficit of £100m in the Fund at the valuation date, corresponding to a funding level of 98%.



Previous valuation results

The previous valuation was carried out as at 31 March 2022 by **Barnett Waddingham**. The results are summarised in the valuation report dated **31 March 2023** and reported a **deficit** of £**141m**.

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Contribution rates

Primary rate

Using the assumptions summarised in Appendix 2, the resulting average primary rate across the whole Fund is set out in the table below (after allowing for member contributions). This includes a comparison to the primary rate at the previous valuation.

The primary rate for the whole Fund is the weighted average (by Pensionable Pay) of the individual employers' primary rates.

Primary rate	2025 valuation of payroll p.a.	2022 valuation of payroll p.a.
Average total future service rate	22.6%	25.5%
Less average member rate	6.3%	6.4%
Fund primary rate	**16.3%**	**19.1%**

Active members pay contributions to the Fund in line with the rates required under the Regulations.

Please note that expenses are allowed for in the derivation of the discount rate and therefore we make no explicit allowance in the primary rate for expenses.

In Appendix 8 we also disclose the sum of the secondary rates for the whole Fund for each of the three years beginning 1 April 2026.

Projected funding position

Based on the assumptions as set out in Appendix 2 and the contributions certified and set out in Appendix 8, we estimate that the funding position of the whole Fund will be 99% by 31 March 2028, the next valuation date. This projection is based on the assumptions made for this valuation and contributions being paid at the agreed amounts. This projection does not allow for any actual experience since 31 March 2025 nor any other risks or uncertainties. Some of these additional risks are set out later in this report and in Appendix 3.

Standardised basis

Following the funding valuation, a "Section 13" report (prepared under Section 13 of the Public Service Pensions Act 2013) will be prepared to report on whether the following aims are achieved: compliance, consistency, solvency and long-term cost efficiency, and to identify any funds that cause concerns.

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As part of our calculations we have considered the results on a standardised basis as set by the Scheme Advisory Board (SAB). We are required to provide the SAB with the results for the Fund for comparison purposes.

The standardised basis is set using assumptions advice from the Government Actuary's Department (GAD) with some of the assumptions used being set locally (such as mortality) and some are set at Scheme level (including all the financial assumptions). It is not used to set contributions as it does not reflect the Fund's investment strategy or the administering authority's attitude to risk; contributions are set using the funding basis.

The results on the standardised basis as at 31 March 2025 are set out in the dashboard in Appendix 7. The dashboard should assist readers in comparing LGPS valuation reports and the information will be used by GAD in their "Section 13" report.

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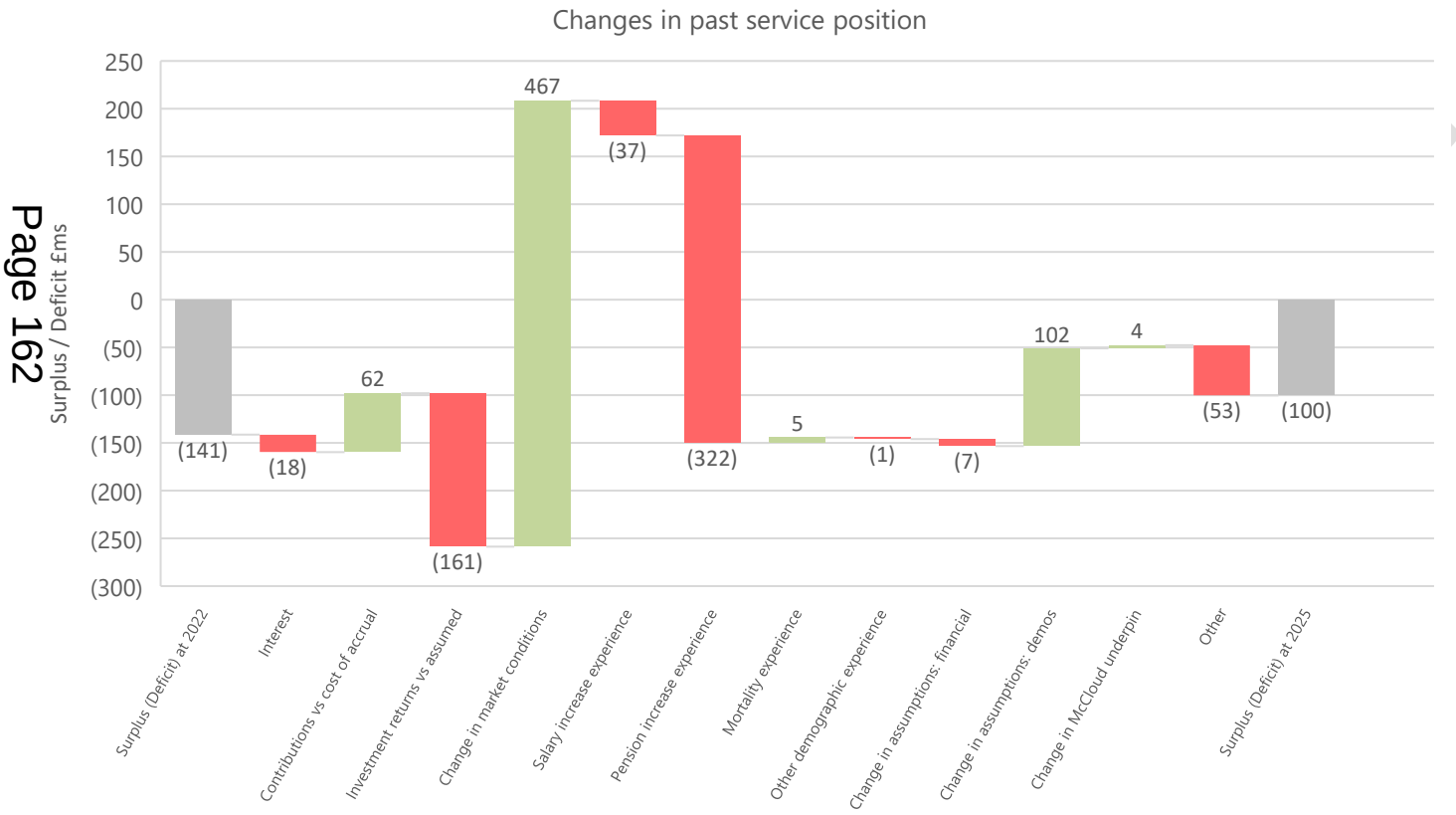
Reconciliation to previous valuation

Funding position

The previous valuation revealed a deficit of £141m compared to the deficit of 100m at the 2025 valuation. The key factors that have influenced the funding level of the Fund over the period are illustrated in the chart below.



Experience

- Investment returns have been poor since 2022 leading to a loss of £161m.
- Contributions paid were higher than the cost of benefits accrued as the employers made deficit contributions resulting in a gain of £62m.
- Pension and salary increases were higher than assumed, resulting in a total loss of £359m.
- The overall impact of mortality and other demographic experience was a small gain of £4m.

Assumptions

- A review of the financial assumptions combined with the change in market conditions resulted in an increase in a gain of £460m.
- Updating the mortality assumptions to allow for a fall in future life expectancies resulted in a gain of £102m.

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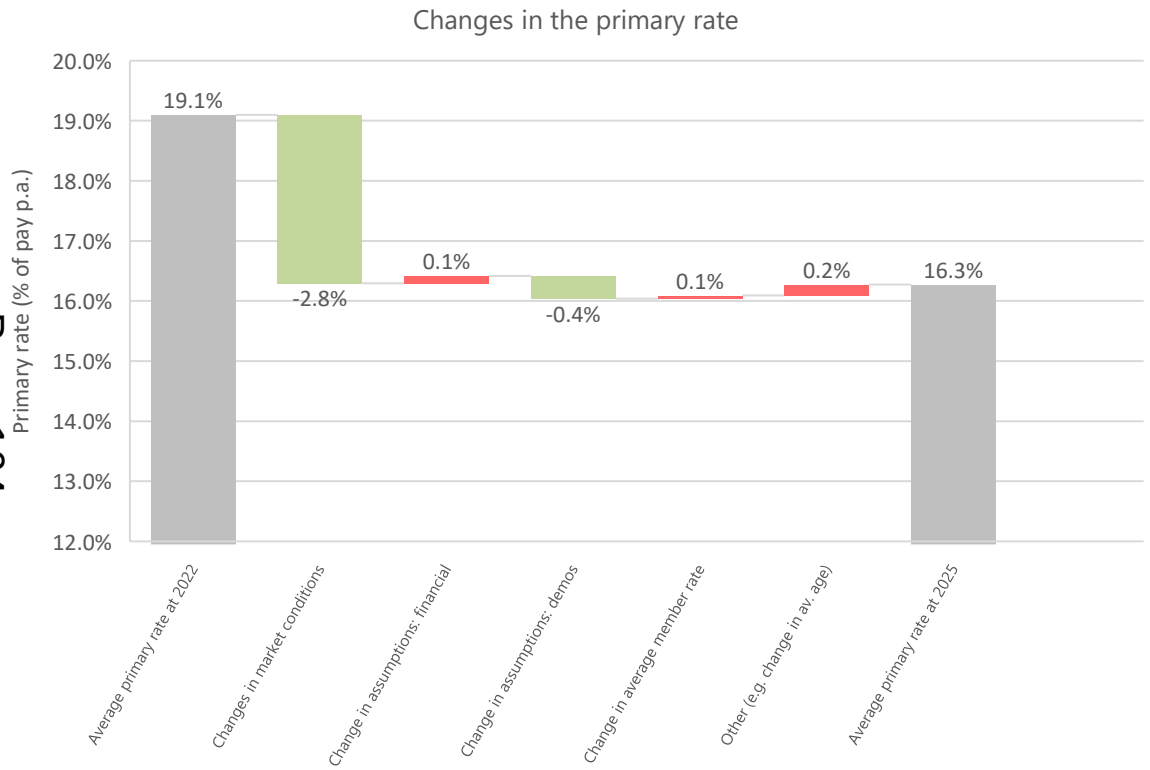
Primary contribution rate

The previous valuation resulted in a whole Fund primary rate of 19.1% of pensionable pay compared to the whole Fund primary rate of 16.3% of pensionable pay at the 2025 valuation. The reasons for the change in the primary rate are set out in the reconciliation chart below.



Comparing experience with assumptions

A comparison of the actual demographic experience of members of the Fund over the intervaluation period, with that assumed by the assumptions adopted at the last valuation in 2022 is shown in the graph below. The graph also shows how the assumptions adopted for this valuation would have compared with those adopted at 2022.

[TBC]

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Sensitivities to the liabilities

The results set out in this report are based on a particular set of assumptions. The actual cost of providing the benefits will depend on the actual experience, which could be significantly better or worse than assumed. The sensitivity of the results to some of the key assumptions is set out in the table below.

The figures in the table are shown relative to the deficit of £100m and funding level of 98% on the agreed funding basis as at 31 March 2025.

2025 sensitivity analysis of funding position	2025 Valuation basis	Decrease discount rate by 0.1% p.a.	Increase CPI inflation by 0.1% p.a.	Increase salary assumption by 0.5% p.a.	Reduce mortality rate by 10%
	£bn	£bn	£bn	£bn	£bn
Smoothed asset value	4.17	4.17	4.17	4.17	4.17
Total past service liabilities	4.27	4.34	4.34	4.30	4.36
Surplus / (Deficit)	**-0.10**	**-0.17**	**-0.16**	**-0.12**	**-0.19**
Funding level	**98%**	**96%**	**96%**	**97%**	**96%**

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Sensitivities to the primary rate

The calculated primary rate required to fund benefits as they are earned from year to year will also be affected by the particular set of assumptions chosen. The sensitivity of the primary rate to changes in some key assumptions is shown below. Please note that the primary rate set out below does not include any adjustment via the secondary rate. The total contribution rate payable by employers will be a combination of the primary rate and a secondary rate adjustment, further details can be found in Appendix 8.

The figures in the table are shown relative to the whole Fund primary rate of 16.3% of Pensionable Pay on the agreed funding basis as at 31 March 2025.

2025 sensitivity analysis of primary rate	2025 Valuation basis of payroll p.a.	Decrease discount rate by 0.1% p.a. of payroll p.a.	Increase CPI inflation by 0.1% p.a. of payroll p.a.	Increase salary assumption by 0.5% p.a. of payroll p.a.	Reduce mortality rate by 10% of payroll p.a.
Average total future service rate	22.6%	23.2%	23.2%	22.6%	23.0%
Less average member rate	6.3%	6.3%	6.3%	6.3%	6.3%
Fund primary rate	16.3%	16.8%	16.8%	16.2%	16.6%

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Further comments

Funding Strategy Statement (FSS)

The assumptions used for the valuation have been documented in a revised Funding Strategy Statement agreed between the Fund Actuary and the administering authority.

Risks

There are many factors that affect the Fund's funding position and could lead to the Fund's funding objectives not being met within the timescales expected. Some of the key risks that could have a material impact on the Fund are:

- Employer covenant risk
- Investment risk
- Inflation risk
- Mortality risk
- Member options risk
- Regulatory risk
- Climate risk

The sensitivity of the funding results to some of these risks was set out in the sensitivities section of this report. Please note that this is not an exhaustive list. Further information on these risks and more can be found in our initial results report and will be set out in greater detail in the FSS.

Post valuation events

Our funding model is designed to help withstand short-term volatility in markets as it is a longer-term model. We use smoothed assumptions over a six-month period with the ultimate aim of setting stable contributions for employers. The valuation approach and assumptions are not based on gilt yields and the discount rate is derived from the long-term future expected returns on each asset class with a deduction for uncertainty and risk (our prudence adjustment).

We have considered whether there are any developments since 31 March 2025 that are significant enough to review our approach. At this stage, we do not feel that the anticipated effect on the long-term funding position of any market movements is significant enough to revise our approach.

Nevertheless, due to the ongoing uncertainty around the shorter-term impact of these issues, we have considered these issues with the administering authority in setting the employer contribution rates to ensure that contributions in to the Fund remain appropriate.

We will continue to monitor the Fund's funding position and raise any individual employer cases with the Fund that we consider need any special attention. The impact of these events will be fully considered as part of the 2028 valuation when we revisit employer contributions.

The next formal valuation is due to be carried out as at 31 March 2028 however we would recommend that the financial position of the Fund is monitored regularly during the period leading up to the next formal valuation.

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Rates and Adjustments Certificate

The primary and secondary contributions payable by each employer have been set out in Appendix 8 in the Rates and Adjustments Certificate in accordance with Regulation 62 of the Regulations and cover the period from 1 April 2026 to 31 March 2029. In this certificate no allowance will be made for additional costs arising which need to be met by additional contributions by the employer such as non-ill health early retirements.

The contributions in the Rates and Adjustments Certificate are set so that each employer's assets (including future contributions) are projected to be sufficient to cover the benefit payments for their members, on the assumptions set out in this report. Where there is currently a deficit for an individual employer, recovery of this deficit is targeted in line with the Fund's FSS and all employers are projected to be fully funded after a recovery period length of no more than 13 years from 1 April 2026.

This document has been agreed between the administering authority and the Fund Actuary. Contributions have been set which in our opinion meet the regulatory requirements and the funding objectives set out in the Fund's FSS.

This report must be made available to members on request.

Roisin McGuire FFA
Principal
Barnett Waddingham LLP

Hagen Eichel FFA
Senior Consulting Actuary
Barnett Waddingham LLP

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Appendix 1 Summary of data and benefits

Membership data

The membership data has been provided to us by the administrators of the Fund. We have relied on information supplied by the administrator and the administering authority being accurate. The membership data has been checked for reasonableness and we have compared the membership data with information in the Fund's accounts. The numbers in the tables below relate to the number of records and so will include members in receipt of, or potentially in receipt of, more than one benefit.

Any missing or inconsistent data has been queried with the Fund and estimated where necessary. Whilst this should not be seen as a full audit of the data, we are happy that the data is sufficiently accurate for the purposes of the valuation.

Benefits

Full details of the benefits being valued are set out in the Regulations as amended and summarised on the LGPS website (https://www.lgpsmember.org/). We have made no allowance for discretionary benefits.

Membership summary

A summary of the membership data used in the valuation is as follows. The membership data from the previous valuation is also shown for comparison. Please note that the average ages are weighted by salary for active members and by pension for deferred and pensioner/dependant members.

Data used	Data at 31 March 2025			Data at 31 March 2022		
Active members	Number	Pensionable pay £m	Average age (salary-weighted)	Number	Pensionable pay £m	Average age (salary-weighted)
Males	5,938	183	48	5,862	154	48
Females	17,624	375	47	17,298	301	47
Total	23,562	558	47	23,160	455	47
Deferred members (including undecided)	Number	Pension £m	Average age (pension-weighted)	Number	Pension £m	Average age (pension-weighted)
Males	9,595	21	50	9,081	16	50
Females	27,603	45	51	25,965	33	50
Total	37,198	66	51	35,046	50	50

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Pensioner and dependant members	Number	Pension £m	Average age (pension-weighted)	Number	Pension £m	Average age (pension-weighted)
Males	9,154	77	74	8,648	64	73
Females	19,318	78	72	16,648	57	71
Total	28,472	155	73	25,296	121	72

Projected retirements

In the table below we have set out the number of members who are assumed to reach retirement age over the period from 1 April 2025 to 31 March 2029 as required under the Regulations.

Members may retire for a number of reasons including reaching normal retirement age, retiring through ill-health or redundancy. The amounts set out in the table below are the new retirement benefit amounts, as at the current valuation date that are assumed to come into payment in each of the intervaluation years.

Projected new benefits		
Year to	Number of members	Retirement benefits £m's
31 March 2026	2,174	13
31 March 2027	1,882	11
31 March 2028	1,928	12
31 March 2029	1,860	11

Guaranteed Minimum Pension (GMP) equalisation and indexation

As with the previous valuation, we have assumed that the Fund will pay limited increases for members that have reached State Pension Age (SPA) by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that the Fund will be required to pay the entire inflationary increase. We are comfortable that our approach is consistent with the consultation outcome.

Appendix 2 Summary of assumptions

A summary of the assumptions adopted for the valuation at 31 March 2025 and as at 31 March 2022 is set out below.

Assumptions		2025 valuation	2022 valuation
Financial assumptions			
CPI inflation		2.7%	3.0%
Salary increases		3.7%	4.0%
Discount rate		5.1%	4.9%
Pension increases on GMP		Funds will pay limited increases for members reaching SPA by 6 April 2016, and full increases for others	
Demographic assumptions			
Post-retirement mortality			
	Pensioners	95% of S4PMA for males 115% of S4PFA for females	95% of S3PMA for males 100% of S3PFA for females
	Dependants	100% of S4DMA for males 100% of S4DFA for females	100% of S3DMA for males 100% of S3DFA for females
	Actives and deferreds (pre-retirement mortality)	115% of GAD for males 120% of GAD for females	115% of GAD
	Actives and deferreds (post-retirement mortality)	As for current pensioner assumptions	As for current pensioner assumptions
Future improvements			
	CMI model	CMI_2024	CMI_2021
	Long-term rate of improvement (p.a.)	1.50%	1.25%
	Initial addition parameter (p.a.)	0.0%	0.0%
	Overlay half-life (not applicable in 2022)	1 year	n/a
Retirement assumption		Weighted average	Weighted average
Pre-retirement decrements		GAD 2020 scheme val: no salary scale, 50% multiplier to ill-health rates	GAD 2016 scheme val: no salary scale, 50% multiplier to ill-health rates
50:50 assumption		Member data	Member data
Commutation		50% of max	50% of max
Family statistics			
	% with qualifying dependant	75% (M) / 65% (F)	75% (M) / 70% (F)
	Age difference	3 years	3 years

Demographic assumptions – sample rates

The following tables set out some sample rates of the demographic assumptions used in the calculations. These sample rates are based on those set by the Government Actuary's Department (GAD) based on analysis of the Local Government Pension Scheme (LGPS) in England and Wales.

Allowance for ill-health early retirements

A small proportion of members are assumed to retire early due to ill health. In the table below we set out an extract of some sample rates from the GAD tables used:

Age	Males	Females
25	0.01%	0.00%
30	0.01%	0.01%
35	0.02%	0.01%
40	0.04%	0.03%
45	0.09%	0.06%
50	0.18%	0.13%
55	0.36%	0.28%
60	0.74%	0.62%
65	1.51%	1.34%

Please note the above rates are the raw decrements as set by GAD. Our assumption is that there will be 50% of the number of ill-health retirements assumed by GAD.

The proportion of ill-health early retirements falling into each tier category has been assumed to be as follows for both males and females:

Tier 1	Tier 2	Tier 3
75%	15%	10%

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Death before retirement

A small number of members are assumed to die before reaching retirement age. In the table below we set out an extract of some sample rates from the GAD tables used:

Age	Males	Females
25	0.02%	0.01%
30	0.03%	0.01%
35	0.05%	0.02%
40	0.06%	0.03%
45	0.09%	0.05%
50	0.13%	0.08%
55	0.21%	0.12%
60	0.32%	0.19%
65	0.5%	0.29%

Please note the above rates are the raw decrements as set by GAD. We have applied a 115%/120% (Male/Female) multiplier to the rates assumed by GAD.

Allowance for withdrawals

This assumption is regarding active members who leave service to move to deferred member status. Active members are assumed to leave service at the following sample rates:

Age	Males	Females
25	14%	13%
30	10%	10%
35	8%	8%
40	6%	7%
45	5%	6%
50	4%	5%
55	3%	4%
60	3%	3%
65	2%	2%

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Appendix 3 Regulatory uncertainties

There are currently a few important regulatory uncertainties surrounding the 2025 valuation as follows:

- Long-term impact of the McCloud and Sargeant cases;
- Cost management reviews which could affect future and historic LGPS benefits;
- Virgin Media case;
- Gender Pensions Gap reporting; and
- Climate change risks and opportunities;

Although it is unclear what impact these uncertainties will have on the future benefits of individual members, we have considered these issues in the assumptions used to set the contribution rates for employers.

McCloud

At the 2022 valuation we estimated the impact of the McCloud ruling for each active member based on the membership data available. This included looking back at historic valuation data to estimate a payroll history for each member which was then used to determine the equivalent service accrued in the final salary scheme had it not been discontinued. Due to the lack of sufficient data as well as direction from the Ministry of Housing, Communities and Local Government (MHCLG), no estimates were made for deferred and pensioner members.

A similar approach to the 2022 valuation has been followed as part of the 2025 valuation. With estimates made for active members based on historic data. The liabilities calculated as part of the 2025 valuation reflects the fact that eligible members may receive a pension uplift at retirement if their benefits would have been higher had they continued to accrue service in the discontinued final salary scheme until 31 March 2022.

There still remains uncertainty over the long-term effects of the McCloud judgment but where data has been available, we have been able to estimate the impact of McCloud on individual employers and funding positions and contributions have been set accordingly.

Cost management reviews

Further cost control and cost management reviews will be carried out and may lead to future benefit changes. However, as the aim of this monitoring is to keep the cost of benefits within an affordable range, we can be relatively comfortable that future reviews will not have a significant impact on the value we placed on the liabilities and so did not make any explicit allowance for these.

Virgin Media case

This issue relates to a case where missing actuarial certification resulted in historic benefit changes being void. The Department for Work and Pensions (DWP) published an announcement on 5 June 2025 noting the plan to introduce new legislation in response to the Virgin Media vs NTL Trustees ruling. The legislation will allow affected pension schemes to retrospectively obtain written actuarial confirmation that historic changes to scheme rules met the required standards.

The new legislation is hoped to provide clarity to affected schemes, we have therefore assumed that there will be no impact on the LGPS as a result of the ruling.

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Appendix 4 Gender Pensions Gap

On 15 May 2025, Government launched a consultation on changes to the Local Government Pension Scheme (LGPS) in England and Wales. The proposed changes are intended to improve fairness in and access to the LGPS. The proposals include addressing survivor pensions and deaths grants and addressing the Gender Pension Gap in the LGPS.

As required under the LGPS Regulations 2013, we have reported on the gender pensions gap within the fund. The reporting approach, including derivation of statistics, is consistent with the guidance '2025 Fund Valuations: Guidance for Gender Pension Gap reporting' dated 2 February 2026.

For the purpose of this analysis, we have relied upon the membership data provided by the Fund for the purpose of the 2025 actuarial valuation.

The Gender Pensions Gap (GPG) is calculated as:

$$GPG = \frac{Mean\ pension\ value\ for\ males - Mean\ pension\ value\ for\ females}{Mean\ pension\ value\ for\ males}$$

The GPG is expressed as a percentage. For example, a GPG of 10% indicates that, on average within the population analysed, for every £1 of pension accrued by males, females will have accrued £0.90.

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Active members

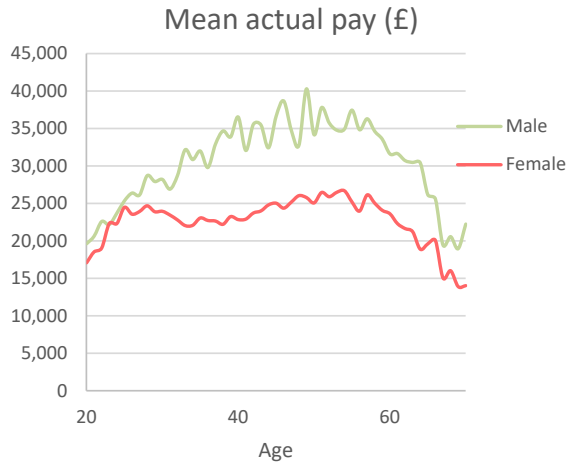
The results in this section set out the analysis for members who were active at 31 March 2025. Please note that the number of active members in the table below will differ from the total number of active records as set out in Appendix 1, as in the gender pension gap (GPG) analysis we have treated members with multiple records as a single member.

Fund level analysis

At overall fund level, the gender pensions gap (GPG) for active members of the Fund is 35%. Further detail is set out in the table below.

Gender pension gap for active members	Number of members	Percentage of overall membership	Mean age	Mean FTE pay (£)	Mean actual pay (£)	Mean CARE pension (£)	Mean Final Salary pension (£)	**Mean combined pension (£)**
Females	15,683	73%	47	£34,634	£23,707	£3,075	£3,600	**£4,139**
Males	5,718	27%	47	£39,746	£32,005	£4,495	£6,055	**£6,327**
			Gender gap	13%	26%	32%	41%	**35%**

A chart of mean pensionable pay for males and females by age is shown below.



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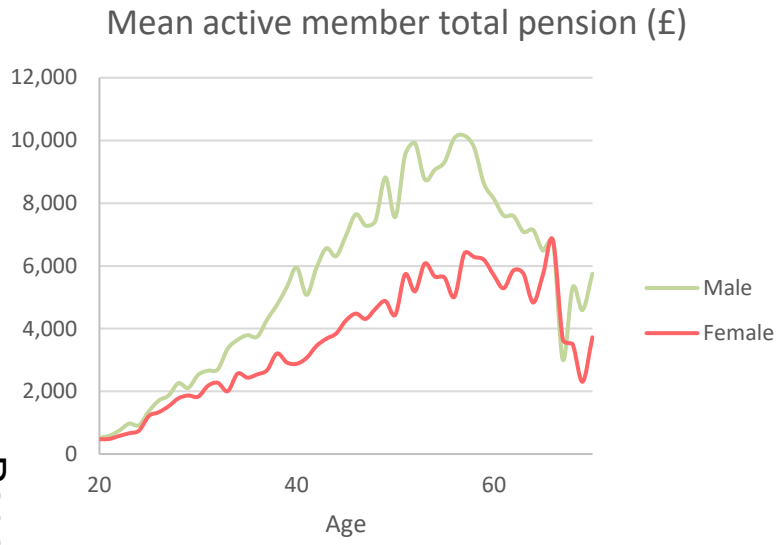
A chart of mean total pension for males and females by age is shown below.



Employer category analysis

In line with the Guidance, analysis at employer category level is set out below.

Local authorities and connected bodies (SF3 number 1)

GPG for local authorities and connected bodies	Number of members	Percentage of overall membership	Mean age	Mean FTE pay (£)	Mean actual pay (£)	Mean CARE pension (£)	Mean Final Salary pension (£)	**Mean combined pension (£)**
Females	8,699	68%	47	£37,326	£16,083	£3,663	£4,434	**£5,084**
Males	4,143	32%	48	£40,398	£33,769	£4,802	£6,551	**£6,918**
			Gender gap	8%	52%	24%	32%	**27%**

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Centrally funded public sector bodies excluding academies (SF3 number 2)

GPG for centrally funded public sector bodies (exc. academies)	Number of members	Percentage of overall membership	Mean age	Mean FTE pay (£)	Mean actual pay (£)	Mean CARE pension (£)	Mean Final Salary pension (£)	**Mean combined pension (£)**
Females	1,143	65%	45	£38,075	£18,164	£3,634	£4,053	**£4,644**
Males	612	35%	45	£42,419	£33,924	£4,948	£5,149	**£6,327**
			Gender Gap	10%	46%	27%	21%	**27%**

Academies (SF3 number 2, local authority indicator 2)

GPG for academies	Number of members	Percentage of overall membership	Mean age	Mean FTE pay (£)	Mean actual pay (£)	Mean CARE pension (£)	Mean Final Salary pension (£)	Mean combined pension (£)
Females	5,301	86%	47	£28,573	£3,460	£1,866	£1,704	**£2,256**
Males	831	14%	45	£33,012	£22,073	£2,732	£2,732	**£2,768**
			Gender Gap	13%	84%	20%	38%	**18%**

Other public sector bodies (SF3 number 3)

GPG for other public sector bodies	Number of members	Percentage of overall membership	Mean age	Mean FTE pay (£)	Mean actual pay (£)	Mean CARE pension (£)	Mean Final Salary pension (£)	**Mean combined pension (£)**
Females	0	n/a	n/a	n/a	n/a	n/a	n/a	**n/a**
Males	0	n/a	n/a	n/a	n/a	n/a	n/a	**n/a**
			Gender Gap	n/a	n/a	n/a	n/a	**n/a**

Private/voluntary/other bodies (SF3 number 4)

GPG for other private/voluntary/other bodies	Number of members	Percentage of overall membership	Mean age	Mean FTE pay (£)	Mean actual pay (£)	Mean CARE pension (£)	Mean Final Salary pension (£)	**Mean combined pension (£)**
Females	540	80%	55	£31,384	£7,396	£4,288	£3,148	**£6,316**
Males	132	20%	52	£35,276	£30,256	£6,281	£5,184	**£10,170**
			Gender Gap	11%	76%	32%	39%	**38%**

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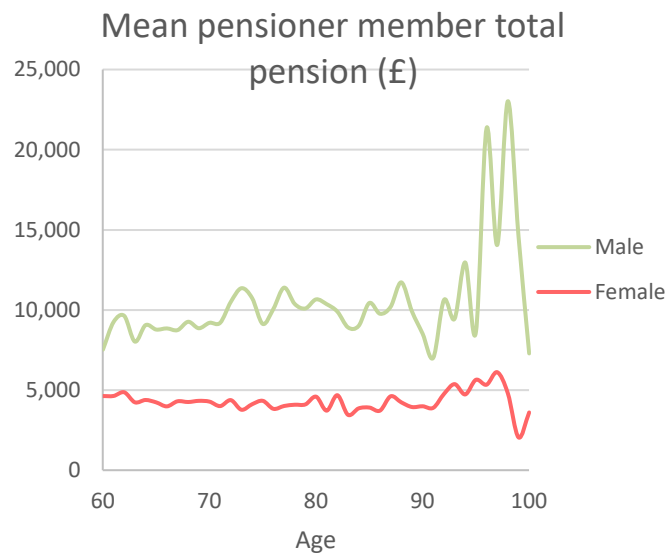
Pensioner members

The GPG for pensioner members of the Fund is 56%. Further detail is set out in the table below.

Gender pension gap for pensioner members	Number of members	Percentage of overall membership	Mean age	Mean pension (£)
Females	15,978	68%	71	**£4,233**
Males	7,618	32%	73	**£9,664**
			Gender Gap	**56%**

A chart of mean total pension for males and females by age is shown below.



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Appendix 5 Climate risk analysis

Climate risk is an important consideration for the 2025 valuation. We have carried out scenario analysis on the assets and liabilities of the Fund in-line with the Key Principles drafted by the four actuarial firms who advise the LGPS funds and agreed with the Government Actuary's Department (GAD) for the purpose of the 2025 LGPS valuations in England and Wales. Further information can be found on the climate scenario analysis report dated 11 November 2025.

We have also considered the requirements under the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 although these regulations do not apply to the LGPS. This is because we anticipate that the equivalent regulations that could ultimately apply to the LGPS will contain similar requirements.

The analysis considered the projected funding level under various climate-related scenarios, alongside the agreed 2025 valuation basis for the Fund. The results thereby allow the administering authority to consider whether the 2025 valuation funding strategy is sufficiently robust in the context of this climate scenario analysis and any potential contribution impacts.

The climate scenarios within Barnett Waddingham's in-house climate scenario framework include three climate scenarios which have been provided by Moody's Analytics and are broadly based on scenarios from the Network for Greening the Financial System (NGFS). A brief description of these scenarios is set out below:

1 **Base case** – we have assumed the Fund's best estimate funding basis as the base case scenario. All other scenarios are considered relative to this base case, using the relative difference in returns and financial assumptions between Moody's own base case, and each climate scenario.

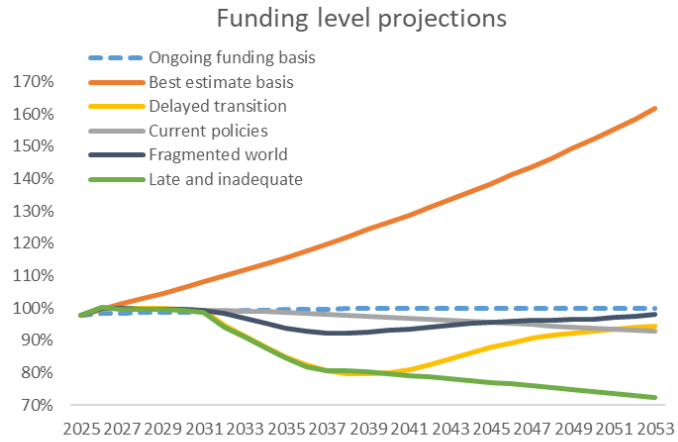
2 **Delayed transition** – additional policy implementation is delayed until 2030. Stronger policies are required (versus a scenario whereby policy implementation is not delayed), such as a higher effective carbon price, in order to limit global temperature rises to below 2.0°c.

3 **Current policies** – no new climate policies are introduced beyond the current policies in place, resulting in a lower effective carbon price, but also a growing concentration of greenhouse gas emissions and a larger increase in global temperatures, relative to a transition scenario.

4 **Fragmented world** – additional policy implementation is delayed and diverges globally. Those countries with net-zero targets are assumed to meet c.80% of their target, whilst those without follow current policies.

5 **Late and inadequate action** – this scenario has been created by Barnett Waddingham, and takes the highest negative return impact, on an annual basis, across the other three scenarios. The scenario is assumed to exhibit a mixture of characteristics from the above scenarios (i.e. delayed transition and high temperature rises).

The impact on the funding position of each scenario is considered in the graph below.



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Appendix 6 Decisions Log

The triennial actuarial valuation is a significant exercise carried out by the Fund. This report is a summary of the main outputs from the triennial actuarial valuation. The outputs are the result of funding strategy analysis, discussions and Fund decisions throughout the valuation process. A high-level audit trail of the key funding strategy decisions is set out below.

Funding strategy

The actuarial assumptions were reviewed by the Fund on 5 September 2025, supported by analytics and other information from the Fund Actuary. The assumptions, including the level of prudence, were agreed by the Fund at the Pension Fund Committee meeting in 9 September 2025.

The funding strategy parameters, including management of surpluses (where present) and prudence levels, which feed into the setting of employer contribution rates, and other aspects of the funding strategy, including the approach to cessation valuations, exit credits, bulk transfers and new employers were reviewed by the Fund and agreed in November 2025.

The outcomes of these decisions were collated and documented in an updated copy of the Funding Strategy Statement. The draft FSS was discussed at the 2 December 2025 Pension FundCommittee meeting. The final version was agreed at the 17 March 2026 Pension Fund Committee meeting.

Stakeholder engagement

In addition, the Fund has engaged with employers and the Local Pensions Board throughout the valuation exercise. A summary of the engagement is detailed below.

- Employer results: a results schedule setting out their 2025 valuation funding position and contribution rate was issued to relevant employers in November 2025. The results schedule was accompanied by a webinar prepared by the Fund Actuary to highlight the key themes of the 2025 valuation.
- Funding Strategy Statement consultation: an updated version of the FSS was issued to employers on 5 December 2025 with the opportunity to feed back comments or ask questions to the Fund by 23 January 2025.

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Appendix 7 Dashboard

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Appendix 8 Rates and Adjustments Certificate

Regulatory background

In accordance with Regulation 62 of the Local Government Pension Scheme Regulations we have made an assessment of the contributions that should be paid into the Fund by participating employers for the period 1 April 2026 to 31 March 2029.

The method and assumptions used to calculate the contributions set out in the Rates and Adjustments Certificate are detailed in the Funding Strategy Statement and in Appendix 2 of this report.

The primary rate of contribution as defined by Regulation 62(5) for each employer for the period 1 April 2026 to 31 March 2029 is set out in the table overleaf. The primary rate is the employer's contribution towards the cost of benefits accruing in each of the three years beginning 1 April 2026. In addition each employer pays a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the minimum total contributions as set out below. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer.

Primary and secondary rate summary

The primary rate for the Fund is the weighted average (by payroll) of the individual employers' primary rates and is 16.3% p.a. of payroll.

The secondary rates across the entire Fund (as a percentage of projected Pensionable Pay and as a monetary amount) in each of the three years in the period 1 April 2026 to 31 March 2029 is set out in the table below.

These amounts reflect the individual employers' recovery plans.

Secondary contributions	2026/27	2027/28	2028/29
Total as a % of payroll	4.3%	3.8%	3.5%
Equivalent to total monetary amounts of	£25,020,000	£22,639,000	£21,629,000

General notes

Employers may pay further amounts at any time and future periodic contributions, or the timing of contributions, may be adjusted on a basis approved by us as the Fund Actuary. The administering authority, with the advice from us as the Fund Actuary may allow some or all of these contributions to be treated as a prepayment and offset against future certified contributions.

The certified contributions include an allowance for expenses and the expected cost of lump sum death benefits but exclude early retirement strain and augmentation costs which are payable by participating employers in addition.

The monetary amounts are payable in 12 monthly instalments throughout the relevant year unless agreed by the administering authority and an individual employer.

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Employer code	Employer name	Primary rate	Secondary rate (% pay plus monetary adjustment)			Total contributions i.e. primary (% of pay) plus secondary		
		(% pay)	2026/27	2027/28	2028/29	2026/27	2027/28	2028/29
Government bodies								
Funding Pool	*Dorset Council*							
601	Dorset Council	16.2%	£9.31m	£7.92m	£7.84m	16.2% plus £9.31m	16.2% plus £7.92m	16.2% plus £7.84m
814	Lytchett Minster School	16.2%	6.3%	5.3%	4.4%	22.5%	21.5%	20.6%
924	Woodroffe School	16.2%	6.3%	5.3%	4.4%	22.5%	21.5%	20.6%
968	Westfield Arts College	16.2%	6.3%	5.3%	4.4%	22.5%	21.5%	20.6%
Funding Pool	*BCP Council*							
604	BCP Council	16.3%	£4.09m	£4.24m	£4.40m	16.3% plus £4.09m	16.3% plus £4.24m	16.3% plus £4.40m
302	Corpus Christi School	16.3%	2.7%	2.7%	2.7%	19.0%	19.0%	19.0%
303	St Katherines	16.3%	2.7%	2.7%	2.7%	19.0%	19.0%	19.0%
304	St Walburgas School	16.3%	2.7%	2.7%	2.7%	19.0%	19.0%	19.0%
305	Winchelsea Special School	16.3%	2.7%	2.7%	2.7%	19.0%	19.0%	19.0%
306	Linwood School	16.3%	2.7%	2.7%	2.7%	19.0%	19.0%	19.0%
327	St Edward's School	16.3%	2.7%	2.7%	2.7%	19.0%	19.0%	19.0%
358	Christchurch Learning Centre	16.3%	2.7%	2.7%	2.7%	19.0%	19.0%	19.0%
359	Somerford Primary School	16.3%	2.7%	2.7%	2.7%	19.0%	19.0%	19.0%
360	Mudeford Junior School	16.3%	2.7%	2.7%	2.7%	19.0%	19.0%	19.0%

Employer code	Employer name	Primary rate	Secondary rate (% pay plus monetary adjustment)			Total contributions i.e. primary (% of pay) plus secondary		
		(% pay)	2026/27	2027/28	2028/29	2026/27	2027/28	2028/29
361	The Priory Primary School	16.3%	2.7%	2.7%	2.7%	19.0%	19.0%	19.0%
363	Highcliffe St Marks	16.3%	2.7%	2.7%	2.7%	19.0%	19.0%	19.0%
364	St Josephs	16.3%	2.7%	2.7%	2.7%	19.0%	19.0%	19.0%
365	Burton Primary School	16.3%	2.7%	2.7%	2.7%	19.0%	19.0%	19.0%
366	Mudeford Infants School	16.3%	2.7%	2.7%	2.7%	19.0%	19.0%	19.0%
Individual Employers								
326	Dorset Police Authority	16.0%	1.2%	0.7%	0.5%	17.2%	16.7%	16.5%
Academies								
Funding Pool	*Academies*							
301	Hamwic Education Trust	16.4%	6.2%	5.2%	4.2%	22.6%	21.6%	20.6%
316	Highcliffe Academy (HISP)	16.4%	6.2%	5.2%	4.2%	22.6%	21.6%	20.6%
320	Diocese of Salisbury Academy Trust	16.4%	6.2%	5.2%	4.2%	22.6%	21.6%	20.6%
333	Sherborne Area Schools' Trust	16.4%	6.2%	5.2%	4.2%	22.6%	21.6%	20.6%
350	Reach South Academy Trust	16.4%	6.2%	5.2%	4.2%	22.6%	21.6%	20.6%
373	First Federation Trust	16.4%	6.2%	5.2%	4.2%	22.6%	21.6%	20.6%
382	Initio Learning Trust	16.4%	6.2%	5.2%	4.2%	22.6%	21.6%	20.6%
403	Aspirations Academies Trust	16.4%	6.2%	5.2%	4.2%	22.6%	21.6%	20.6%

Employer code	Employer name	Primary rate	Secondary rate (% pay plus monetary adjustment)			Total contributions i.e. primary (% of pay) plus secondary		
		(% pay)	2026/27	2027/28	2028/29	2026/27	2027/28	2028/29
410	United Learning Trust	16.4%	6.2%	5.2%	4.2%	22.6%	21.6%	20.6%
414	Stanley Green Infants Academy	16.4%	6.2%	5.2%	4.2%	22.6%	21.6%	20.6%
416	Plymouth CAST	16.4%	6.2%	5.2%	4.2%	22.6%	21.6%	20.6%
417	St James' Church of England Academy	16.4%	6.2%	5.2%	4.2%	22.6%	21.6%	20.6%
427	Gillingham Primary School	16.4%	6.2%	5.2%	4.2%	22.6%	21.6%	20.6%
428	Dorset Studio School	16.4%	6.2%	5.2%	4.2%	22.6%	21.6%	20.6%
431	Castleman Academy Trust	16.4%	6.2%	5.2%	4.2%	22.6%	21.6%	20.6%
432	Ambitions Academy Trust	16.4%	6.2%	5.2%	4.2%	22.6%	21.6%	20.6%
475	Heath Multi-Academy Trust	16.4%	6.2%	5.2%	4.2%	22.6%	21.6%	20.6%
477	Moordown St Johns CofE Primary	16.4%	6.2%	5.2%	4.2%	22.6%	21.6%	20.6%
479	Kingsleigh Primary School	16.4%	6.2%	5.2%	4.2%	22.6%	21.6%	20.6%
481	Muscliff Primary School	16.4%	6.2%	5.2%	4.2%	22.6%	21.6%	20.6%
482	St MichaelÂ£s Primary	16.4%	6.2%	5.2%	4.2%	22.6%	21.6%	20.6%
483	St Marks CofE Primary	16.4%	6.2%	5.2%	4.2%	22.6%	21.6%	20.6%
496	Teach Trust	16.4%	6.2%	5.2%	4.2%	22.6%	21.6%	20.6%
843	The Bourne Academy	16.4%	6.2%	5.2%	4.2%	22.6%	21.6%	20.6%
844	Bishop of Winchester	16.4%	6.2%	5.2%	4.2%	22.6%	21.6%	20.6%

Employer code	Employer name	Primary rate	Secondary rate (% pay plus monetary adjustment)			Total contributions i.e. primary (% of pay) plus secondary		
		(% pay)	2026/27	2027/28	2028/29	2026/27	2027/28	2028/29
848	Twynham Learning	16.4%	6.2%	5.2%	4.2%	22.6%	21.6%	20.6%
850	Parkstone Grammar School	16.4%	6.2%	5.2%	4.2%	22.6%	21.6%	20.6%
851	Wessex Multi Academy Trust	16.4%	6.2%	5.2%	4.2%	22.6%	21.6%	20.6%
859	St Peter's Catholic Voluntary Academy Trust	16.4%	6.2%	5.2%	4.2%	22.6%	21.6%	20.6%
860	Bournemouth School for Boys	16.4%	6.2%	5.2%	4.2%	22.6%	21.6%	20.6%
861	Montacute Grammar School	16.4%	6.2%	5.2%	4.2%	22.6%	21.6%	20.6%
862	Poole Grammar	16.4%	6.2%	5.2%	4.2%	22.6%	21.6%	20.6%
867	Bournemouth School for Girls	16.4%	6.2%	5.2%	4.2%	22.6%	21.6%	20.6%
875	Epiphany Academy	16.4%	6.2%	5.2%	4.2%	22.6%	21.6%	20.6%
893	Pokesdown Community Primary School	16.4%	6.2%	5.2%	4.2%	22.6%	21.6%	20.6%
894	Delta Education Trust	16.4%	6.2%	5.2%	4.2%	22.6%	21.6%	20.6%
896	Swanage School	16.4%	6.2%	5.2%	4.2%	22.6%	21.6%	20.6%
Contractors								
Individual Employers								
307	Aspens Services Ltd (SAST)	21.7%	-	-	-	21.7%	21.7%	21.7%
308	Aspens Services Ltd (Twynham)	19.7%	-	-	-	19.7%	19.7%	19.7%
353	Churchill Services Ltd	16.6%	-2.7%	-2.7%	-2.7%	13.9%	13.9%	13.9%

Employer code	Employer name	Primary rate	Secondary rate (% pay plus monetary adjustment)			Total contributions i.e. primary (% of pay) plus secondary		
		(% pay)	2026/27	2027/28	2028/29	2026/27	2027/28	2028/29
371	Churchill Contract Services Limited	25.4%	£1,180	£1,220	£1,270	25.4% plus £1,180	25.4% plus £1,220	25.4% plus £1,270
374	Enigma CCTV Ltd	29.6%	-	-	-	29.6%	29.6%	29.6%
375	Caterlink Ltd (St Peters)	24.0%	-	-	-	24.0%	24.0%	24.0%
376	Care Dorset Limited	20.7%	-	-	-	20.7%	20.7%	20.7%
377	Churchills Contract Services	21.0%	£770	£800	£830	21.0% plus £770	21.0% plus £800	21.0% plus £830
381	Churchill Contract Services Limited	20.6%	-	-	-	20.6%	20.6%	20.6%
385	Caterlink Ltd	22.6%	-	-	-	22.6%	22.6%	22.6%
389	HPS Services Ltd (Aspirations Academy Trust)	22.7%	-	-	-	22.7%	22.7%	22.7%
390	Cucina Restaurants Limited	24.0%	-	-	-	24.0%	24.0%	24.0%
391	Expedite Cleaning Company	24.3%	-9.5%	-9.5%	-9.5%	14.8%	14.8%	14.8%
392	Horizon Homecare	20.8%	-8.0%	-8.0%	-8.0%	12.8%	12.8%	12.8%
393	Restorative Solutions	26.6%	-0.7%	-0.7%	-0.7%	25.9%	25.9%	25.9%
395	Tricuro Start Team	20.3%	-	-	-	20.3%	20.3%	20.3%
396	Family Action	17.9%	-	-	-	17.9%	17.9%	17.9%
397	HPS Services Ltd (Bovington Academy)	18.2%	-7.9%	-7.9%	-7.9%	10.3%	10.3%	10.3%
399	Sansum Solutions Group Limited	11.2%	-2.2%	-2.2%	-2.2%	9.0%	9.0%	9.0%
437	Hayward Services Ltd	20.4%	-	-	-	20.4%	20.4%	20.4%

Employer code	Employer name	Primary rate	Secondary rate (% pay plus monetary adjustment)			Total contributions i.e. primary (% of pay) plus secondary		
		(% pay)	2026/27	2027/28	2028/29	2026/27	2027/28	2028/29
440	Tricuro	19.3%	-	-	-	19.3%	19.3%	19.3%
471	Glen Cleaning	23.5%	-	-	-	23.5%	23.5%	23.5%
480	Tricuro Ltd Catering	24.1%	-	-	-	24.1%	24.1%	24.1%
501	Cleverchefs Ltd (Pickwick)	15.1%	-	-	-	15.1%	15.1%	15.1%
507	Cucina Restaurants Ltd (Livingstone)	12.7%	-	-	-	12.7%	12.7%	12.7%
Small scheduled bodies								
Funding Pool	*Small Scheduled Bodies*							
325	St Leonards Parish Council	17.5%	3.5%	2.5%	1.5%	21.0%	20.0%	19.0%
331	Knightsford Parish Council	17.5%	3.5%	2.5%	1.5%	21.0%	20.0%	19.0%
367	Lower Winterbourne Parish Council	17.5%	3.5%	2.5%	1.5%	21.0%	20.0%	19.0%
379	Christchurch Town Council	17.5%	3.5%	2.5%	1.5%	21.0%	20.0%	19.0%
419	Stalbridge Town Council	17.5%	3.5%	2.5%	1.5%	21.0%	20.0%	19.0%
423	Bere Regis Parish Council	17.5%	3.5%	2.5%	1.5%	21.0%	20.0%	19.0%
456	Crossways Parish Council	17.5%	3.5%	2.5%	1.5%	21.0%	20.0%	19.0%
472	Broadwindsor Group Parish Coincil	17.5%	3.5%	2.5%	1.5%	21.0%	20.0%	19.0%
495	Sturminster Marshall Parish Council	17.5%	3.5%	2.5%	1.5%	21.0%	20.0%	19.0%
498	East Stoke Parish Council	17.5%	3.5%	2.5%	1.5%	21.0%	20.0%	19.0%

Employer code	Employer name	Primary rate	Secondary rate (% pay plus monetary adjustment)			Total contributions i.e. primary (% of pay) plus secondary		
		(% pay)	2026/27	2027/28	2028/29	2026/27	2027/28	2028/29
499	Lytchett Matravers Parish Council	17.5%	3.5%	2.5%	1.5%	21.0%	20.0%	19.0%
502	Chesil Bank Parish Council	17.5%	3.5%	2.5%	1.5%	21.0%	20.0%	19.0%
508	CharminsterParish Council	17.5%	3.5%	2.5%	1.5%	21.0%	20.0%	19.0%
509	Maiden Newton and Frome Vauchurch Parish Council	17.5%	3.5%	2.5%	1.5%	21.0%	20.0%	19.0%
605	Weymouth Town Council	17.5%	3.5%	2.5%	1.5%	21.0%	20.0%	19.0%
808	West Moors Town Council	17.5%	3.5%	2.5%	1.5%	21.0%	20.0%	19.0%
811	Alderholt Parish	17.5%	3.5%	2.5%	1.5%	21.0%	20.0%	19.0%
819	Wool Parish	17.5%	3.5%	2.5%	1.5%	21.0%	20.0%	19.0%
824	Chickerell Town Council	17.5%	3.5%	2.5%	1.5%	21.0%	20.0%	19.0%
831	West Parley Parish Council	17.5%	3.5%	2.5%	1.5%	21.0%	20.0%	19.0%
910	Blandford Town Council	17.5%	3.5%	2.5%	1.5%	21.0%	20.0%	19.0%
911	Bridport Town Council	17.5%	3.5%	2.5%	1.5%	21.0%	20.0%	19.0%
912	Dorchester Town Council	17.5%	3.5%	2.5%	1.5%	21.0%	20.0%	19.0%
913	Lyme Regis Town Council	17.5%	3.5%	2.5%	1.5%	21.0%	20.0%	19.0%
914	Portland Town Council	17.5%	3.5%	2.5%	1.5%	21.0%	20.0%	19.0%
915	Shaftesbury Town Council	17.5%	3.5%	2.5%	1.5%	21.0%	20.0%	19.0%
916	Sherborne Town Council	17.5%	3.5%	2.5%	1.5%	21.0%	20.0%	19.0%

Employer code	Employer name	Primary rate	Secondary rate (% pay plus monetary adjustment)			Total contributions i.e. primary (% of pay) plus secondary		
		(% pay)	2026/27	2027/28	2028/29	2026/27	2027/28	2028/29
917	Swanage Town Council	17.5%	3.5%	2.5%	1.5%	21.0%	20.0%	19.0%
918	Wareham Town Council	17.5%	3.5%	2.5%	1.5%	21.0%	20.0%	19.0%
919	Wimborne Minster Town Council	17.5%	3.5%	2.5%	1.5%	21.0%	20.0%	19.0%
920	Gillingham Town Council	17.5%	3.5%	2.5%	1.5%	21.0%	20.0%	19.0%
926	Corfe Mullen Town Council	17.5%	3.5%	2.5%	1.5%	21.0%	20.0%	19.0%
932	Ferndown Town Council	17.5%	3.5%	2.5%	1.5%	21.0%	20.0%	19.0%
934	Lytchett Minster Town Council	17.5%	3.5%	2.5%	1.5%	21.0%	20.0%	19.0%
937	Colehill Parish Council	17.5%	3.5%	2.5%	1.5%	21.0%	20.0%	19.0%
983	Verwood Town Council	17.5%	3.5%	2.5%	1.5%	21.0%	20.0%	19.0%
Other								
Individual Employers								
424	Colliton Club	22.3%	£1,030	£1,070	£1,100	22.3% plus £1,030	22.3% plus £1,070	22.3% plus £1,100
438	Millbrook Healthcare	22.7%	£6,050	£6,270	£6,500	22.7% plus £6,050	22.7% plus £6,270	22.7% plus £6,500
826	SLM Community & Leisure (Weymouth)	18.2%	£3,450	£3,580	£3,710	18.2% plus £3,450	18.2% plus £3,580	18.2% plus £3,710
840	BH Live	19.5%	£25,650	£26,600	£27,550	19.5% plus £25,650	19.5% plus £26,600	19.5% plus £27,550
847	SLM (Blanford Leisure Centre)	18.5%	-0.5%	-0.5%	-0.5%	18.0%	18.0%	18.0%
864	Dorset, Poole & Bournemouth Adult Learning	20.0%	£158k	£164k	£170k	20.0% plus £158k	20.0% plus £164k	20.0% plus £170k

Employer code	Employer name	Primary rate	Secondary rate (% pay plus monetary adjustment)			Total contributions i.e. primary (% of pay) plus secondary		
		(% pay)	2026/27	2027/28	2028/29	2026/27	2027/28	2028/29
891	Places For People	18.6%	£3,120	£3,240	£3,360	18.6% plus £3,120	18.6% plus £3,240	18.6% plus £3,360
922	Bournemouth University	15.3%	5.7%	5.7%	5.7%	21.0%	21.0%	21.0%
933	Stonewater Ltd	15.8%	£124k	£129k	£133k	15.8% plus £124k	15.8% plus £129k	15.8% plus £133k
941	Arts University Bournemouth	13.5%	£376k	£390k	£405k	13.5% plus £376k	13.5% plus £390k	13.5% plus £405k
957	Sovereign Housing Association	17.2%	£532k	£551k	£572k	17.2% plus £532k	17.2% plus £551k	17.2% plus £572k
959	Magna Housing Association	19.4%	9.6%	9.6%	9.6%	29.0%	29.0%	29.0%
970	Health Sciences University	18.7%	4.3%	4.3%	4.3%	23.0%	23.0%	23.0%
982	Magna Housing Group	18.6%	£95,950	£99,500	£103,150	18.6% plus £95,950	18.6% plus £99,500	18.6% plus £103,150
Colleges								
Funding Pool	*Coastland College*							
473	Coastland College	16.0%	4.0%	3.0%	2.0%	20.0%	19.0%	18.0%
820	Weyco Services	16.0%	4.0%	3.0%	2.0%	20.0%	19.0%	18.0%
Individual Employers								
942	Bournemouth & Poole College of Further Education	17.7%	5.3%	4.3%	3.3%	23.0%	22.0%	21.0%
Small admitted bodies								
Individual Employers								
925	Age Concern Bournemouth	18.9%	5.6%	5.6%	5.6%	24.5%	24.5%	24.5%

Employer code	Employer name	Primary rate	Secondary rate (% pay plus monetary adjustment)			Total contributions i.e. primary (% of pay) plus secondary		
		(% pay)	2026/27	2027/28	2028/29	2026/27	2027/28	2028/29
948	Dorset Association of Town and Parish Councils	24.9%	1.1%	1.1%	1.1%	26.0%	26.0%	26.0%
952	Dorset County Museum	18.4%	6.1%	6.1%	6.1%	24.5%	24.5%	24.5%

DRAFT

Post valuation employers

[TBC]

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The information in this report is based on our understanding of current taxation law, proposed legislation and HM Revenue & Customs practice, which may be subject to future variation.

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Pension Fund Committee

17 March 2026

Pension Fund Treasury Management Strategy 2026-27

For Decision

Local Councillor(s): All

Senior Leadership Team:
S Cremer, Corporate Director, Section 151 Officer

Report author: David Wilkes
Job title: Service Manager (Treasury and Investments)
Email: investments@dorsetcouncil.gov.uk

Statutory Authority: Dorset Council

Report status: Public (the exemption paragraph is N/A)

Executive summary

This report revises the previously approved Treasury Management Strategy for 2025-26, approved by the Pension Fund Committee in March 2025.

Pension fund cashflows need to be managed to ensure there is sufficient liquidity to meet liabilities as they fall due and to invest any surplus balances appropriately. The Treasury Management Strategy (TMS) provides the framework within which officers must manage these cashflows and 'treasury' investments.

The TMS for the pension fund broadly follows the TMS of Dorset Council, the administering authority for the pension fund, where applicable. In relation to counterparty risks and limits, this strategy continues to be consistent with that of the administering authority.

Recommendation(s):

That the Committee approve the pension fund Treasury Management Strategy for 2025-26

Reason for the recommendation(s):

To ensure that officers manage the pension fund's cashflows to ensure that liabilities are met when they fall due and that any surplus cash balances are invested appropriately within agreed parameters.

1. Background

1.1 The pension fund has a number of cashflows in and out of the fund, including member and employer contributions, pensions and other benefits, property rental income, and investments and disinvestments. For example, in 2024-25 total contributions paid into the pension fund from scheme employers and scheme members were approximately £175m, and total benefits of approximately £180m were paid out.

1.2 The role of treasury management is to ensure that these cashflows are adequately planned so that there is sufficient liquidity to meet liabilities as they fall due, with any surplus monies invested in low-risk counterparties, providing adequate liquidity before considering optimising returns.

1.3 The Treasury Management Strategy (TMS) provides the framework within which officers must manage these cashflows and investments, and follows broadly the strategy of Dorset Council, the administering authority for the pension fund, where applicable.

1.4 The strategy set limits on the amount and length of time that cash can be invested with specific counterparties, to a maximum of two years. This is to reflect the fact that there is not a strategic allocation to cash and investing cash sums for more than this period would be contrary to the pension fund's investment strategy.

1.5 In relation to counterparty risks and limits, this strategy continues to be consistent with that of the administering authority and revises the previously approved Treasury Management Strategy for 2025-26, approved by the Pension Fund Committee in March 2025.

2. Treasury Management Advisers

2.1 The administering authority employs professionally qualified and experienced staff with responsibility for making treasury management decisions. Officers are supported by specialist external advisers. Dorset Council currently employs Arlingclose Limited as its treasury management advisers.

2.2 This approach ensures that the administering authority has access to a wide pool of relevant market intelligence, knowledge and skills, that would be very difficult and costly to replicate internally. However, whilst advisers

provide support to the internal treasury function, final decisions on treasury matters always remain with the administering authority.

3. Treasury Investments and Borrowing

3.1 Cash balances are invested on a daily basis using call accounts, pooled money market funds and by making deposits with the pension fund's bank, NatWest. Longer term investments can also be made for up to two years but in practice it is very unlikely that treasury investments will be made for longer than six months.

3.2 Treasury management decisions must take into consideration external factors, particularly the wider economic backdrop and the outlook for financial markets and interest rates.

3.3 The pension fund's cash balances can be invested with any of the counterparty types in the table below, subject to the cash limits (per counterparty) and the time limits shown.

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	2 years	Unlimited	n/a
Local authorities & other government entities	2 years	£30m	Unlimited
Secured investments *	2 years	£30m	Unlimited
Banks (unsecured) *	12 months	£15m	Unlimited
Building societies (unsecured) *	12 months	£15m	£30m
Registered providers (unsecured) *	2 years	£15m	£30m
Money market funds *	n/a	£30m	Unlimited

3.4 This table should be read in conjunction with the following notes:

3.5 ***Minimum Credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account. For entities without published credit ratings, investments may be made either where external advice indicates the entity to be of similar credit quality.

3.6 **Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities (including the administering authority) and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to two years.

3.7 **Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

3.8 **Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

3.9 **Registered providers (unsecured):** Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

3.10 **Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, officers will take care to diversify the pension fund's liquid investments over a variety of providers to ensure access to cash at all times.

3.11 **Operational bank accounts:** The pension fund may incur operational exposures, for example though current accounts, to any UK bank with

credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £15m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the pension fund maintaining operational continuity.

3.12 **Risk assessment and credit ratings:** Credit ratings are obtained and monitored by the treasury management advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

3.13 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “rating watch negative” or “credit watch negative”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

3.14 **Other information on the security of investments:** Credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the treasury management advisers. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

3.15 **Market conditions**: When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the pension fund will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its treasury investments to maintain the required level of security.

3.16 The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial

organisations of high credit quality are available to invest the pension fund's cash balances, then the surplus will be deposited with the UK Government or with other local authorities. This may investment returns to fall but will protect the principal sum invested.

3.17 **Liquidity management:** Officers monitor the pension fund's cash flow forecasting on a daily basis to determine the maximum period for which funds may prudently be committed. The pension fund's liquid cash will be spread over at least three providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

3.18 Officers will aim for a minimum of £20m to be readily available in same day access bank accounts and/or money market funds. This is to minimise the risk of needing to borrow funds or sell assets at short notice to meet the pension fund's liabilities and commitments. Any borrowing must be short term (less than 12 months) and for cashflow purposes only.

4. Legal considerations

4.1 None identified.

5. Financial implications

5.1 The Local Government Pension Scheme (LGPS) is a national pension scheme administered locally. Dorset Council is the administering authority for the LGPS in Dorset which provides pensions and other benefits for employees of the Council, other councils and a range of other organisations within the county.

5.2 Administering authorities are required to maintain a pension fund for the payment of benefits to scheme members funded by contributions from scheme members and their employers, and from returns on contributions invested prior to benefits becoming payable. The Treasury Management Strategy sets the parameters for how pension fund cashflows can be managed.

6. Natural environment, climate & ecology implications

6.1 None identified.

7. Well-being and health implications

7.1 None identified.

8. Other implications

8.1 None identified.

9. Risk implications

9.1 The risks associated with the pension fund's cash and treasury investments are assessed in detail and considered as part of the treasury management strategy.

10. Equalities

10.1 There are no equalities implications arising from this report.

11. Appendices

None.

12. Background papers

Dorset Council Treasury Management Strategy 2026-27 Committee Report template

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Pension Fund Committee
17 March 2026
Pension Fund Annual Report 2024/25
For Decision

Local Councillor(s): All

Senior Leadership Team:
S Cremer, Corporate Director, Section 151 Officer

Report author: David Wilkes
Job title: Service Manager (Treasury and Investments)
Email: investments@dorsetcouncil.gov.uk

Statutory Authority: Dorset Council

Report status: Public (the exemption paragraph is N/A)

Executive summary

The annual report is a key component of the communication between the pension fund and its stakeholders. The report includes in one place key information regarding the management, administration and investment performance for the year, as well as the financial statements for the year and the key governance, administration and investment strategy documents.

The draft annual report for 2024/25 was approved by the Committee for publication at its last meeting 2 December 2025. At that time the report of the independent auditors regarding the pension fund annual financial statements had not been finalised. The audit report has now been finalised and is included as Appendix 2.

The final audit report is substantially unchanged from the draft audit report previously considered by the Committee. No adjustments that impact on the Pension Fund's reported financial position have been identified.

Recommendation(s):

That the Committee approve for publication the final Pension Fund Annual Report 2024/25.

Reason for the recommendation(s):

The Local Government Pension Scheme (LGPS) Regulations 2013 require all administering authorities within the LGPS to publish an annual report. The report attached as Appendix 1 meets the requirements of this legislation and is prepared in accordance with the most recent guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

1. Legal considerations

1.1 None identified.

2. Financial implications

2.1 None identified.

3. Natural environment, climate & ecology implications

3.1 None identified.

4. Well-being and health implications

4.1 None identified.

5. Other implications

5.1 None identified.

6. Risk implications

6.1 None identified.

7. Equalities

7.1 There are no equalities implications arising from this report.

8. Appendices

Appendix 1: Pension Fund Annual Report 2024/25
Appendix 2: Audit Findings for Dorset County Pension Fund 2024/25

9. Background papers

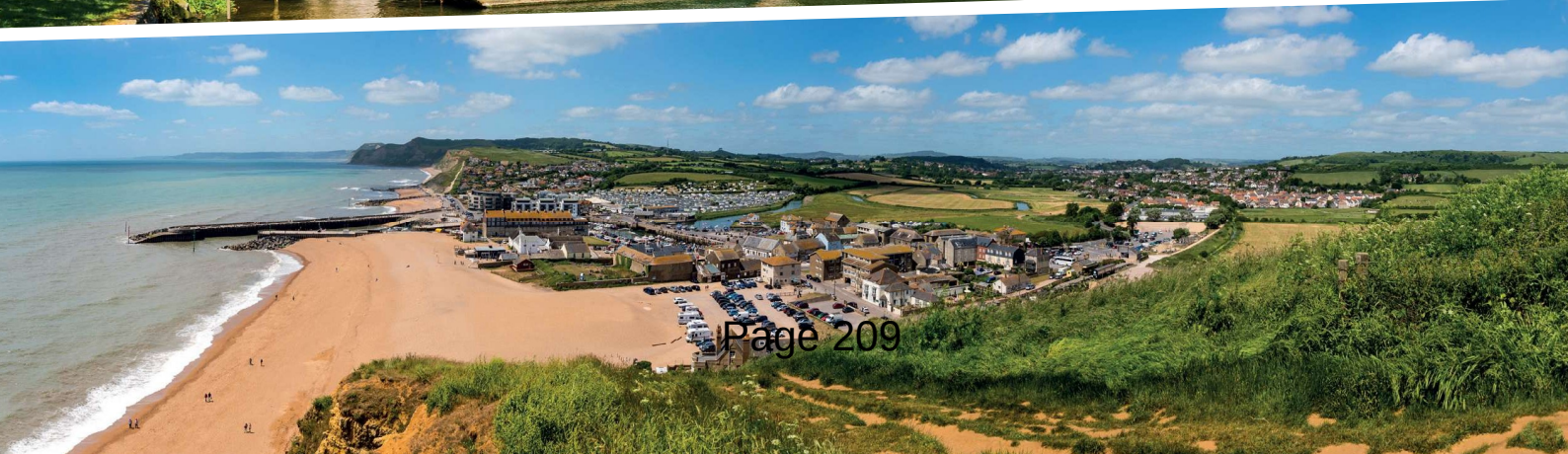
None.

Dorset County Pension Fund

administered by Dorset Council

2024-2025

Annual Report



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Front Cover Photos
Top: Sherborne Town Council
Middle: Bridge over the River Avon, Christchurch
Bottom: West Bay

Introduction and Overview

Chairman's Statement

Introduction
This is the annual report for the Dorset County Pension Fund ("the Fund"), a Local Government Pension Scheme (LGPS) fund administered by Dorset Council ("the Council").

Asset Valuation and Investment Performance
It is pleasing to report that the Fund remains in a strong financial position. The value of the Fund's assets has increased from £3.9bn at the end of March 2024 to £4.1bn by the end of March 2025. The return on investments for the year was 4.7% compared to the combined benchmark return of 7.4%. Over the three years to 31 March 2025, the annualised return on investments was 3.6% compared to the combined benchmark return of 5.5%, and over five years the annualised return was 8.7% compared to the benchmark return of 9.5%.

Investment Pooling
In response to the government's requirement for Local Government Pension Scheme (LGPS) funds to pool investments to improve efficiency and to reduce costs, Dorset is one of ten LGPS funds which formed the Brunel Pension Partnership ("Brunel"), one of eight such pools across England and Wales. As at 31 March 2025 85% of the Fund's assets by value had transitioned to Brunel's management.

In April 2025 the ten administering authorities within the Brunel Pension Partnership each received a letter dated 9 April 2025 from the ministers for Pensions and Local Government regarding the government's ongoing review of Local Government Pension Scheme stating that: "Government is of the view that the interests of the scheme are best met by Brunel Authorities working with another LGPS pool to form a new partnership. We therefore invite you to consider and identify which pool you wish to partner with going forward taking into account the capabilities and capacity of each to take on additional partner authorities."

After careful analysis and independent advice, the Pension Fund Committee has selected Local Pension Partnership Investments (LPPI) as its preferred new investment pooling partner. LPPI currently manages nearly £30 billion in pension fund assets for other clients and is recognised for its stable governance, its investment expertise and its commitment to environmental, social, and governance (ESG) considerations and we are confident that this new partnership will deliver long-term benefits for our scheme members and their employers.

Actuarial Valuation
It is a statutory requirement for a valuation of all LGPS funds to be carried out every three years. In

2022-23, the results of the latest triennial valuation of the pension fund's assets and liabilities were received from our actuary, Barnett Waddingham. This estimated that at 31 March 2022 the fund had assets sufficient to cover 96% of its accrued liabilities, an improvement from 92% at the 31 March 2019 valuation. The results of the current valuation as at 31 March 2025 are expected shortly.

Scheme Membership
The main responsibility of the Fund is to pay benefits to scheme members and other beneficiaries as they fall due. Membership has grown and now totals over 82,000 active, pensioner, and deferred scheme members.

Decarbonisation
In September 2020, the Committee agreed to reduce investments in high carbon emitting companies based on evidence that such an approach would deliver significantly greater reductions in the 'carbon footprint' of the Fund's investments than blanket divestment from the fossil fuel sector, without negatively impacting investment returns. Since this approach was agreed, significant decarbonisation has been achieved through the transition of assets to the management of Brunel. Approximately 10% of the Fund's assets are now invested in Brunel's global sustainable equities fund and all other actively managed Brunel funds are committed to a target of a 7% year on year reduction in their carbon footprint, but without detriment to long term investment returns.

Asset Changes
There were some changes to the Fund's assets during the year. The Paris Aligned Benchmark was sold with the proceeds of £300m being used to purchase the Brunel Low Volatility Global Equities; the proceeds of the sale of the Global High Equities of £60m was transferred to the Brunel UK Passive Fund and the proceeds of the sale of the Brunel Global Developed Equity Fund of £30m was transferred to the Brunel Global Smaller Companies Fund.

Pension Fund Committee Changes
There were changes to the membership of the Committee during 2024-25. Councillor Simon Christopher, Councillor Howard Legg, Councillor Mark Roberts and Councillor Gary Suttle were replaced by Councillor Andy Todd, Councillor Will Chakawhata and Councillor Andy Skeats.

I thank the outgoing members for their contributions to the Fund and I welcome the input of the new members since joining the Committee.

Thank you.
The success of the Fund depends upon the combined efforts of all those involved in its administration, and I would like to finish by thanking my fellow Committee members, Local Pension Board members and our external advisers. My thanks extend to all the staff who support the Fund for their hard work and dedication throughout the year, and also to all our scheme employers.

Yours faithfully,

Cllr Andy Canning
Chairman
Pension Fund Committee, Dorset Council

Introduction to the Dorset County Pension Fund Local Government Pension Scheme

The Dorset County Pension Fund is part of the Local Government Pension Scheme (LGPS) (the Scheme) and is administered by Dorset Council. The rules of the LGPS are set nationally under the Public Services Pensions Act 2013 by the Secretary of State for the Ministry of Housing, Communities and Local Government in the case of the LGPS in England and Wales, and the Scottish Government for LGPS Scotland.

The LGPS in Dorset is administered by Dorset Council, and prior to 1 April 2019 by Dorset County Council. Dorset County Pension Fund (DCPF) administration service covers 345 Employers, and over 82,000 Members. A breakdown of the scheme membership can be found on page 45.

The Scheme

The Local Government Pension Scheme (LGPS) is a statutory public pension scheme with over six million members in England and Wales, established by an Act of Parliament and governed by the Public Services Pensions Act 2013 (PSPA 2013). The Fund is administered in accordance with the following secondary legislation:

i. The Local Government Pension Scheme Regulations 2013 (as amended).

ii. The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended); and

iii. The Local Government Pensions Scheme (Management and Investment of Funds) regulations 2016 (as amended).

The LGPS is a nationwide pension scheme for people working in local government or working for other types of employers participating in the scheme. The LGPS scheme regulations are determined nationally; however, the scheme itself is administered and managed locally by 86 Funds in England and Wales.

The Scheme rules can only be changed with the approval of Parliament. Changes to the rules are discussed at a national level by employer and employee representatives. Dorset County Pension Fund must inform the employers and members if the Scheme rules change. They should do this as soon as possible, which must be within three months of the change.

Each fund is autonomous and managed locally by an administering authority, which is responsible for ensuring that there is, or will be, sufficient income to meet their pension fund's current and projected future financial obligations.

Academy trusts must offer access to the LGPS to all non-teaching employees.

The proprietor of an academy, commonly referred to as an academy trust, or a multi-academy trust (MAT), automatically becomes a scheme employer in the LGPS under the Local Government Pension Scheme Regulations 2013. This means that all non-teaching staff employed by academy trusts on conversion or afterwards are entitled to membership of the scheme.

The Pension Fund provides pension entitlements under the Local Government Pension Scheme to all eligible employees of Dorset Council and other participating bodies. Membership of the LGPS is not mandatory and excludes teachers, police officers and fire fighters, for whom specific

separate pension schemes are available. The LGPS is a statutory public service defined benefit pension scheme based on final salary for benefits accrued up to 31 March 2014 and career average revalued earnings ("CARE") for benefits accrued from 1 April 2014.

The LGPS is a defined benefit scheme. This means that benefits are determined by the regulations and are not affected by investment performance or market conditions. It provides for the payment of benefits to employees of Dorset Council and former employees of Dorset County Council and the admitted and scheduled bodies in the Fund.

Members include people who work in Local Authorities, including Dorset Council and Bournemouth, Christchurch and Poole Council, higher and further education establishments, schools and other public bodies and service providers.

Membership is generally available to employees of participating employers who have contracts of employment of three months or more, are under the age of 75 and who are not eligible for membership of other statutory pension schemes.

The LGPS is funded, which means that contributions are received from both the member and employer and are then invested by the Fund. The regulations also specify the member contribution rates as a percentage of pensionable pay, with employer contribution rates being set every three years by the Fund's Actuary, Barnett Waddingham LLP. These contributions are supplemented by earnings on the Fund's investments to pay retirement benefits.

A pension is usually payable from a member's normal pension age which is linked to their State Pension age (with a minimum of 65). A member could choose to retire early and take a reduced pension (between age 55 and 75) or - if a member is made redundant or retired in the interests of business efficiency (after age 55) - they could receive immediate payment of their benefits, with adjustments provided the member has met the two years vesting period.

The Scheme includes a number of options for members including the ability to pay half normal contributions in return for half the normal pension amount (the 50/50 section), boosting a pension by paying more into the Fund and exchanging some pension for tax-free cash on retirement.

The rate of contributions a member will pay is set nationally and range from 5.5% to 12.5%, dependent on a members' pay, the average contribution from employees is 6.5% nationally.

The employer contribution rates range from 16.2% to 29.9% of pensionable pay for the financial year ending 31 March 2025.

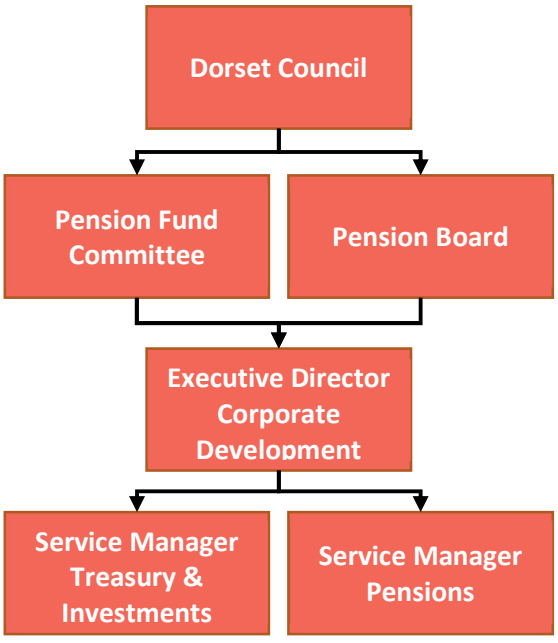
Who runs the Dorset County Pension Fund?

The Administering Authority

Dorset Council (DC, the Council) is the statutory administering authority for the Dorset County Pension Fund (DCPF, the Fund), which is responsible for the administration of the LGPS within the geographical area of Dorset and is part of the Local Government Pension Scheme (LGPS).

Council Structures

Dorset Council has delegated its decision making of the Pension Fund to the Pension Fund Committee. The diagram below sets out the governance structure in place for the Fund.



Pension Fund Committee
In this capacity, the Council delegates the management of the Fund to the Pension Fund Committee. The Committee are responsible for making investment policy, overseeing how the scheme is run and monitoring performance.

Local Pension Board
The Local Pension Board oversees the management of the Fund. The Board helps ensure that the Fund is managed and administered effectively and efficiently and complies with guidance issued by government, the Pensions Regulator and the LGPS Advisory Board.

The Fund Administrator
The day to day running of the Fund is delegated to the Fund Administrator who is the Executive Director (Corporate Development S151) of the Council and is responsible for implementing the decisions made by the Committee.

Supporting him are the Service Manager for Pensions, whose team administers all aspects of member records, pension benefits, employer liaison, and member communications, and the Service Manager for Treasury and Investments, whose team looks after the accounting and management information requirements of the Fund. All aspects of the day-to-day management of investment funds are undertaken by external fund managers.

Governance
The Pension Fund Committee consists of five Dorset Council elected members, three Bournemouth, Christchurch and Poole Council (BCP) elected members, and one scheme member representative nominated by the trade unions.

The Pension Board consists of eight members and is constituted with four employer representatives and four scheme membership representatives.

These membership arrangements have been designed to allow all key stakeholders to have the opportunity to be represented on the Committee and Board. The Committee and Board meet quarterly.

The Pension Fund Committee is primarily responsible for all functions of the Council as the administering authority of the Dorset County Pension Fund, including making investment policy, overseeing how the scheme is run and monitoring performance.

The Committee and Board's task is to provide an efficient and effective pension scheme for all the employees and pensioners of all eligible employers in Dorset, in accordance with the requirements of the legislation for the LGPS.

Pooling
Brunel Pension Partnership is one of eight UK Local Government Pension Scheme Pools, having originally brought together more than £35 billion of investments of ten likeminded funds. Dorset County Pension Fund is a founding member of the Brunel Pension Partnership (BPP) along with nine other Pension Funds namely: -

- Avon Pension Fund
- Buckinghamshire Pension Fund
- Cornwall Pension Fund
- Devon Pension Fund
- Gloucestershire Pension Fund
- Oxfordshire Pension Fund
- Somerset Pension Fund
- The Environment Agency
- Wiltshire Pension Fund

Brunel is authorised and regulated by the Financial Conduct authority as a full-service MiFID firm.

Brunel's priority is to manage their fiduciary duties to its clients. The partnership has also made major commitments on Climate Change and Responsible Investment in line with their shared values. In this way, the aim is to help clients provide not only for their members' retirement, but for the world they retire into.

The Pensions Regulator
The Pensions Regulator regulates the governance and administration of pension schemes, and it has recently published its General Code of Practice.

This applies to all UK pension schemes including the LGPS.

The Pension Fund Annual Report

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.

The Local Government Pension Scheme Regulations 2013 require administering authorities to prepare a document known as "The Pension Fund Annual Report". The authority must publish the Pension Fund Annual Report on or before 1st December following the year end. The Pension Fund Annual report compiles many of the reports and statements which the Fund produces into a single, annual document.

In March 2024 CIPFA created a "Guidance for Local Government Pension Scheme Funds" creating a checklist for preparing the annual report showing disclosures that "must", "should" and "maybe" included in the annual report, which have been included under the headings shown below. Dorset County Pension Fund has disclosed all information that "must" be provided, and the majority of information that "should" or "maybe" disclosed.

- *Overall Fund Management* – The report must list the names and, where appropriate for external parties, include relevant contact details.
- *Governance and Training* - Funds should set out their governance structure and how the pension fund has complied with its Governance Compliance Statement.
- *Financial Performance* – The report must provide an overview of the fund's financial performance, focused primarily on income, expenditure, and cash flows.
- *Fund Account, Net Assets Statements and Notes* – The report must include a fund account and a net assets statement with supporting notes and disclosures in accordance with proper accounting practices for each of its pension funds.
- *Investments and Funding* - This section of the annual report must demonstrate how the Investment Strategy Statement (ISS) has been put into practice during the year and how this links to the Funding Strategy Statement (FSS). It must set out the fund's investment management arrangements and the risks, returns and management costs associated with the investment portfolio.
- *Administration* - The administration section of the annual report must cover the following areas:
  • A summary of activities undertaken by the administration function during the year.
  • Report on performance against administration Key Performance Indicators (KPIs).

• Report on member and employer numbers by category.
• Report on actions taken to deliver the communications policy.
• Report on value for money achieved by the administration function.
• Report on complaints and dispute resolution.

- *Actuarial Reports on Funds* - Each administering authority is required to obtain an actuarial valuation of each of their pension funds on 31st March every three years.
- *External Audit Opinion* - The external auditor's opinion on the pension fund's statement of accounts must be included in the annual report.
- *Scheme Administration* – A report of the arrangements made during the year for the administration of the fund.
- *Governance* – Regulation 55 of the LGPS Regulations 2013 prescribes the content of the Governance Compliance Statement.
- *Asset Pools* – How asset pooling arrangements are progressing.
- *Pensions Administration Strategy Report*.
- *Funding Strategy Statement*.
- *Investment Strategy Statement*
- *Communications Policy Statement*.
- *Other Material* - any other material which the authority considers appropriate.

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 governance 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.

Key Information

- The value of the pension fund's assets at 31 March 2025 was £4.1 billion which rose by £149.1 million (3.8%) over the year, compared to the previous year's value of £3.9 billion. Over the last five years the value of the fund has increased by £730.8 million (21.9%) from £3.3 billion as at 31 March 2021 to £4.1 billion as at 31 March 2025.

- As at 31 March 2025, approximately 85% of the pension fund's assets were under the management of Brunel Pension Partnership. The Dorset assets (15%) that are not pooled are technically difficult to pool at the moment, for example direct property, legacy private equity and infrastructure, some of which are "running off".

- The Fund achieved a return on investments for the 2024-25 financial year of 4.7%, 2.7% below the benchmark return of 7.4%.

- The Fund underperformed its benchmark over three years with a performance return of 3.6% against its benchmark of 5.5%. Over five years the performance return was 8.7% against a benchmark of 9.5%.

- The funding level as at 31 March 2022 was 96% as formally calculated by the Fund's actuary Barnett Waddingham LLP, an increase from 92% in 2019. The deficit improved from £255m as at 31 March 2019 to £141m as at 31 March 2022. The discount rate fell from 5.0% at the 2019 valuation to 4.9% at the 2022 valuation. Improvement has been driven by growth in asset valuations.

- The total number of members in the Fund as at 31 March 2025 was 82,779, which was an increase of 358 members from the previous year.

- Income from contributions has been increasing over the past five years from £134.5M as at 31 March 2021 to £174.6M as at 31 March 2025, a rise of 29.8%. The pension benefit payments have been steadily rising over the same period from £131.4M as at 31 March 2021 to £181.8M as at 31 March 2025, a rise of 38.3%.

Developments in the Fund in 2024-25

There were some changes to the assets held during 2024-25.

- The full proceeds of £309.0M from the sale of the Paris Aligned Benchmark (Hedged and Unhedged) were transferred to the Brunel Low Volatility Global Equities over four trades in December 2024 and February 2025.

- The full proceeds of the part sale of the Global High Alpha Equities of £60.0M was transferred in December 2024 to the Brunel UK Passive Fund.

- The full proceeds of the part sale of the Brunel Global Developed Equity Fund of £30.0M was transferred in December 2024 to the Brunel Global Smaller Companies Fund.

Two properties were sold by Dorset County Pension Fund in 2024-25.

- Proceeds of £22.1M was received for the sale of Unit 270 (Plot A) Cambridge Science Park, Milton Road, Cambridge CB4 0GQ in January 2025.

- Proceeds of £1.8M was received for the sale of Pilgrim House, Old Ford Road, Aberdeen AB11 5RL.

- No properties were purchased by the Dorset County Pension Fund in 2024-25.

Overall Fund Management

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

The Fund's Managers
The Fund has a diversified portfolio of investments. Different asset classes and types of investments perform differently at different times and are based on different impacts of certain market conditions. This can help minimise overall portfolio losses. The Fund invests in Equities (UK and Overseas), Corporate Bonds, Private Equity, Property and Property Funds, Multi Asset Credit, Infrastructure, Diversified Return Funds, Low Volatility and Cash and Cash Equivalents. In 2024-25 the Fund has five legacy portfolios with external fund managers and had twenty-seven investments managed by the Brunel Pension Partnership of which the details are provided below.

Fund Managers	Asset Class	Address
CBRE Global Investors	Property	Third Floor, One New Change, London EC4M 9AF
Federated Hermes	Infrastructure	150 Cheapside, London EC2V 6ET
HarbourVest Partners, LLC	Private Equity	One Lincoln Street, Suite 1700 Boston MA 02111-2641
IFM Investors	Infrastructure	2 London Wall Place, London EC2Y 5AU
Patria Investments (formerly Aberdeen Standard Investments)	Private Equity	1 Lochrin Square, 92-94, Fountainbridge, Edinburgh EH3 9QA

Brunel Pension Partnership Portfolios	Asset Class
Passive UK Equities UK Active Equity	UK Equities
Passive Smart Beta & Hedged High Alpha Equity Emerging Market Equity	Overseas Equities
Passive Developed Equities & Hedged Global Sustainable Equities Smaller Companies Equities	Global Equities
Diversifying Returns Fund	Diversified Return Funds
CQS Global Funds Mutual Fund Oaktree (LUX) III SA SICAV Mutual Fund Neuberger Berman Investment Mutual Fund	Multi Asset Credit
Secured Income Aberdeen Standard Long Lease Property Fund Greencoat Renewable Income LP	Property Funds
NB PE Impact Fund NB SCIOP IV	Private Equity Co-Investment Funds
Ardian LBO Fund 07 A Vespa Capital 03 Summit Europe Growth 03	Private Equity Primary Fund

Capital Dynamics Global Secondary V Feeder Alpinvest Secondaries 07	Private Equity Secondaries Fund

Other Organisations/Individuals

Service	Name	Address
Actuary	Barnett Waddingham LLP	163 West George Street, Glasgow G2 2JJ
Auditors	Grant Thornton UK LLP	2 Glass Wharf, Bristol, BS2 0EL
AVC Providers	Prudential Plc	PO Box 2711, Reading RG1 3UL
Bankers	NatWest - Main Banker State Street Global Services	49 South Street, Dorchester, Dorset DT1 1DW 20 Churchill Place, Canary Wharf, London E14 5HJ
Custodian	State Street Bank & Trust Company	Quartermile 3, 10 Nightingale Way, Edinburgh EH3 9EG
Fund Legal Advisers	Osborne Clarke	Halo Counterslip, Bristol BS1 6AJ
Independent Adviser	Mr Steve Tyson Apex Investment Advisers Limited	140 Aldersgate Street, 4th Floor, London EC1A 4HY
Local Government Pension Fund Pool	Brunel Pension Partnership Limited	101 Victoria Street, Redcliffe, Bristol BS1 6PU

The Fund Actuary

The Council appointed Fund Actuary is Barnett Waddingham LLP. Employee contributions are fixed by Central Government. However, the Actuary is required to set employer contribution rates to ensure benefits under the Scheme are properly funded. Although the Actuary is required to carry out a full valuation every three years, they are also required to calculate contributions rates for new employers, if membership figures change and if an employer leaves the Scheme.

Independent Adviser

The Pension Fund Committee and Council Officers receive investment advice from the Investment adviser to the fund, Steve Tyson of Apex Investment Advisers Limited. The role of the adviser is to attend the quarterly and annual meetings of the Committee and to provide advice on the following:

- Investment strategy.
- Strategic asset allocation.
- Development of investment policy and practices.
- Corporate governance issues, including socially responsible investment and the Council's Investment Strategy Statement.
- Pension fund related legislation 14.
- Investment management performance monitoring.
- Assistance in the selection of investment managers, custodians and actuaries.
- Review of and advice on alternative benchmarks and setting of performance targets.
- Other ad-hoc advice.

External Auditor

Grant Thornton was appointed as external auditors for Dorset Council and the Dorset County Pension Fund for five financial years from 2023-24 to 2027-28. The LGPS pension fund financial audits are the responsibility of three statutory auditing bodies – the public Sector Audit Appointment Limited (PSAA), the National Audit Office for 78 LGPS funds based in England; and the Welsh Audit Office for 8 LGPS funds based in Wales.

The role of LGPS auditors is crucial in ensuring the accuracy and reliability of the pension fund's financial statements. They are responsible for:

- Auditing the financial statements to ensure they show a true and fair view of the fund's income and expenditure, as well as the amount and disposition of its assets and liabilities.
- Providing assurance that the financial statements comply with the relevant accounting standards and regulations.

- Assisting the pension fund's actuary in producing year-end accounting reports and ensuring that the information provided is free from material misstatement.
- Monitoring the audit quality of firms involved in the delivery of public audit, ensuring they meet the necessary standards. LGPS auditors play a vital role in maintaining the integrity and transparency of the pension scheme, which is essential for the trust and confidence of the members and employers covered by the scheme. They are expected to be independent, qualified, and experienced in the field of public audit and pension scheme accounting.

Custodian Services

The Fund employs State Street Bank & Trust as its global custodian, independent to the investment managers, to be responsible for the safekeeping of the Fund's assets. State Street Bank & Trust provides a wide variety of services that underpin the work of the officers of the Pension Fund and its investment managers in managing the Pension Fund's assets. The performance of the global custodian is reported to the Committee and Board on an annual basis.

The custody services provided by State Street Bank & Trust to the Fund include:

- safekeeping of the Pension Fund's assets in the various different investment managers.
- collection of income from dividends and interest.
- tax reclamation services.
- corporate action processing and proxy voting based on the instructions received by the Pension Fund's investment managers.
- filing of US-based class action lawsuits.
- foreign exchange settlement to enable the Pension Fund to buy and sell assets in foreign currencies.
- stock lending.
- reporting on the value of Pension Fund's assets and the investment performance of the Fund's investment managers.

Legal Adviser

The Pension Fund uses Osborne Clarke for advice covering conveyancing, investment, and employer issues. The appointment extends to all legal services for LGPS funds and employing authorities in England and Wales. This covers the full range of matters, including benefits and administration, outsourcing and admitted bodies, governance, disputes resolutions and investments.

Internally Managed Cash

The Pension Fund holds cash internally as working balances and operates its own treasury management policy, which is implemented by the Dorset's Treasury Management Team.

Working balances comprise funds required to pay pensions, to fund private equity, property investments and other managers, and to pay day-to-day expenses. Surplus balances will be invested in accordance with the Treasury Management Strategy Statement.

Contact and Further Information

Further information regarding the Pension Fund or this report and accounts may be obtained from the following contacts:

Fund Administrator
Mr Sean Cremer
Corporate Director Finance and Commercial
Telephone Number: 01305 228685
Email: Sean.Cremer@dorsetcouncil.gov.uk

Accounts and Investments
Mr David Wilkes
Service Manager for Treasury and Investments
Telephone Number: (01305) 224119
Email: David.wilkes@dorsetcouncil.gov.uk

Benefits
Mrs Karen Gibson
Service Manager for Pensions
Telephone Number: (01305) 228524
Email: Karen.gibson@dorsetcouncil.gov.uk

A pension Fund helpline is manned by dedicated staff trained to assist in answering member queries, either by providing a direct and immediate response, or by setting up workflow for further investigation.

☎ (01305) 224845
✉ pensionshelpline@dorsetcouncil.gov.uk
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.dorsetpensionfund.org

Financial Performance

Late Contributions
In 2024-25 there were no employers who regularly paid their contributions late.

Analysis of Pension Overpayments
There was a total of £171,977.33 pension overpayments in 2024-25. As at 31 March 2025, £74,470.18 of this had been recovered and £97,507.15 remained outstanding.

No amounts had been written off during the year.

Key Financial Variables
The table below outlines the Fund's performance for key financial variables for the past five years.

		2020-21 £'M	2021-22 £'M	2022-23 £'M	2023-24 £'M	2024-25 £'M
Contributions and Benefits	Contributions & Transfers In	143.1	162.3	147.2	172.7	197.6
	Contributions receivable	134.5	139.8	141.5	156.9	174.6
	Transfer in from other pension funds	8.6	22.5	5.7	15.9	23.0
	Benefits paid and Transfers out	-139.1	-139.3	-148.0	-172.2	-209.5
	Benefits payable	-131.4	-133.7	-141.3	-159.3	-181.8
	Payment to and on account of leavers	-7.7	-5.6	-6.7	-12.9	-27.6
	Management Expenses	-13.0	-15.5	-17.9	-21.0	-22.2
	Net additions (withdrawals) including Fund management expenses	-9.0	7.5	-18.7	-20.4	-34.1
Return on Investments	Net return on investments	646.5	345.4	-163.1	418.1	199.7
	Investment income	17.4	16.2	19.5	18.5	21.9
	Profit (loss) on disposal investments and changes in the value of investments	629.1	329.2	-182.6	399.6	177.8
	Net return on investments	646.5	345.4	-163.1	418.1	199.7
	Net increase (decrease) in assets available for benefits during the year	**637.3**	**352.8**	**-181.8**	**397.7**	**165.7**

Risk Management
Our risk appetite shows how much risk we are willing to accept to achieve our outcomes. Good risk management ensures we make well informed decisions and understand those associated risks. By ensuring that we respond to risks we will be best placed to achieve our priorities as set out in the Council Plan.

We recognise that effective risk management considers not just threats but also opportunities. We have encouraged all directorates to manage their risks, and the consideration on options that seek to achieve a balance between caution and innovation.

Our risk appetite reflects our approach to the encouragement of managed risk for minor to moderate level risks. Our approach to risk will change over time depending on our priorities and the environment in which we work. Beyond our risk appetite is our risk tolerance. This sets the level of risk that is unacceptable, whatever opportunities might follow. In such instances we will aim to reduce the risk to a level that is within our appetite. We illustrate our risk appetite and tolerance in the risk ranking matrix. We have made efforts

to make our approach clear, understandable, and flexible to change so that we can achieve improved focus and buy in from all at the council.

'High risks will generally exceed the Council's appetite for risk and measures should be taken to reduce the risk down to an acceptable level.'

The matrix below also illustrates how we monitor risks. The Council's highest-level risks (those with a combined score of 15 and above) are reported to Senior Managers and Members consideration.

Risk Ranking Matrix identifies the level of risk

Severity (Impact)	Description
Catastrophic Score 5	• Multiple deaths of employees or those in the Council's care • Inability to function effectively, Council-wide • Will lead to resignation of Chief Executive and/or Leader • Corporate Manslaughter charges • Service delivery must be taken over by Central Government • Front page news story in National Press • Financial loss over £10m
Major Score 4	• Suspicious death in Council's care • Major disruption to Council's critical services for more than 48hrs • Noticeable impact achieving strategic objectives • Will lead to resignation of Senior Officers and/or Cabinet Member • Adverse coverage in National press/Front page news locally • Financial loss £5m-£10m
Moderate Score 3	• Serious Injury to employees or those in the Council's care • Disruption to one critical Council Service for more than 48hrs • Will lead to resignation of Head of Service/Project Manager • Adverse coverage in local press • Financial loss £1m-£5m
Slight Score 2	• Minor Injury to employees or those in the Council's care • Manageable disruption to services • Disciplinary action against employee • Financial loss £100k-£1m
Limited Score 1	• Day-to-day operational problems • Financial loss less than £100k

Likelihood (Probability)	Description
Certain Score 5	Reasonable to expect that the event **WILL** happen, recur, possibly or frequently
Likely Score 4	Event is **MORE THAN LIKELY** to occur. Will Probably happen, recur, but is not a persisting issue.
Possible Score 3	**LITTLE LIKELIHOOD** of event occurring. It might happen or recur occasionally.
Unlikely Score 2	Event **NOT EXPECTED**. Do not expect it to happen or recur, but it is possible that it might do so.
Very Unlikely Score 1	**EXCEPTIONAL** event. This will probably never happen or recur.

Dorset County Pension Fund Risk Register

Ref	Risk Area	Risk Title	Last Reviewed	Impact	Likelihood	Risk Score	Risk Rating	Management Update	List of Existing Controls	Risk Owner	Status
Fi1	Finance	Loss of funds through fraud or misappropriation	15/07/2025	2	2	4	Low	Reviewed. No change in risk or procedures	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	Fund Administrator	No Change
Fi3	Finance	An employer with a large surplus chooses to exit the fund	15/07/2025	2	2	4	Low	Reviewed. No change in risk or procedures.	Not able to control. However, employer can only exit once all members have left the scheme.	Fund Administrator	No Change
Fi2	Finance	A company admitted to the Fund as an admission body may become financially unviable	15/07/2025	2	2	4	Low	Reviewed. No change in risk or procedures.	An Admission Body will only be admitted to the Fund if they have a Bond in place, or have a financial guarantor, for example the outsourcing authority. This covers any potential costs and losses. The value of this bond is set at the start of the contract and is reviewed periodically. A review of current bonds takes place periodically by the fund actuary to ensure that the bond level remains appropriate.	Fund Administrator	No Change
Fi3	Finance	Fraud - The Fund pays a pension to non-eligible pensioner	15/07/2025	2	2	4	Low	Reviewed. No change in risk or procedures.	Compliant with audit recommendations. Form of identity check required before any benefits are payable - i.e. passport or birth certificate. Mortality screening in UK and overseas performed regularly. 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.	Pensions Manager	No Change
Fi4	Finance	Fraud - Release a payment to the wrong bank account (e.g. mandate fraud)	15/07/2025	2	2	4	Low	Reviewed. No change in risk or procedures.	Compliant with audit recommendations. Form of identity check required before any benefits or payments are payable - i.e. passport or birth certificate. Mortality screening in UK and overseas performed regularly. Senior staff members would check or authorise any payments.	Pensions Manager	No Change

Ref	Risk Area	Risk Title	Last Reviewed	Impact	Likelihood	Risk Score	Risk Rating	Management Update	List of Existing Controls	Risk Owner	Status
Ad1	Administration	Failure to comply with TPRs General Code of Practice (Governance and administration of pension schemes)	15/07/2025	1	2	2	Low	Reviewed. No change in risk or procedures.	Ensure key staff and LPB members are trained and understand requirements. Ensure System and PAS address requirements. Ensure relevant policies are in place and regularly reviewed. Data Quality annual checks and Improvement Plan in place.	Pensions Manager	No Change
Ad2	Administration	Failure to issue Annual Benefit Illustrations within statutory timescales	15/07/2025	2	3	6	Medium	Reviewed. No change in risk or procedures.	Weekly project meeting to monitor progress and address issues. Staff are trained and supported with additional resource available at peak times. Responsibility of meeting deadlines with Systems Manager.	Pensions Manager	No Change
Ad3	Administration	Failure to meet other statutory deadlines including the Annual Return (TPR) and Annual Allowance processes	15/07/2025	1	2	2	Low	Reviewed. No change in risk or procedures.	Weekly meetings with management and key staff to ensure appropriate resources in place. Ad hoc meetings whenever required.	Pensions Manager	No Change
Ad4	Administrati	Failure to complete end of year processes within necessary timeframe	15/07/2025	2	3	6	Medium	Reviewed. No change in risk or procedures.	System Manager monitors progress against project plan and will report to PM at weekly management meetings to address issues as they arise. Ad-hoc meetings set up as required.	Pensions Manager	No Change
Ad5	Administration	Insufficiently trained or inexperienced staff leading to gaps in knowledge.	15/07/2025	2	3	6	Medium	Reviewed. No change in risk or procedures.	Training programme in place to identify and address training requirements / shortfalls. Each employee has a personal training record. Regular meetings and appraisals mean that any specific needs can be identified and addressed. Jobs have been re-evaluated to a higher level. This allows the fund to be competitive in recruiting new staff.	Pensions Manager	No change
Ad6	Administration	Staff unable to get to work e.g. widespread flu pandemic or building off limits.	15/07/2025	2	2	4	Low	Reviewed. No change in risk or procedures.	All staff are able to work from home in the event of building closure where technology permits. Business Continuity Plan to be updated regarding widespread sickness.	Pensions Manager	No Change
Ad7	Administration	Not dealing properly with complaints, leading to escalation that ultimately ends with the ombudsman.	15/07/2025	1	2	2	Low	Reviewed. No change in risk or procedures.	Well maintained structure in place for complaints, with expert advice sought in necessary cases to minimise further escalation. Regular reviews of IDRP cases to keep within timescales. Quality of letters written checked by additional staff for accuracy to ensure best possible quality of communication. Complaints log.	Pensions Manager	No Change

Ref	Risk Area	Risk Title	Last Reviewed	Impact	Likelihood	Risk Score	Risk Rating	Management Update	List of Existing Controls	Risk Owner	Status
Ad8	Administrati	Failure to meet Service Standards.	15/07/2025	2	3	6	Medium	Reviewed. No change in risk or procedures.	Pensions Administration Strategy in place and regular recording of Performance Indicators (KPIs) to identify strength and weakness areas, to maintain or make improvements.	Pensions Manager	No Change
Ad9	Administration	Failure to complete GMP Reconciliation and Rectification	15/07/2025	1	2	2	Low	Reviewed. No change in risk or procedures.	GMP Reconciliation project in place. Team well staffed and trained. Regular attendance of relevant regional and national meetings and forums. Weekly team meetings to discuss targets and problems. Reconciliation completed. Rectification paused as a result of McCloud remedy taking priority.	Pensions Manager	No Change
Ad10	Administration	Loss of key staff / expertise.	15/07/2025	2	3	6	Medium	Reviewed. No change in risk or procedures.	Training program in place. Job Description/Person Specification available. New staff have been employed and are currently being trained. It is expected that once they have gained enough experience, that this risk will reduce.	Pensions Manager	No Change
ad11	Administration	Pensions Dashboard Programme - Fund not ready to meet onboarding deadline.	15/07/2025	1	2	2	Low	Reviewed. No change in risk or procedures.	The fund has been working with software provider to ensure they can meet the required data, reporting and technical standards. The amount of additional staff resources required to manage the work involved is still unknown. However, the Government has now announced a delay to the proposed first connection date of 31 August 2023. Update 9/7/24: Connection date has been put back to 31/10/2025. Fund has signed up to the Norfolk Framework to assist with selecting the ISP delivery.	Pensions Manager	No Change
ad12	Administration	McCloud - not ready to deal with resulting work from remedy.	15/07/2025	1	4	4	Low	Reviewed. No change in risk or procedures.	Most of Dorset County Pension Fund member data relating to the McCloud remedy has been received. McCloud legislation is due in 2023. Need to ensure Fund administrators and software ready, plus Fund resourced sufficiently to deal with the resulting work from remedy. Looking at changes to benefits coming into payment now and going forward, but also the retrospective recalculation of all benefits and transfers since 2014.	Pensions Manager	No Change
Ad13	Administration	Death Grant	15/07/2025	2	3	6	Medium	Reviewed. No change in risk or procedures.	There is a risk that the Fund does not exercise its discretion over payment of a death grant properly. This could result in a claim from other potential beneficiaries of the deceased member. Fund has processes in place to identify potential beneficiaries and follow guidance. Fund takes advice from legal provider when required.	Pensions Manager	No Change

Ref	Risk Area	Risk Title	Last Reviewed	Impact	Likelihood	Risk Score	Risk Rating	Management Update	List of Existing Controls	Risk Owner	Status
Ad14	Administrati	Payroll Migration	15/07/2025	3	2	6	Medium	Reviewed. No change in risk or procedures.	Pensioner payroll is due to be migrated from Dorset Council to Dorset County Pension Fund. There is a risk of not paying 23,000+ pensioners if the project is not managed correctly.	Pensions Manager	No Change
Wf1	Workforce	Health and safety of staff	15/07/2025	1	2	2	Low	Reviewed. No change in risk or procedures.	Work station assessments; PDR trigger interviews; absence management; DCC health & safety policies. DC have also invested in employee wellbeing with resources and information being made available on the DC intranet, along with individual advice and guidance. Homeworking The wellbeing of staff (particularly those who live alone) is an issue. DC provide resources on these subjects via the DC intranet. Managers encouraged to engage with staff member.	Fund Administrator	No Change
Wf2	Workforce	Failure to recruit, develop and retain suitably skilled staff.	15/07/2025	2	3	6	Medium	Reviewed. No change in risk or procedures.	Access to Management Development / Training; PDR; structure review. New staff have been employed and are currently being trained. It is expected that once they have gained enough experience, that this risk will reduce. The establishment of Brunel PP should ensure greater resilience against the loss of key staff re. investments.	Fund Administrator	No Change
Wf3	Workforce	Failure to maintain the balance between workload and staff capacity	15/07/2025	2	3	6	Medium	Reviewed. No change in risk or procedures.	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.	Fund Administrator	No Change
Ot1	Other	Inability to provide service, due to a loss of Council facilities (IT; building) or staff	15/07/2025	2	2	4	Low	Reviewed. No change in risk or procedures.	Business continuity plans maintained for critical services; Pensions Systems can be accessed from home/ remotely; contact numbers held for the team. Disaster recovery in place for Pensions Systems.	Fund Administrator	No Change
Ot2	Other	Poor services, or perception of poor service	15/07/2025	1	3	3	Low	Reviewed. No change in risk or procedures.	Service planning and PDR process; external audit; internal audit reviews; processes and procedures.	Fund Administrator	No Change

Ref	Risk Area	Risk Title	Last Reviewed	Impact	Likelihood	Risk Score	Risk Rating	Management Update	List of Existing Controls	Risk Owner	Status
Ot3	Other	Secure management and handling of confidential and/or personal information	15/07/2025	2	2	4	Low	Reviewed. No change in risk or procedures.	Data awareness guidance promoted corporately; secure email; secure payments portal to actuary. Secure employer and member portals. New system now means that office is paperless so 'hard-copy' files are no longer required.	Fund Administrator	No Change
Ot4	Other	Unrestricted physical access to office and confidential and/or personal information	15/07/2025	2	2	4	Low	Reviewed. No change in risk or procedures.	The Pensions office has now moved and is not now a general walkthrough. There is no longer a meeting room within the office, so only pensions staff should access the office, therefore mitigating risk of data breaches.	Pensions Manager	No Change
Co1	Communications	Growth in number of employers in the Fund leads to less pensions knowledge within each employer. New employers fail to understand their responsibilities within the Fund and LGPS in general	15/07/2025	1	3	3	Low	Reviewed. No change in risk or procedures.	Dedicated Communications Team to ensure all new employers are informed of their responsibilities within the Fund and the LGPS. Presentations and training provided to all necessary members of an employing authority. Feedback accounted for and review of internal procedures undertaken to ensure quality of training materials. New employer portal provides easier to use versions of forms with better guidance to be completed by employers.	Communications & Employer Relations Manager	No Change
Co2	Communications	Members don't make an informed decision regarding their pension options, and employers cannot make an informed decision regarding their discretions policy, leading to possible complaints against the Fund.	15/07/2025	1	3	3	Low	Reviewed. No change in risk or procedures.	Communication strategy in place to ensure the best possible communication material is used. Discretions template and guidance provided to employers completing their discretions policy. Members provided with factsheets, leaflets and booklets enclosed with pension documentation. Dedicated helpline and website providing further information.	Communications & Employer Relations Manager	No Change

Ref	Risk Area	Risk Title	Last Reviewed	Impact	Likelihood	Risk Score	Risk Rating	Management Update	List of Existing Controls	Risk Owner	Status
Co3	Communications	Pension Fund does not reach the target audience and full exposure of information is not achieved.	15/07/2025	1	2	2	Low	Reviewed. No change in risk or procedures.	Annual Benefit Illustrations in paper form to home address with annual newsletter, dedicated telephone and email helpline available for queries. Members and employers are given opportunities to provide feedback. Regular improvements made to communications as issues / changes to legislation identified. Member self service site allows direct contact with members. Presentations for members on request or at times of substantial change. Employer training provided and Pension Officer Group meetings held three times a year.	Communications & Employer Relations Manager	No Change
Co4	Communications	Communication is overcomplicated and technical leading to a lack of engagement and understanding by members and employers of the Fund.	15/07/2025	1	2	2	Low	Reviewed. No change in risk or procedures.	Factsheets and information written on letters is kept as jargon free as possible, and a dedicated helpline through telephone and email is available for both members and employers of the Fund. Presentations provided with simple examples and chance for questions and answer sessions after. New an improved on-line member portal allows members to view details relating to their pension.	Communications & Employer Relations Manager	No Change
Co5	Communications	Employers don't meet their statutory requirements leading to possible reporting of breaches to the Pension Regulator.	15/07/2025	2	3	6	Medium	Reviewed. No change in risk or procedures.	Administration strategy in place to ensure all employers are aware of their responsibilities in the Fund. Training provided where needed. Dedicated Communications Team to ensure full compliance from employers. Penalty charges apply if employer is in breach of any of their responsibilities. New employer portal allows employers to submit monthly membership data, which in turn prompts them to submit lever forms, etc.	Communications & Employer Relations Manager	No Change
Fu1	Funding	Inability or refusal of an employer to pay cessation valuation.	15/07/2025	2	3	6	Medium	Reviewed. No change in risk or procedures.	Action to be taken through the courts. Employers now have the possibility of entering into a deferred debt arrangement or a debts spreading arrangement, which avoids having to pay a cessation cost as a lump sum.	Fund Administrator	No Change
Go1	Governance	Frequent and/or extensive turnover of committee members, or insufficient knowledge of regulations, guidance and best practice to make good decisions.	15/07/2025	1	2	2	Low	Reviewed. No change in risk or procedures.	Member training plan in place. Training policy has been produced. Monitoring of member attendance in place to ensure regular attendance.	Pensions Manager	No Change

Ref	Risk Area	Risk Title	Last Reviewed	Impact	Likelihood	Risk Score	Risk Rating	Management Update	List of Existing Controls	Risk Owner	Status
Go2	Governance	Officers lack the knowledge and skills required to effectively advise elected members and/or carry out administrative duties. There is also a requirement to ensure that Committee members and Board members are appropriately trained to undertake their duties effectively.	15/07/2025	2	2	4	Low	Reviewed. No change in risk or procedures.	Training programmes in place for all staff. Professional qualifications offered to staff and a requirement for senior roles. Senior staff members attending regional and national forums. Staff training needs identified through in house training and development, and addressed through the appraisal process. Regular Training events and modules available for Board and Committee, along with a training policy for board members.	Pensions Manager	No Change
Go3	Governance	Committee members have undisclosed conflicts of interest.	15/07/2025	1	2	2	Low	Reviewed. No change in risk or procedures.	Conflicts of Interest are a regular item on all committee agendas. A Conflict of Interests Policy was introduced in October 2019. A log of interests is now maintained and board members have to complete a declaration of interests form.	Pensions Manager	No Change
Go4	Governance	Decisions are not implemented properly.	15/07/2025	1	2	2	Low	Reviewed. No change in risk or procedures.	Regular review of all decisions. Progress against all actions is reported to the committee.	Pensions Manager	No Change
Go5	Governance	Lack of mechanisms and policies for communicating with Scheme members and employers means that decisions are not available for scrutiny.	15/07/2025	1	2	2	Low	Reviewed. No change in risk or procedures.	Summary of all PFC and LPB minutes to be published in a timely fashion. Annual report published each year. Pension Fund website means information is accessible. Annual Newsletter issued with ABIs.	Pensions Manager	No Change

Ref	Risk Area	Risk Title	Last Reviewed	Impact	Likelihood	Risk Score	Risk Rating	Management Update	List of Existing Controls	Risk Owner	Status
It1	IT Systems	Pension Administration system is not adequate to deliver complex historical pension calculations or implement new scheme changes.	15/07/2025	2	2	4	Low	Reviewed. No change in risk or procedures.	Staff trained to have the ability to manually perform calculations in occasions that systems fail, or cannot process historical/recent scheme changes. Regular collaboration and sharing of expertise knowledge with other funds.	Pensions Manager	No Change
It2	IT Systems	IT systems go down for a prolonged period leading to an inability to access data and run calculations.	15/07/2025	2	2	4	Low	Reviewed. No change in risk or procedures.	Business Continuity Plan, including disaster recovery plans to be updated. Staff trained in manual calculations and collaboration with other funds.	Systems Manager	No Change
It3	IT Systems	Access to on-line Employer Portal not available, for example due to cyber security attack on Dorset Council web addresses, resulting in employers being unable to submit required information in a timely manner in accordance with our admin strategy.	15/07/2025	2	2	4	Low	New risk	Business continuity plan to include provision for employers to submit required information in other forms (such as e-mail) and any employer penalty charges to take into account any period affected by loss of service.	Systems Manager	New risk
Le1	Legislation	Lack of access to appropriate legislation, best practice or guidance could lead to the Fund to act illegally.	15/07/2025	2	1	2	Low	Reviewed. No change in risk or procedures.	Access to LGA material, use of specialist advisors, membership of national and regional forums. Collaborative working with other funds.	Pensions Manager	No Change
Le2	Legislation	Lack of understanding of key changes means the impact is not fully understood.	15/07/2025	2	1	2	Low	Reviewed. No change in risk or procedures.	Regular Technical Management meetings to consider impact. Use of special project teams. Expert advice and collaboration with other funds.	Pensions Manager	No Change
Le3	Legislation	Lack of resource and/or skills to effectively communicate Scheme changes with members and employers.	15/07/2025	1	2	2	Low	Reviewed. No change in risk or procedures.	Communication & Employer Support team in place, regular training provided to ensure knowledge and skills of team members. Collaboration with other funds.	Pensions Manager	No Change

Ref	Risk Area	Risk Title	Last Reviewed	Impact	Likelihood	Risk Score	Risk Rating	Management Update	List of Existing Controls	Risk Owner	Status
Se1	Security	Non-Compliance with GDPR	15/07/2025	2	3	6	Medium	Reviewed. No change in risk or procedures.	All staff required to complete GDPR training, plus additional external training provided to senior staff. DCPF Internal data protection policy for Administering Authority in place. GDPR actions checklist established. Privacy Policy published on DCPF website. Revision of contracts with external suppliers to ensure GDPR compliance. Update 9/7/24: 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.	Systems Manager	No Change
Se2	Security	Data Protection procedures non-existent or insufficient leading to poor security for member data.	15/07/2025	2	2	4	Low	Reviewed. No change in risk or procedures.	Staff must complete data protection and cyber security training. Secure portal for communication and submission of sensitive information between employers and the Fund. Shredder and Confidential Waste bin present in office. Multiple passwords required to access all software containing sensitive information. Systems are protected against viruses and other system threats.	Systems Manager	No Change
Se3	Security	Cyber Security Breaches	15/07/2025	3	3	9	Medium	Reviewed. No change in risk or procedures.	All staff have to complete compulsory training provided by Dorset Council in both Data Protection and Cyber Security. The Pension Section's ICT is provided by DC, and this includes Cyber Security protections.	Systems Manager	No Change
Se4	Security	Fraud by members.	15/07/2025	2	2	4	Low	Reviewed. No change in risk or procedures.	Compliant with audit recommendations. Form of identity check required before any benefits are payable i.e. passport or birth certificate. Mortality screening in UK and overseas performed regularly. 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.	Pensions Manager	No Change
Se5	Security	Fraud by staff.	15/07/2025	2	2	4	Low	Reviewed. No change in risk or procedures.	Compliant with audit recommendations. Robust accounting checks in place and adherence with best practice. Systems in use have built in controls and access levels. Processes in place to ensure staff leaving have access stopped immediately. All payments checked and authorised before being processed.	Pensions Manager	No Change

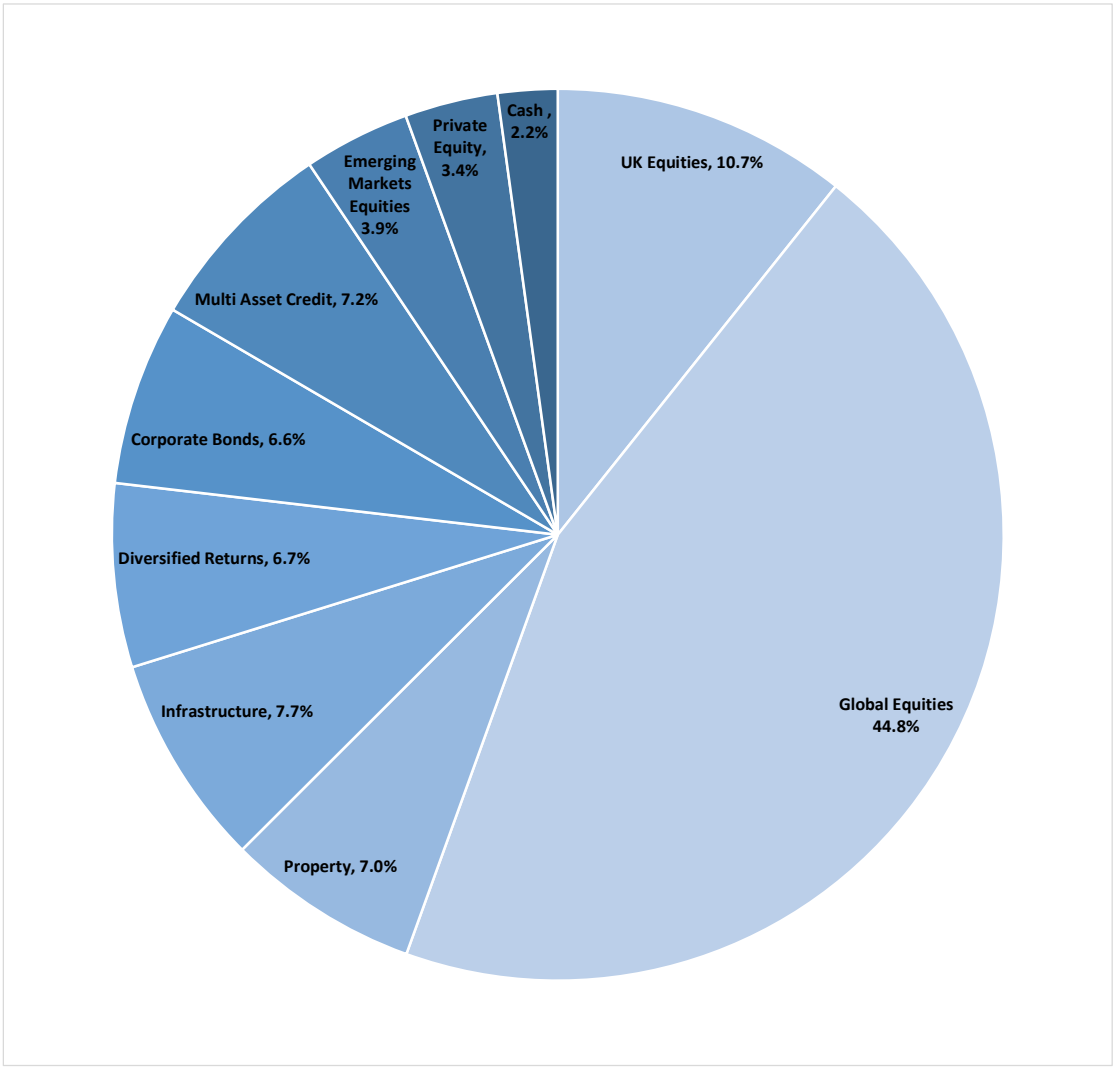
Investment Performance

Fund Information 2024-25

£149.1M	£4.1Bn	3.8%	4.7%	2.7%
Fund Value Increase	Total Fund Value	Fund Value Increase	Total Annual Return	Underperformed Benchmark

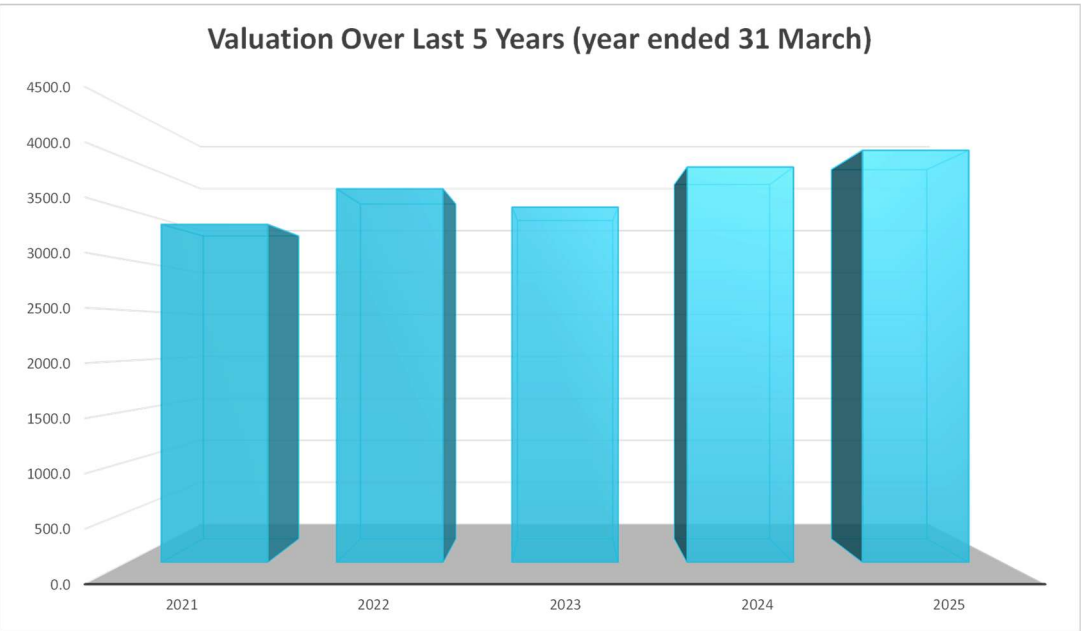
Total Asset Distribution as at 31 March 2025

The total asset distribution of the Dorset County Pension Fund as at 31 March 2025 is shown in the chart below. These allocations are within the agreed targets.



Fund valuation (year ended 31 March 2025)

The diagram below shows the change in value of the Fund over the last five years as at 31 March.



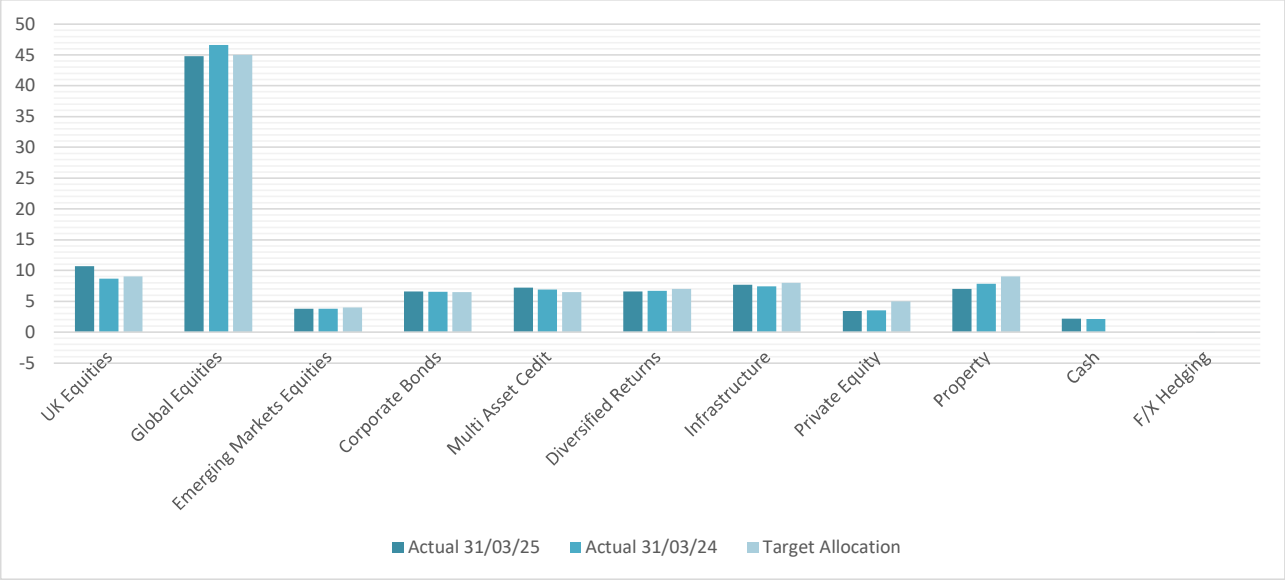
Asset allocation

The Dorset County Pension Fund Committee is responsible for deciding the asset allocation of the fund. The table below summarises the Fund's Asset Allocation.

The main requirement in managing the Fund is to ensure adequate diversification of its assets over different asset classes. The correct balance must be struck between the desire for enhanced returns and potential 'risk' of volatility in those returns i.e. the investment policy of the Fund is aimed at maximising returns within the acceptable limits of risk. The portfolio balance needs to be regularly monitored and adjusted in line with the economic, financial and market indicators.

	31-Mar-24		31-Mar-25		Target Allocation	
Asset Class	**£M**	**%**	**£M**	**%**	**£M**	**%**
UK Equities	339.9	8.7	436.1	10.7	366.4	9.0
Global Equities	1,826.2	46.6	1,822.6	44.8	1,831.8	45.0
Emerging Markets Equities	147.8	3.8	157.2	3.9	162.8	4.0
Total Listed Equities	**2,313.9**	**59.1**	**2,415.9**	**59.3**	**2,361.0**	**58.0**
Corporate Bonds	256.4	6.5	267.1	6.6	264.6	6.5
Multi Asset Credit	269.7	6.9	292.4	7.2	264.6	6.5
Diversified Returns	262.2	6.7	270.7	6.7	284.9	7.0
Infrastructure	290.4	7.4	312.7	7.7	325.6	8.0
Private Equity	138.4	3.5	137.2	3.4	203.5	5.0
Property	307.2	7.8	285.0	7.0	366.4	9.0
Cash	82.7	2.1	88.8	2.2	-	0.0
F/X Hedging	-2.8	-0.1	0.8	0.0	-	0.0
Total Asset Valuation	**3,918.1**	**100.0**	**4,070.6**	**100.0**	**4,070.6**	**100.0**

The Asset Mix of the portfolio is shown in the diagram below.



There was no target allocation for Cash as at 31 March 2025.

F/X Hedging was -0.1% on 31 March 2025. There was no target allocation for F/X Hedging as at 31 March 2025.

Investment Managers

The investment managers and their appointed portfolios are shown below, with the figures showing the percentage of the Fund's assets that each manager is responsible for based on market values as at 31 March 2025.

Manager	Asset Class	£M	%
Brunel	Global Equities	1,551.6	38.1
Brunel	UK Equities	436.1	10.7
Brunel	Overseas Equities	428.2	10.5
Brunel	Multi Asset Credit	292.4	7.2
Brunel	Diversifying Returns Fund	270.7	6.7
Brunel	Bonds	267.1	6.6
CBRE Global Investors	Property/Property Funds	228.2	5.6
IFM	Infrastructure	171.2	4.2
Cash & Cash Equivalents	Cash & Cash Equivalents/Interest Receivables	88.8	2.2
Federated Hermes	Infrastructure	77.6	1.9
Brunel	Private Equity	73.0	1.8
Brunel	Infrastructure	63.9	1.6
Brunel	Property Funds	56.8	1.4
HarbourVest	Private Equity	56.2	1.4
Patria	Private Equity	8.0	0.2
Derivatives	Derivatives	0.8	0.0
Total Assets		**4,070.6**	**100.0**

Performance
Performance of the Fund is measured against an overall strategic benchmark. Performance of fund managers is reviewed quarterly by the Pension Fund Committee, which is supported by the Fund's independent adviser.

The overall performance of each manager is measured over rolling three and five-year periods, as inevitably there will be short-term fluctuations in performance.

Fund Returns Achieved Over One, Three and Five Years by Asset Class
The overall performance of the Pension Fund's investments to 31 March 2025 is summarised below (returns for three and five years are annualised figures).

The table overleaf sets out a more detailed analysis of the Fund's investment returns for one, three and five years, broken down by asset class and enables comparison against their specific benchmarks.

Rates of Return - One Year Summary
During the year, the Fund underperformed its bespoke benchmark with a return of 4.7% compared to a benchmark of 7.4%. Positives to performance have been attributable to the Brunel Private Equity Cycle 3 (6.6%), Brunel Infrastructure Cycle 3 (5.5%) and Brunel Private Equity Cycle 1 (2.2%). The Brunel Sterling Corporate Bonds performed well outperforming its benchmark by 1.8%.

The main detractors to performance were the legacy Private Equity managers Patria (-12.9%) and HarbourVest (-8.7%). Legacy Infrastructure manager Federated Hermes underperformed its benchmark by 12.1%, whilst the Brunel Global Sustainable Equities Fund underperformed its benchmark by 8.0%.

Rates of Return - Three Year Summary
Over the three-year period, the Fund returned 3.6% against its bespoke benchmark of 5.5%. Positives to performance have been attributable to Private Equity Cycle 1 (2.4%) and the Passive Smart Beta Fund (0.6%) and the Passive Smart Beta Hedged Fund (0.5%).

The main detractors to performance were the Brunel Secured Income Cycle 1 Fund which underperformed its benchmark by 9.4%, whilst Infrastructure manager Federated Hermes underperformed its benchmark by 10.8%. Private Equity Manager HarbourVest underperformed its benchmark by 8.1% and the Brunel Global Sustainable Equities Fund underperformed its benchmark by 5.3%.

Rates of Return - Five Year Summary
Over the five-year period, the Fund underperformed its benchmark with a return of 8.7% compared to a benchmark of 9.5%. Positives to performance were Property manager CBRE who outperformed its benchmark by 1.5%, whereas Private Equity manager HarbourVest and Brunel Smart Beta fund (Hedged and Unhedged) outperformed the benchmark by 1.0% and 0.6% respectively.

The main detractors to performance were Federated Hermes who underperformed their benchmark by 9.1%, Patria who underperformed their benchmark by 6.0% and the Brunel Secured Income - Cycle 1 portfolio which underperformed their benchmark by 3.9% over the five-year period.

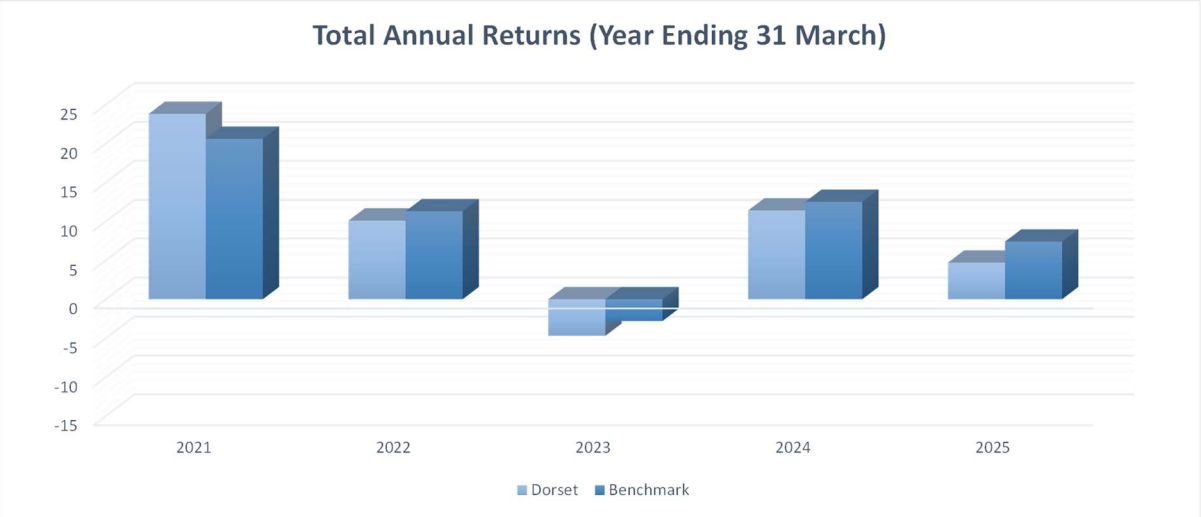
Performance Monitoring

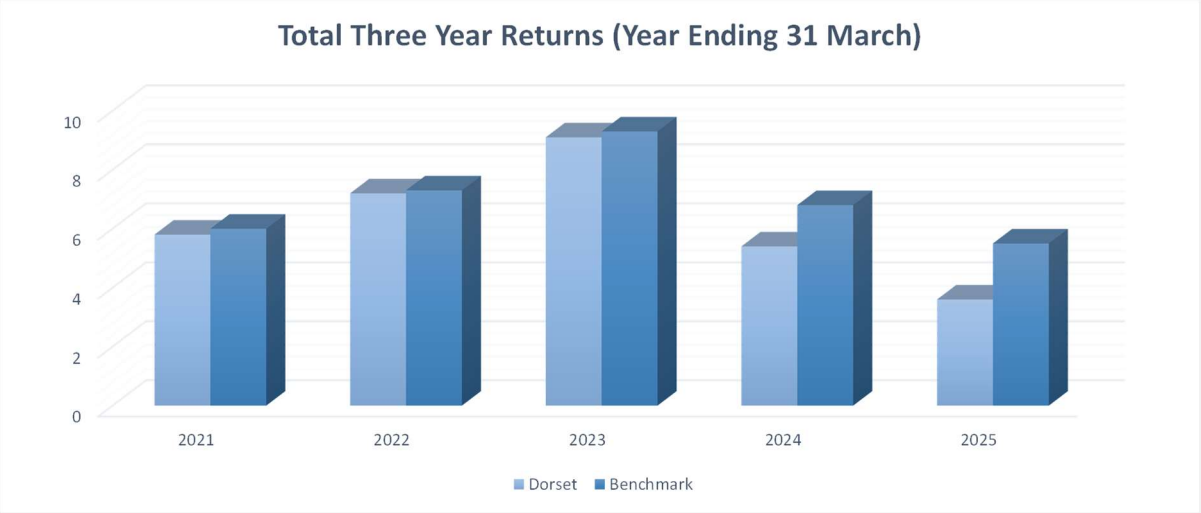
Investment manager performance is reviewed quarterly by the Pension Fund Committee. The Committee review comprehensive quarterly and longer period reports that includes the performance of each manager measured against their benchmark and target. Information on returns is currently provided by State Street.

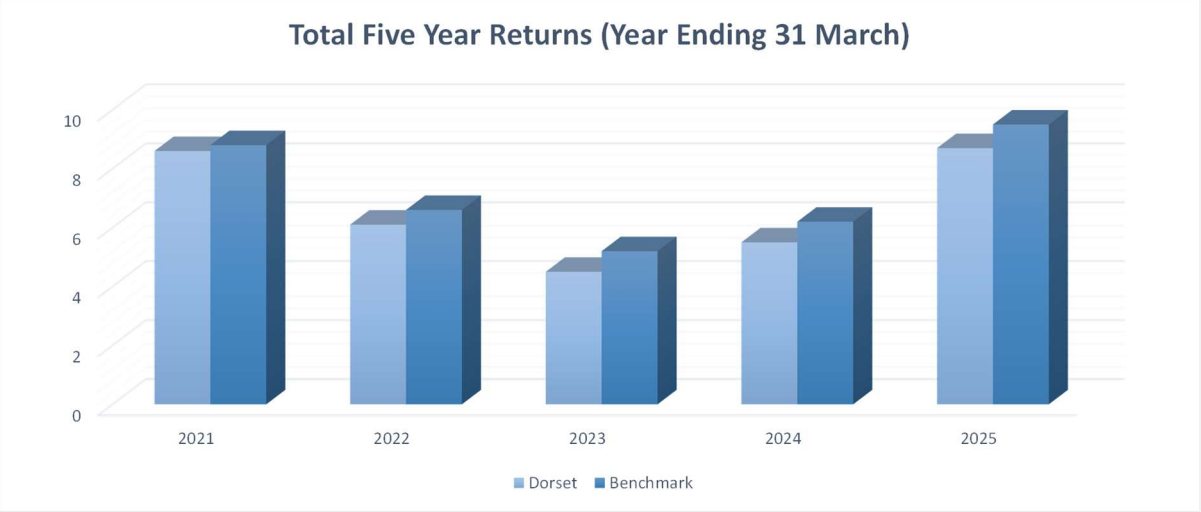
	Dorset 1 year %	Benchmark 1 year %	Dorset 3 year %	Benchmark 3 year %	Dorset 5 year %	Benchmark 5 year %
UK Equities						
Brunel Passive UK Equities	10.5	10.5	7.3	7.2	12.2	12.0
Brunel UK Active Equity	9.7	11.0	7.4	7.7	11.4	12.2
Overseas Equities						
Brunel Emerging Market Equity	6.4	6.3	1.6	2.6	6.3	7.5
Brunel Global High Alpha Equity	0.8	5.2	6.8	8.8	14.8	15.7
Brunel Passive Smart Beta	5.7	5.3	7.7	7.2	13.9	13.4
Brunel Passive Smart Beta Hedged	8.4	8.0	7.6	7.1	14.9	14.3
Global Equities						
Brunel Global Sustainable Equities	-2.7	5.3	2.8	8.1	N/A	N/A
Brunel Passive Developed Equities	4.6	5.0	8.4	8.6	15.3	15.5
Brunel Passive Developed Equities Hedged	7.4	7.9	8.4	8.6	16.3	16.4
Brunel Smaller Companies Equities	-4.9	-1.9	0.5	2.7	N/A	N/A
Bonds						
Brunel Royal London Mutual Insurance Mutual Fund	4.2	2.4	N/A	N/A	N/A	N/A
Multi Asset Credit						
Brunel Multi Asset Credit	8.4	9.2	5.4	8.2	N/A	N/A
Private Equity						
Patria	-2.4	10.5	2.9	7.2	6.0	12.0
Brunel Private Equity - Cycle 1	7.5	5.3	10.5	8.1	15.3	14.8
Brunel Private Equity - Cycle 3	11.9	5.3	N/A	N/A	N/A	N/A
HarbourVest	1.7	10.5	-0.9	7.2	13.1	12.0
Property						
CBRE Global Investors	4.9	6.3	-2.1	-2.7	2.8	2.2
Property Funds						
Brunel Secured Income - Cycle 1	3.6	2.6	-4.1	5.2	0.8	4.7
Brunel Secured Income - Cycle 3	2.5	2.6	N/A	N/A	N/A	N/A
Infrastructure						
Brunel Infrastructure - Cycle 3	8.2	2.6	N/A	N/A	N/A	N/A
Federated Hermes Fund	-2.1	10.0	-0.9	10.0	0.9	10.0
IFM Fund	6.0	10.0	8.9	10.0	10.3	10.0
Diversified Returns Fund						
Brunel Diversifying Returns Fund	3.2	8.1	3.6	7.2	N/A	N/A
Overall Fund Return	**4.7**	**7.4**	**3.6**	**5.5**	**8.7**	**9.5**

Total Returns Over the Past Five Years

The charts below show the total annual, three and five year returns of the Fund compared with its benchmark for each of the last five years as at 31 March.







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.

The table below shows the Managers of the Fund and their respective benchmarks.

Manager	Mandate	Benchmark Indices	Inception Date
Brunel	Global Sustainable Equities	MSCI World All Cap	2020
Brunel	Multi Asset Credit	Sonia + 4%	2021
Brunel	Smaller Companies Equities	MSCI World Small Cap	2021
Brunel	Sterling Corporate Bonds	iBoxx Sterling Non-Gilts Overall Total Return Index	2022
Brunel - Colmore	Infrastructure Cycle 3	Consumer Price Index	2022
Brunel - Colmore	PM Secured Income - Cycle 1	Consumer Price Index	2019
Brunel - Colmore	PM Secured Income - Cycle 3	Consumer Price Index	2023
Brunel - Colmore	Private Equity - Cycle 1	MSCI ACWI	2019
Brunel - Colmore	Private Equity Cycle 3	MSCI AC World Index	2023
Brunel - Colmore	Private Equity Cycle 4	MSCI ACWI	2024
Brunel - Fundrock	UK Active Equity	FTSE All Share	2018
Brunel - Fundrock	Diversifying Returns Fund	SONIA	2020
Brunel - Fundrock	Emerging Markets Equity	MSCI EM TR Gross	2019
Brunel - Fundrock	Global Equity High Alpha	MSCI World TR Gross	2019
Brunel - LGIM	Passive Developed Equities	FTSE World Developed	2020
Brunel - LGIM	Passive Developed Equities (Hedged)	FTSE World Developed GBP (Hedged)	2020
Brunel - LGIM	Passive Smart Beta	Passive Smart Beta Benchmark	2018
Brunel - LGIM	Passive Smart Beta (Hedged)	Passive Smart Beta (Hedged) Benchmark	2018
Brunel - LGIM	Passive UK Equities	Passive UK Equities Benchmark	2018
Brunel - Tutman	Low Volatility Global Equity	MSCI AC World Index	2024
CBRE	Property	MSCI Quarterly Universe	2000
Federated Hermes	Infrastructure	10% Absolute Return	2015
HarbourVest	Private Equity	FTSE All Share	2006
IFM	Infrastructure	10% Absolute Return	2016
Patria	Private Equity	FTSE All Share	2006
Source: State Street			

Overview of Assets

The table below shows the Top 10 holdings of the Pension Fund as at 31 March 2025.

Security Name	Sector	Sub-Sector	Country	Market Value £	% of Pension fund
UK Equities					
Microsoft Corp	Information Technology	Systems Software	United States	44,486,584.27	1.09
Astrazeneca Plc	Health Care	Pharmaceuticals	United Kingdom	29,983,131.82	0.74
Shell Plc	Energy	Integrated Oil & Gas	United Kingdom	28,025,710.06	0.69
Univer Plc	Consumer Staples	Personal Care Products	United Kingdom	27,684,647.91	0.68
Mastercard Inc - A	Financials	Transaction & Payment	United States	26,651,021.37	0.65
Amazon.com Inc	Consumer Discretionary	Broadline Retail	United States	26,480,230.45	0.65
HSBC Holdings Plc	Financials	Diversified Banks	United Kingdom	23,658,790.51	0.58
Nvidia Corp	Information Technology	Semiconductors	United States	22,458,666.75	0.55
Apple Inc	Information Technology	Technology Hardware	United States	21,881,602.12	0.54
Alphabet Inc Class A	Communications Services	Interactive Media	United States	18,179,974.39	0.45

Table excludes cash and non-pooled assets. This is an estimated aggregate position using Brunel Portfolios.

Scheme Administration

The Local Government Pension Scheme

The Local Government Pension Scheme
The Local Government Pension Scheme (LGPS) is one of the largest pension schemes in the UK. It is a national pension scheme for people working in local government or working for other employers that participate in the Scheme. The LGPS in England and Wales is administered locally by 86 local pension funds.

The LGPS is a statutory public service pension scheme with over 6.7 million members in England and Wales. This is split:

- 2.1 million people are currently paying into the LGPS;
- 2.1 million people are being paid a pension from the LGPS; and
- 2.5 million have a pension with the LGPS that they have not yet taken.

The Scheme is regulated by statute through the Department for Ministry of Housing, Communities and Local Government. The Local Government Pension Scheme is a defined benefit scheme. This means that benefits are determined by the regulations and are not affected by investment performance or market conditions.

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 Regulations 2013 (as amended), describe how rights accrue and how benefits are calculated with effect from 1st April 2014. These regulations also contain the administrative provisions for the Scheme.
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended), set out how membership accrued prior to 1st April 2014 counts. These regulations also remove the ability of Councillors in England and Wales to continue their participation in the LGPS.
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended), provide the regulatory framework for the investment of pension fund assets.

The LGPS is a registered public service pension scheme. This means that members can receive tax relief on the contributions that are paid, subject to certain limits.

Members include people who work in Local Authorities, including Dorset Council and Bournemouth, Christchurch and Poole Council, education establishments, admitted, resolution and scheduled bodies within Dorset.

Membership is generally available to employees of participating employers who have contracts of employment of three months or more, are under the age of 75 and who are not eligible for membership of other statutory pension schemes.

Membership of the LGPS is therefore not open to teachers, police officers, firefighters and civil servants who have their own pension schemes.

With effect from 1 April 2014 the LGPS changed from a final salary scheme to a career average scheme. All benefits built up in the LGPS after 31

March 2014 will be calculated under the rules of the career average scheme.

The vision is to administer the DCPF successfully, in a cost-effective way, whilst meeting member expectations, and ensuring our statutory duties are met.

Cost Management
A cost management process ensures the long-term sustainability of the LGPS. The cost of the Scheme is monitored to make sure it stays within limits by the Scheme Advisory Board and HM Treasury. Changes to the Scheme design may be required if the cost of the LGPS becomes higher or lower than those limits.

How the Scheme Currently Works
Scheme Benefits
The main provisions of the LGPS scheme are as follows:
• The scheme provides a guaranteed pension. From the 1st of April 2014 the Scheme became a Career Average Revalued Earnings (CARE) scheme with benefits building at a rate of 1/49th of pay plus an annual revaluation in line with increase in CPI. The Final Salary link was retained for all benefits prior to 31 March 2014 (1/60th of final pay for each year of membership in the scheme after 31 March 2008 and membership to 31 March 2008 calculated as 1/80th final pay pension plus 3/80ths lump sum).
• Up to 25% of the capital value of benefits can be taken as a lump sum by commutation using the 12:1 commutation rate, i.e. for every £1 of pension given up the member gets £12 lump sum on retirement.
• Benefits prior to 31 March 2014 continue to be calculated on final pay, being the best one of the last three years' pay.
• Retirement age for future benefits is now State Pension Age, with protections for older members, but with the right to take pension from age 55 with a reduction for early payment.
• Flexible retirement with employer consent is permitted from age 55.
• Immediate payment of pension benefits following redundancy / efficiency retirement on or after age 55.
• A three-tier ill health benefits system.
• A death grant of three times pay for death in service; five times pension if a deferred beneficiary dies; and 10 times pension less pension already paid if a pensioner dies within ten years of retirement and before age 75.
• Spouses' and Civil Partners pensions are generally based on a 1/160th accrual rate. Co-habiting partners pension will also be based on a 1/160th accrual rate but on post 5 April 1988 membership only.
• Members can buy extra scheme pension up to a maximum of £8,344 or they can pay into an Additional Voluntary Contribution (AVC) plan.
• Employers can grant extra pension of up to £8,344.
• Trivial pensions may be commuted into a single lump sum payment in accordance with HMRC rules.

Membership
Employees must normally have a contract of employment for three months or more in order to be eligible for membership. Membership of the Scheme is then compulsory but eligible employees are free to choose whether to remain in the Scheme or make their own personal pension arrangements outside the Scheme.

Contributions
Employees and employers contribute to the scheme. Employees: Members of the LGPS pay a contribution rate dependant on the salary band they fall in to. The contribution rate employees pay depends on their salary. The bands and contribution rates for 2024-25 are set out in the table on page 38.

If a member leaves with at least two years membership and is not entitled to immediate payment of benefits and does not choose to transfer out their accrued benefits, deferred benefits are awarded. Deferred benefits are those which remain in the Fund and are paid when the member reaches retirement age. Such benefits are subject to inflationary increases between the date of leaving and the date of payment.

Standard contributions for members vary from 5.5% to 12.50% depending on the members' level of pensionable pay. Employers meet the balance

of the cost of the LGPS through variable employer contributions which are set by the DCPF's actuary every three years following a valuation. Employer contribution rates are shown on pages 41-44.

DCPF's employers are all required to use the employer portal, which enables notifications and data to be exchanged securely. This system links directly into our workflow system.

Scheme Employers

Scheme employers are supported by a dedicated team, who are available to assist and support employers. In addition to the information, forms and fact sheets are available on the DCPF's website, regular training is provided to assist employers in understanding their role and responsibilities, and in completing the data returns required. A new employer specific website went live in September 2019 to provide better support to employers **https://dcpfemployers.org.**

Employer meetings, (Pension Liaison Officers Group – PLOG), meet three times a year, and all employers are invited to attend.

Specific support is provided to employers outsourcing and new employers including a dedicated section on the website.

Full support and regular training are provided to assist employers in completing and maintaining their LGPS discretions policy, including a section on the fund website containing a full list of discretions, policy guidance and a template document at **www.dcpfemployers.org**

Value for Money

The DCPF is committed to ensuring that the administration functions represent value for money and ensuring the continued improvement of cost efficiency where possible. Our vision is to administer the DCPF successfully, in a cost-effective way, whilst meeting member expectations, and ensuring our statutory duties are met.

The scheme continues to offer value for money to employers and members, by making sure that both Pension Committee and Board have the right skill set and knowledge to ensure governance of the fund; whilst also making sure that the investment and administration teams are, appropriately and adequately resourced to meet the day-to-day challenge for running the Fund.

Data Quality

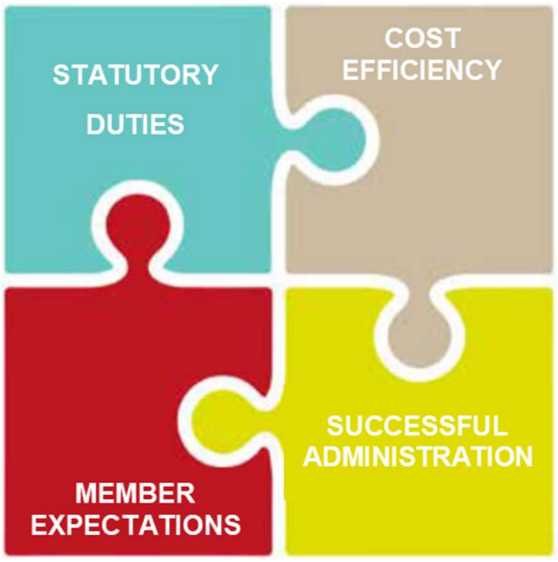
Retaining good quality data within the Fund is paramount to ensuring effective governance and administration of members' pension records.

Whilst the Fund has a high level of scheme member data which is considered to be present and accurate, it continually strives to improve its data quality.

Since 2018, the DCPF has developed a Data Improvement Plan following annual reports commissioned to examine the quality of the data held. The annual report, and subsequent

improvement plans, have led to the continued improvement of our data, and currently all scheme data is in excellent condition. This comes as a continued and joint effort of both the administration team and the DCPF employers who have committed to providing accurate and timely data. Where employers have not been able to meet these requirements, financial penalties as set out in the Pensions Administration Strategy have been imposed, together with an enhanced programme of training and support.

The Pensions Regulator requires all pension schemes to report to them via the annual Scheme Return, the data quality scores, for both common and scheme specific data.



Performance Information

The table below shows a summary of the main task areas, our local target for completion, (Fund KPIs), the legal timescales, the number of tasks completed in each work area, plus the % completed within our target time.

This represents a section of our work only; it does not cover all work areas.

Process	Fund KPIs	Legal Requirement	Number of cases completed in year	% completed within Benchmark
Deaths - Calculate and notify amount of dependent's benefit	15 days	2 months	291	77.66
Estimates - Letter notifying estimate of retirement benefits	15 days	2 months	898	97.88
Retirements - Process and pay lump sum retirement grant (including all retirement types)	10 Days	2 months	1,745	94.90
Deferment - Calculate and notify deferred benefits	40 Days	2 months	2,060	94.37
Transfers in - Letter detailing transfer in quote	15 Days	2 months	124	100.00
Refund - Process and pay a refund	15 Days	2 months	630	100.00
Joiners - Send notification of joining the LGPS to scheme member	30 Days	2 months	4,791	100.00

Process	Fund KPIs	Legal Requirement	Number of cases completed in year	% completed within Benchmark
Divorce - estimates for divorce purposes processed	15 Days	2 months	175	99.43
General Correspondence	15 Days		8,107	98.43
Total	**18,821**		**18,404**	**97.78**

Communications and Member Engagement

In 2018, the DCPF launched a Member Self-Service (MSS) facility, which enables active, deferred and pensioner members the option to change basic details, such as address, run through benefit calculations and also receive communications.

In August 2021, the member portal changed due to the change in pensions administrative software. This change has also increased the ability for users to contact the Fund, with the ability to upload documents and certificates.

My Pension - Dorset County Pension Fund's On-line Member Self-Service Portal for Active and Deferred Members
If you are an active or deferred member, you can perform your own benefit calculations from the data held on your pension record, so that you can actively plan for your retirement. You are able to perform as many calculations as you wish and in future not have to wait for your annual benefit statement to arrive before finding out what you can expect to receive when you retire. You are also able to view and update your personal details, which includes changing your death grant expression of wish, if needed.

In Summary:
- View / update your personal details.
- View financial details.
- Perform benefit calculations.

Pensioner Members
You will be able to change your home address, as well as being able to calculate the level of survivor's benefits payable upon your death, making it easier to manage your affairs.

In Summary:
- View / update your basic details.
- View / update your death grant nomination.

To register go to the My Pension website:
https://mypension.dorsetcouncil.gov.uk

Annual Benefit Illustrations are issued each year to active and deferred members together with an annual newsletter detailing regulatory changes and key messages for members. Annual newsletters are also sent to pensioner members each year. These communications are very well received by members.

The Communication Policy Statement for the DCPF can be found on the website below.
https://www.dorsetpensionfund.org/forms-and-publications/communications-policy/

In-House AVC Provider

The In-House AVC provider is the Prudential. Additional Voluntary Contributions (AVCs) allow members to build up extra savings for retirement. If members choose to pay AVCs, they are invested separately from the LGPS benefits and provide the member with additional income upon their retirement.

The LGPS has a provision within its regulations to allow an employee to enter into an agreement in which the employer can decide to also contribute to their employee's AVC arrangement. This is known as a Shared Cost AVC (SCAVC). This can be done under a Salary Sacrifice arrangement.
If an employee enters a SCAVC Salary Sacrifice arrangement with their employer, they would both stand to make savings.

For example, if an employee was earning £20,000, and agrees with their employer that they will give up £1,000 of their salary, which the employer will put directly into a AVC fund, then as long as the employee also puts in a minimum of £1, they will enter a Shared Cost AVC.

The employee will make savings on tax and National Insurance (NI) contributions, and the employer will save on NI contributions. The employee could well have made the same tax savings themselves, by simply paying the £1,001 in directly into the AVC pot, without involving their employer or Salary Sacrifice at all, but via Salary Sacrifice the employee would get the bonus on saving on their National Insurance contributions too. Not all employers permit SCAVCs as this is an employer discretion.

Scheme Membership

Employees Contributions Table 2024-25
The 2024-2025 employee contribution bandings within the main and 50/50 sections of the LGPS have been confirmed and are detailed below.

There are nine salary bands with a different contribution percentage for each band. The following pay bands and contribution rates will apply in the main and 50/50 sections of the LGPS respectively from 1 April 2024 until 31 March 2025 (inclusive).

Contribution Table 2024-25			
Band	**Pay Bands: Actual Pensionable Pay**	**Contribution Rate Main Scheme %**	**Contribution Rate 50/50 Scheme %**
1	Up to £17,600	5.50	2.75
2	£17,601 to £27,600	5.80	2.90
3	£27,601 to £44,900	6.50	3.25
4	£44,901 to £56,800	6.80	3.40
5	£56,801 to £79,700	8.50	4.25
6	£79,701 to £112,900	9.90	4.95
7	£112,901 to £133,100	10.50	5.25
8	£133,101 to £199,700	11.40	5.70
9	£199,701 or more	12.50	6.25

Pension Increase
Deferred benefits and pensions in payment are increased each year determined by the increase in the Consumer Price Index (CPI). The pension increase is effective in the first full week of each financial year and is determined by the CPI in the twelve months to the previous September. The increases are payable by the Fund and future increases are estimated at each triennial valuation. This rate is formally announced in October each year and the CPI increase which came into force in April 2025 has been announced as 1.7%.

Pensioners must be over the age of fifty-five or have retired on ill-health grounds to receive the increase. Those in receipt of a widow's, widower's or dependant's benefit receive the increase regardless of age.

The table opposite shows the rate of increases that have applied for the last ten years.

Year Beginning April	Rate of Increase %	Index
2025	**1.7**	**CPI**
2024	6.7	CPI
2023	10.1	CPI
2022	3.1	CPI
2021	0.5	CPI
2020	1.7	CPI
2019	2.4	CPI
2018	3.0	CPI
2017	1.0	CPI
2016	0.0	CPI

Triennial Valuation

Every three years the Fund commissions a formal valuation from the Fund's actuary, Barnett Waddingham LLP which produces two key outputs.

Firstly, it quantifies the funding level, i.e., the level to which the Fund's pension liabilities for the accrued benefits of current employees, deferred pensioners and pensions in payment are matched by the market value of the Fund's assets. A funding level of less than 100% implies that there is a deficit between the Fund's assets and liabilities at that date.

Secondly, it also sets the rate at which employers should contribute to the Fund for the following three years along with any deficit recovery payments.

Employer contributions are split into a primary rate and secondary rate.

The primary rate is what is required to meet the future benefits earned by active members (that is, current employees). The primary rate is usually expressed as a percentage of pay. This is then adjusted by the secondary rate to arrive at the overall rate the employer is required to pay. The secondary rate may be in respect of costs associated with the funding of active and inactive members' benefits earned up to the valuation date, although there can be other factors which affect this rate. The secondary rate may be expressed as a lump sum payment or as a percentage of payroll.

In 2022-23, the results of the latest triennial valuation of the pension fund's assets and liabilities were received from our actuary. This estimated that at 31 March 2022 the fund had assets sufficient to cover 96% of its accrued liabilities, an improvement from 92% at the 31 March 2019 valuation.

Participating Employers of the Fund

At 31 March 2025 there were 345 employers in the Pension Fund. Participating employers can be scheduled bodies, resolution bodies or admitted bodies, as defined below:

- **Scheduled Bodies**. Employers such as the unitary council (including maintained schools), further education establishments and Academies, whose employees are automatically entitled to be members of the Fund.
- **Resolution Bodies**. These are town and parish councils who can pass a resolution to allow all, or certain categories of employees, to join the LGPS.
- **Admitted Bodies**. These are voluntary, charitable and, in certain circumstances, private sector organisations carrying out scheduled bodies' contracts, where staff can become members of the Scheme by virtue of an Admission Agreement between the Pension Fund and the relevant body. At 31 March 2025 there were 54 Admitted Bodies participating in the Pension Fund.

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).

Scheme employers are supported by a dedicated team, who are available to assist and support employers. In addition to the information, forms and fact sheets are available on our website, regular training is provided to assist employers in understanding their role and responsibilities, and in completing the data returns required.
Our employers are all required to use our employer portal, which enables notifications and data to be exchanged securely. This system links directly to the pension administration system.

Employer meetings (Pension Liaison Officers Group – PLOG), meet three times a year, and all employers are invited to attend.

Specific support is provided to employers outsourcing and new employers including a dedicated section on our website.
Full support and regular training are provided to assist employers in completing and maintaining their LGPS discretions policy, including a section on the fund website containing a full list of discretions, policy guidance and a template document at:
www.dcpfemployers.org

Employer Contribution Information – Year Ended 31 March 2025
The tables below show the Scheduled Bodies, Resolution Bodies and Admitted Bodies information.

The following tables show the employers participating in the Dorset County Pension Fund as at 31 March 2025. The contribution rates shown are the percentage of its employees' pensionable pay that each employer paid into the fund during 2024-25 as well as employees' contributions. The contribution rates are set at a level to bring the fund to 100% funding over a period of sixteen years. The contributions received from both employers and employees during the year are also shown.

Scheduled Bodies	Number of Active Members	Number of Pensioners	Number of Deferred Members	Employer Contribution Rate Paid %	Employer Contributions £	Employee Contribution Rate Paid %	Employee Contributions £
Principal Councils							
Dorset Council	6,524	11,942	10,059	19.1	37,640,899.95	6.4	10,572,067.37
BCP Council	5,123	7,965	6,514	19.0	35,799,800.10	6.4	9,660,232.03

Scheduled Bodies	Number of Active Members	Number of Pensioners	Number of Deferred Members	Employer Contribution Rate Paid %	Employer Contributions £	Employee Contribution Rate Paid %	Employee Contributions £
Parish and Town Councils							
Alderholt Parish Council	2	2	2	22.0	10,375.06	6.1	2,894.06
Bere Regis Parish Council	1	0	0	22.0	3,083.52	5.5	770.88
Blandford Town Council	17	16	10	22.0	88,700.50	6.3	25,263.37
Bothenhampton & Walditch Parish Council	0	1	0	N/A	0.00	N/A	0.00
Bradpole Parish Council	0	0	1	N/A	0.00	N/A	0.00
Bridport Town Council	25	9	10	22.0	126,122.22	6.1	34,831.19
Broadwindsor Group Parish Council	1	0	0	22.0	3,036.24	5.5	759.12
Charminster Parish Council	2	0	0	22.0	1,678.60	5.5	419.66
Chesil Bank Parish Council	1	0	0	22.0	1,020.37	5.5	255.10
Chickerell Town Council	6	0	0	22.0	16,682.62	6.0	7,924.45
Christchurch Town Council	6	2	0	22.0	42,389.16	6.5	12,551.56
Colehill Parish Council	2	2	2	22.0	13,062.94	6.2	3,702.62
Corfe Mullen Town Council	9	6	4	22.0	42,337.03	6.2	11,989.70
Crossways Parish Council	1	0	1	22.0	4,823.64	5.8	1,271.64
Dorchester Town Council	24	27	13	22.0	172,516.47	6.3	41,201.85
East Stoke Parish Council	1	0	0	22.0	787.00	5.5	186.57
Ferndown Town Council	16	9	2	22.0	63,900.12	6.4	18,842.03
Gillingham Town Council	15	9	10	22.0	94,935.82	6.2	26,671.93
Knightsford Parish Council	1	0	0	22.0	2,738.01	5.5	684.48
Lower Winterborne Parish Council	1	0	1	22.0	1,728.69	5.5	432.15
Lyme Regis Town Council	20	19	12	22.0	133,493.02	6.2	37,539.91
Lytchett Matravers Parish Council	1	1	0	22.0	4,460.02	5.8	834.76
Lytchett Minster And Upton Town Council	7	5	0	22.0	40,015.47	6.5	11,785.16
Maiden Newton/Frome Vauchurch Parish Council (1)	0	0	0	22.0	942.44	5.5	235.62
Milborne St Andrews Parish Council	0	1	0	N/A	0.00	N/A	0.00
Portland Town Council	11	6	2	22.0	52,293.33	6.2	14,688.25
Puddletown Area Parish Council (2)	1	1	0	22.0	0.00	N/A	0.00
Shaftesbury Town Council	9	8	13	22.0	52,768.09	6.2	14,889.46
Sherborne Town Council	21	22	6	22.0	118,038.12	6.4	34,142.50
St Leonards Parish Council	2	1	0	22.0	8,462.04	5.9	2,405.99
Stalbridge Town Council	1	0	0	22.0	4,498.21	5.8	1,185.89
Sturminster Marshall Parish Council	1	0	0	22.0	3,651.62	5.5	912.94
Sturminster Newton Parish Council	0	2	0	N/A	0.00	N/A	0.00
Swanage Town Council	39	75	32	22.0	212,735.47	5.8	55,959.81
Verwood Town Council	5	2	1	22.0	28,919.12	7.2	9,404.84
Wareham St Martin Parish Council	0	1	0	N/A	0.00	N/A	0.00
Wareham Town Council	8	11	8	22.0	52,590.84	6.5	15,485.95
West Moors Town Council	2	1	2	22.0	15,646.58	6.5	4,622.81
West Parley Parish Council	1	1	0	22.0	6,946.57	6.5	2,052.37
Weymouth Town Council	55	13	13	22.0	352,756.14	6.6	105,676.70
Wimborne Minster Town Council	8	3	7	22.0	57,423.74	6.4	16,683.68
Wool Parish Council	1	2	1	22.0	5,293.44	5.8	1,395.60

Scheduled Bodies	Number of Active Members	Number of Pensioners	Number of Deferred Members	Employer Contribution Rate Paid %	Employer Contributions £	Employee Contribution Rate Paid %	Employee Contributions £
Further and Higher Education Establishments							
Arts University Bournemouth	321	110	269	16.4	1,721,982.92	6.5	615,983.01
Bournemouth And Poole College	232	524	645	24.0	1,393,841.84	6.4	367,007.99
Bournemouth University	1,156	753	1,334	19.5	7,908,288.09	6.8	2,321,478.07
Health Sciences University	28	40	33	23.0	196,492.67	7.0	59,909.06
Weymouth And Kingston Maurward College	459	453	670	15.9	1,811,299.04	5.9	403,290.02

Scheduled Bodies	Number of Active Members	Number of Pensioners	Number of Deferred Members	Employer Contribution Rate Paid %	Employer Contributions £	Employee Contribution Rate Paid %	Employee Contributions £
Academies and Schools							
Atlantic Academy Portland	74	54	71	23.6	256,552.22	6.2	67,297.06
Authentic Education	732	195	431	23.6	2,829,142.34	6.1	733,933.36
Avonbourne Academy	160	89	128	23.6	619,906.22	6.0	160,812.64
Beaucroft School	132	18	23	23.5	445,753.08	5.8	110,847.15
Bishop Of Winchester Academy	57	26	68	23.6	278,632.05	6.3	72,748.77
Bournemouth School Academy	63	42	37	23.6	245,180.75	6.2	64,237.57
Bournemouth School For Girls Academy	71	46	42	23.6	273,845.01	6.3	72,658.47
Bovington Academy	32	1	19	23.6	79,500.85	5.8	19,440.93
Budmouth Academy	104	102	101	23.6	313,805.84	6.0	80,348.13
Burton Primary School	37	2	2	22.2	100,896.47	5.7	25,705.11
Castleman Academy Trust	296	30	101	23.6	772,348.27	5.9	190,077.27
Christchurch Infant School	7	7	17	22.2	37,749.30	5.7	9,624.08
Coastal Learning Partnership	759	129	335	23.6	2,174,082.80	5.7	512,075.38
Cornerstone Academy	84	19	47	23.6	247,462.45	5.8	61,099.02
Corpus Christi School	60	4	3	22.2	140,476.00	5.7	34,010.88
Delta Education Trust	294	44	135	23.6	1,054,532.99	5.8	259,353.95
Diocese Of Salisbury Academy Trust	457	76	203	23.6	1,004,163.88	5.6	238,984.85
Dorset Studio School	37	7	29	23.6	137,724.19	5.5	32,288.52
Epiphany Academy	44	23	22	23.6	115,940.72	5.8	28,462.19
First Federation Trust	130	24	58	23.6	289,001.46	5.6	69,014.68
Glenmoor Academy	8	9	9	23.6	51,353.13	6.2	13,563.10
Hamwic Education Trust	777	104	255	23.6	1,790,190.43	5.7	437,859.76
Heath Academy Trust	135	25	113	23.6	331,654.44	5.7	79,115.94
Highcliffe Academy (HISP)	96	52	66	23.6	317,769.72	6.0	80,119.29
Highcliffe St Mark Primary School	91	26	44	22.2	211,488.52	5.6	53,092.68
Hill View Primary School	46	17	21	23.6	125,802.48	5.6	29,826.80
Initio Learning Trust	679	293	439	23.6	2,046,442.59	5.9	501,266.78
Jewell Academy	35	2	25	23.6	120,687.96	5.6	28,889.27
Kingsleigh Primary School	73	17	36	23.6	307,338.58	5.9	77,333.45
Linwood School	289	15	28	22.2	991,296.22	5.7	253,176.40
Livingstone Academy Bournemouth	43	0	1	23.6	129,214.04	5.8	31,666.16
Lytchett Minster School	124	38	65	23.6	453,121.98	6.5	113,748.16
Magna Academy	82	16	36	23.6	216,274.22	6.0	55,273.51
Malmesbury Park Primary School	87	22	44	23.6	194,178.60	5.7	46,848.56
Montacute School	107	46	91	23.6	346,782.80	5.7	123,447.67
Moordown St John's Primary School	48	19	28	23.6	136,220.93	5.6	32,508.55
Mudeford Infants School	36	8	12	22.2	57,623.99	5.6	14,522.24
Mudeford Junior School	27	4	13	22.2	65,019.08	5.7	16,707.33
Muscliff Primary School	83	16	37	23.6	294,427.65	5.7	63,932.77
Ocean Academy	30	3	6	23.6	100,271.16	5.8	24,596.25
Parkfield School	15	5	33	23.6	33,257.85	5.9	8,281.13
Parkstone Grammar School	81	49	65	23.6	273,430.04	6.0	69,584.21
Pickwick Academy Trust	109	5	6	23.6	281,448.06	5.6	66,446.56
Plymouth CAST	521	89	161	23.6	712,709.68	5.8	170,798.18
Pokesdown Community Primary School	105	24	31	23.6	164,642.52	5.7	44,444.67
Poole Grammar School	80	61	83	23.6	283,120.78	5.9	70,821.71
Sherborne Area Schools' Trust	485	188	366	23.6	1,618,175.91	6.1	410,748.92
Somerford Primary School	37	10	14	22.2	100,652.79	5.7	25,832.01
St Edwards School	78	8	21	22.2	274,412.19	6.0	74,272.31
St James' Academy	55	7	24	23.6	157,989.27	5.7	39,629.61
St Joseph's School	45	3	15	22.2	71,480.73	5.6	17,906.55
St Katharine's School	65	0	8	22.2	120,349.29	5.6	28,664.29
St Mark's CE Primary School	71	16	38	23.6	157,459.54	5.6	37,596.90
St Michael's Primary School	67	12	37	23.6	239,044.49	5.7	57,473.01
St Walburga's School	77	15	3	22.2	122,834.48	5.7	29,576.67
St. Peter's School	152	89	107	23.6	515,822.09	5.8	126,221.82
Stanley Green Infant Academy	49	5	17	23.6	84,846.98	5.7	20,501.64
Teach Trust	234	31	86	23.6	581,821.33	5.7	141,625.26
The Bourne Academy	64	18	56	23.6	313,046.14	6.3	83,363.78
The Priory Primary School	17	3	15	22.2	52,264.63	5.6	13,194.50
The Swanage School	59	2	21	23.6	136,771.03	6.0	34,766.61
The Woodroffe School	53	68	54	23.5	306,231.04	6.0	78,709.06
Twynham Learning	500	166	415	23.6	1,606,399.50	5.9	400,424.95
Wessex Multi Academy Trust	587	164	373	23.6	1,874,664.07	5.9	471,062.93
Westfield Arts College	136	69	100	23.5	495,726.01	5.8	123,033.94
Winchelsea School	111	3	8	22.2	413,051.15	5.8	107,763.45
Winton Academy	75	15	37	23.6	338,194.97	6.0	85,972.32

Scheduled Bodies	Number of Active Members	Number of Pensioners	Number of Deferred Members	Employer Contribution Rate Paid %	Employer Contributions £	Employee Contribution Rate Paid %	Employee Contributions £
Other Scheduled Bodies							
Age Concern Bournemouth	1	5	0	25.0	2,107.80	5.5	467.31
Ansbury	0	106	117	N/A	0.00	N/A	0.00
Aspens Catering (SAST) (3)	14	0	0	22.6	2,658.80	5.5	592.02
Aspens Catering (Twynham) (3)	12	0	0	21.8	0.00	0.0	0.00
Bournemouth Airport	0	36	0	N/A	0.00	N/A	0.00
Bournemouth Citizen Advice Bureau	0	8	0	N/A	0.00	N/A	0.00
Bournemouth Health	0	1	0	N/A	0.00	N/A	0.00
Bournemouth Transport	0	168	5	N/A	0.00	N/A	0.00
Bridport Museum Trust	0	1	0	N/A	0.00	N/A	0.00
Care Dorset Limited	266	87	33	22.4	1,458,509.46	5.8	324,838.81
Care South	0	374	269	N/A	0.00	N/A	0.00
Caterlink Limited (St Peter's School)	2	0	0	26.5	8,358.99	5.5	1,742.26
Caterlink Limited (Wimborne)	1	0	3	21.3	6,404.21	5.6	1,680.57
Christchurch Learning Centre	4	0	3	22.2	21,364.48	6.0	5,786.34
Churchill (Ambitions)	7	1	1	22.6	10,982.08	5.5	2,672.61
Churchill (Avonbourne)	8	0	1	18.8	9,592.92	5.5	2,806.44
Churchill (Bourne Academy)	2	0	1	24.6	5,756.34	5.5	1,150.39
Churchill (Harbourside)	3	0	0	18.5	3,894.59	5.5	1,157.86
Churchill (Poole)	0	1	1	N/A	0.00	N/A	0.00
Churchill Contract Services	0	1	0	N/A	0.00	N/A	0.00
Cucina Restaurants Limited	12	0	2	26.7	27,941.48	5.6	5,866.41
Dorchester Joint Burial Committee	0	1	1	N/A	0.00	N/A	0.00
Dorset Association of Town & Parish Councils	2	8	0	26.0	21,306.41	6.3	5,182.57
Dorset Community Action	0	34	5	N/A	0.00	N/A	0.00
Dorset County Museum	3	18	9	25.0	15,446.46	5.7	3,540.72
Dorset Magistrates' Court	0	88	19	N/A	0.00	N/A	0.00
East Dorset Housing Association	0	45	20	N/A	0.00	N/A	0.00
Edwards & Ward Limited	0	1	0	N/A	0.00	N/A	0.00
Energy Kidz Limited	0	0	2	N/A	0.00	N/A	0.00
Enigma CCTV Limited	2	0	0	27.5	5,488.56	5.5	1,097.71
Family Action	3	1	0	24.0	10,013.85	5.7	2,398.58
Golf For All	0	0	1	N/A	0.00	N/A	0.00
Harbourside Learning Partnership	0	0	1	N/A	0.00	N/A	0.00
Harewood College	0	4	8	N/A	0.00	N/A	0.00
Horizon Home Care (Southern) Limited	2	1	0	25.2	5,052.21	5.5	2,518.49
HPS Services FM Limited (Atlantic & Budmouth)	14	6	6	29.9	23,458.44	5.5	4,644.95
HPS Services FM Limited (Bovington)	2	0	0	28.3	1,953.75	5.5	393.66
KGB Cleaning South West Limited	1	0	0	28.9	601.98	5.5	114.58
Kindred Cleaning	1	0	3	22.0	314.60	5.5	78.65
Links4Learning	0	1	1	N/A	0.00	N/A	0.00
Lymearts Community Trust	0	1	0	N/A	0.00	N/A	0.00
Magna Housing Association Limited	34	267	115	29.5	345,233.48	6.6	77,660.75
Magna Housing Group	4	39	14	22.7	123,631.43	6.5	11,887.43
Millbrook Healthcare	5	4	1	24.6	42,672.18	6.4	11,117.13
Municipal Hire Services Limited	0	0	1	N/A	0.00	N/A	0.00
Places For People	3	6	4	22.0	15,106.30	6.5	4,446.74
Police & Crime Commissioner for Dorset	1,464	1,109	849	18.7	8,749,676.36	7.0	3,116,568.33
Poole Harbour Commissioners	0	2	1	N/A	0.00	N/A	0.00
Rapid Commercial Cleaning Services Limited	4	1	0	22.6	5,407.64	5.5	1,315.96
Restorative Solutions	1	0	0	29.4	5,788.32	5.8	1,141.92
Sansum Solutions Group Limited	1	0	0	17.8	1,515.65	5.5	468.28
Sherborne Youth Resource	0	1	0	N/A	0.00	N/A	0.00
Signpost Housing Association Limited	0	39	12	N/A	0.00	N/A	0.00
SLM Community & Leisure Poole (4)	0	0	0	22.0	48,267.27	6.1	9,865.76
Spectrum Housing Group	9	20	8	17.6	406,595.17	7.0	30,815.64
Stonewater Limited	1	34	11	18.0	133,707.66	10.5	12,079.45
Stour Valley & Poole Partnership	0	53	25	N/A	0.00	N/A	0.00
Synergy Housing Group (5)	1	59	48	24.0	5,627,714.04	N/A	0.00
The Colliton Club	1	1	1	27.5	4,749.36	5.5	949.92
Tricuro Start Team	4	1	4	22.4	24,047.48	5.8	6,270.32
Wareham Burial Joint Committee	0	2	0	N/A	0.00	N/A	0.00
Wessex Education Shared Services	0	10	8	N/A	0.00	N/A	0.00
Wessex Water Authority	0	5	0	N/A	0.00	N/A	0.00
Weymouth And Portland Housing Association	0	54	17	N/A	0.00	N/A	0.00
Weymouth Port Health	0	15	0	N/A	0.00	N/A	0.00
Wimborne Cemetery	0	1	0	N/A	0.00	N/A	0.00

Admitted Bodies	Number of Active Members	Number of Pensioners	Number of Deferred Members	Employer Contribution Rate Paid %	Employer Contributions £	Employee Contribution Rate Paid %	Employee Contributions £
1610 (6)	0	5	14	16.2	470.41	5.8	168.42
Abilities Limited	0	0	2	N/A	0.00	N/A	0.00
Action For Children	0	0	5	N/A	0.00	N/A	0.00
Addaction	0	1	0	N/A	0.00	N/A	0.00
AP Chant Plumbing & Heating	0	3	0	N/A	0.00	N/A	0.00
AQS Homecare	0	12	0	N/A	0.00	N/A	0.00
Barnardo's	0	1	6	N/A	0.00	N/A	0.00
BH Live	53	85	122	20.5	266,935.28	6.7	86,657.73
Care Quality Commission	0	0	1	N/A	0.00	N/A	0.00
Care Uk Plc	0	49	29	N/A	0.00	N/A	0.00
Churchill (St Joseph's)	0	1	1	N/A	0.00	N/A	0.00
Churchill Bearwood	0	2	1	N/A	0.00	N/A	0.00
Churchill Cleaning Dorset Police	0	2	0	N/A	0.00	N/A	0.00
Churchill Purbeck School	0	0	1	N/A	0.00	N/A	0.00
Compass Contract Services Limited	0	4	2	N/A	0.00	N/A	0.00
Convex Leisure Limited	0	2	3	N/A	0.00	N/A	0.00
CSCI	0	17	2	N/A	0.00	N/A	0.00
Cucina (Aspirations - Livingstone) (7)	2	0	0	14.5	-900.53	0	94.12
DC Leisure Management Limited	0	8	20	N/A	0.00	N/A	0.00
Dorset Lighting	0	2	0	N/A	0.00	N/A	0.00
East Boro Housing Trust	0	13	15	N/A	0.00	N/A	0.00
Gamegrid	0	0	1	N/A	0.00	N/A	0.00
Glen Cleaning	1	0	0	25.4	1,859.94	5.5	402.73
Hayward Services Limited	23	0	3	20.6	27,299.36	5.5	7,736.65
Healthy Living Wessex	0	2	2	N/A	0.00	N/A	0.00
Innovate Services Limited	0	0	2	N/A	0.00	N/A	0.00
Interclean	0	1	0	N/A	0.00	N/A	0.00
Jurassic Coast Trust	2	0	2	20.0	7,387.61	6.8	2,550.00
Mack Trading	0	4	3	N/A	0.00	N/A	0.00
Mouchel Limited	0	74	60	N/A	0.00	N/A	0.00
N-Viro Limited	0	0	1	N/A	0.00	N/A	0.00
Openwide International Limited	0	0	1	N/A	0.00	N/A	0.00
Portland Museum Trust	0	0	1	N/A	0.00	N/A	0.00
Schools Plus Limited (8)	0	0	1	23.3	4,224.68	5.5	997.24
Sequal Solutions Limited	0	2	5	N/A	0.00	N/A	0.00
Signpost Care Partnership	0	3	3	N/A	0.00	N/A	0.00
Signpost Services Limited	0	11	0	N/A	0.00	N/A	0.00
SLM (Weymouth) Community & Leisure	4	4	6	20.0	22,296.80	6.2	6,952.82
SLM Community & Leisure Blandford	6	5	13	17.0	29,972.42	6.5	11,495.16
SLM Community Leisure Charitable Trust	0	9	33	N/A	0.00	N/A	0.00
SLM Fitness And Health Limited	0	0	1	N/A	0.00	N/A	0.00
SLM Food And Beverage Limited	0	1	2	N/A	0.00	N/A	0.00
SLM (Weymouth) Fit and Health	0	0	1	N/A	0.00	N/A	0.00
South Dorset Community Sports Trust (9)	0	3	1	N/A	0.00	N/A	-985.79
Sovereign Housing Group	1	55	15	17.6	208,311.77	12.4	32,617.70
Specialist Fleet Services	0	0	2	N/A	0.00	N/A	0.00
The Arts Development Company	0	3	3	N/A	0.00	N/A	0.00
The Children's Society Limited	0	0	3	N/A	0.00	N/A	0.00
Tricuro	164	297	202	22.5	1,139,352.04	6.2	285,650.79
Tricuro (Ex DC)	0	270	233	N/A	0.00	N/A	0.00
Tricuro Supported Living	0	7	3	N/A	0.00	N/A	0.00
Wessex Museums Trust (10)	0	1	1	19.4	4,449.59	5.5	503.03
Weyco Services Limited	3	2	10	15.9	14,229.20	5.8	3,873.45
Overall Total	**26,774**	**28,448**	**27,557**		**138,248,367.17**		**36,371,786.43**

Notes

1. Maiden Newton/Frome Vauchurch PC - One Active member. Record to be updated.
2. Puddletown PC - Deferment case completed in July 2025.
3. Aspens Catering - Backdated contributions paid in 2025-26 and accounted for.
4. Moved to BCP Council 1 October 2024.
5. Synergy - Cessation payments.
6. 1610 Limited. The last employee left the scheme in May 2024.
7. Cucina (Aspirations - Livingstone) - Paid incorrect rate so refunded.
8. Schools Plus - The last employee left the scheme in January 2025.
9. South Dorset Community Sports Trust - refund of overpaid contributions.
10. Wessex Museums Trust - The last employee left the scheme in October 2024.

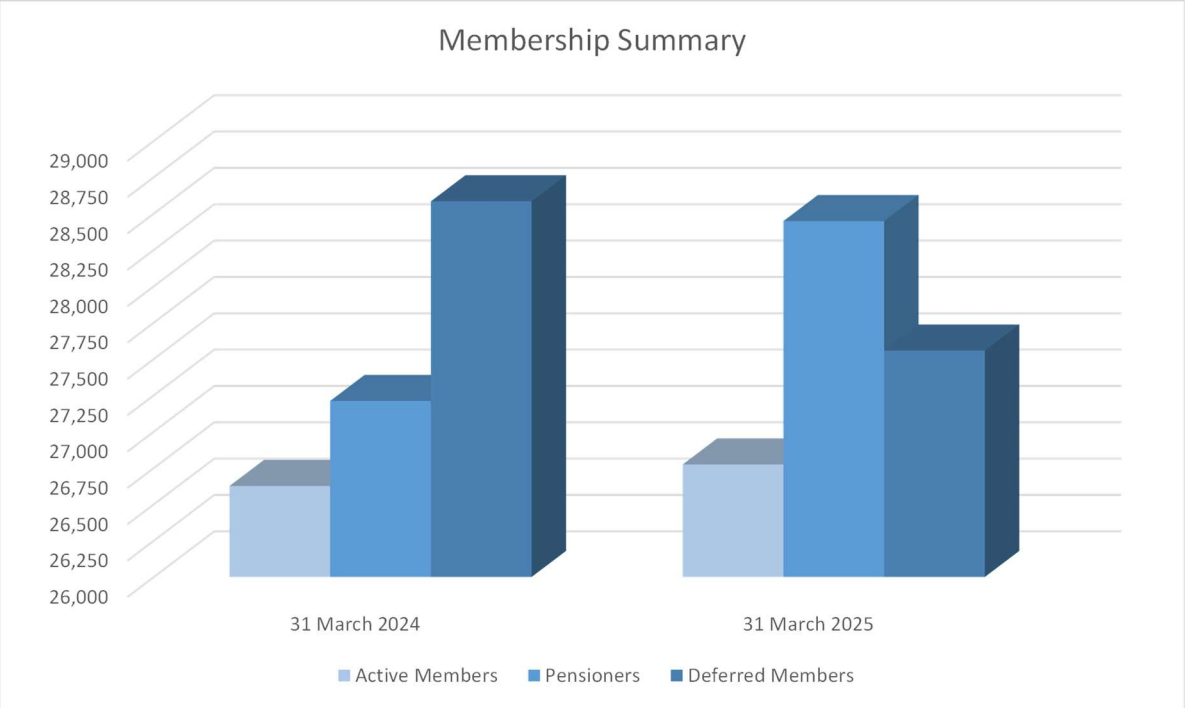
Other Scheme Administration Information

Scheme Membership

On 31 March 2025 there were 26,774 active members, 28,448 pensioners and 27,557 deferred members, a total of 82,779 scheme members.

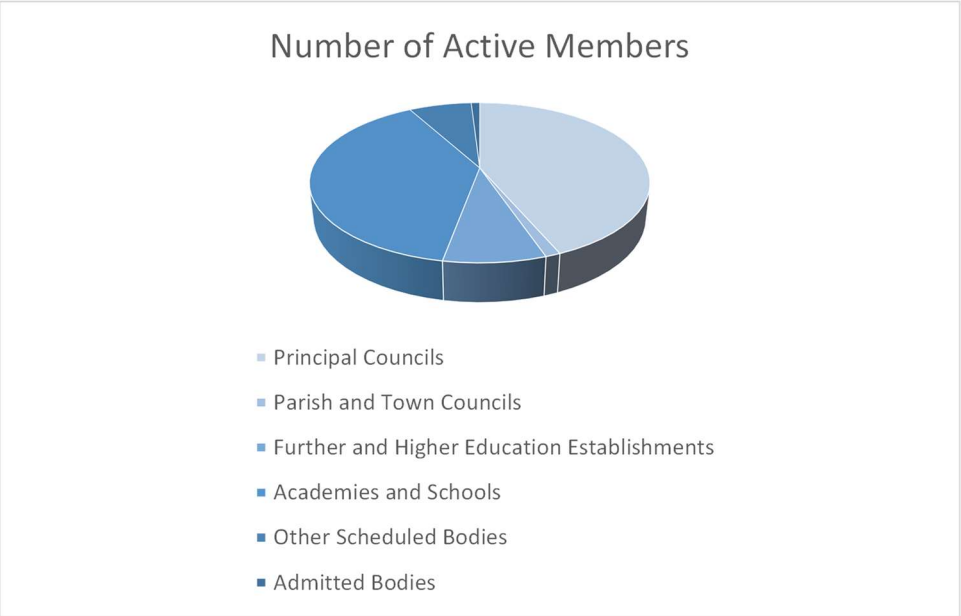
The tables and charts below show the Membership in the Fund over the last two financial years.

Membership Summary	31 March 2024	31 March 2025	Change	Change %
Active Members	26,626	26,774	148	0.6
Pensioners	27,211	28,448	1,237	4.5
Deferred Members	28,584	27,557	-1,027	-3.6
Total	**82,421**	**82,779**	**358**	

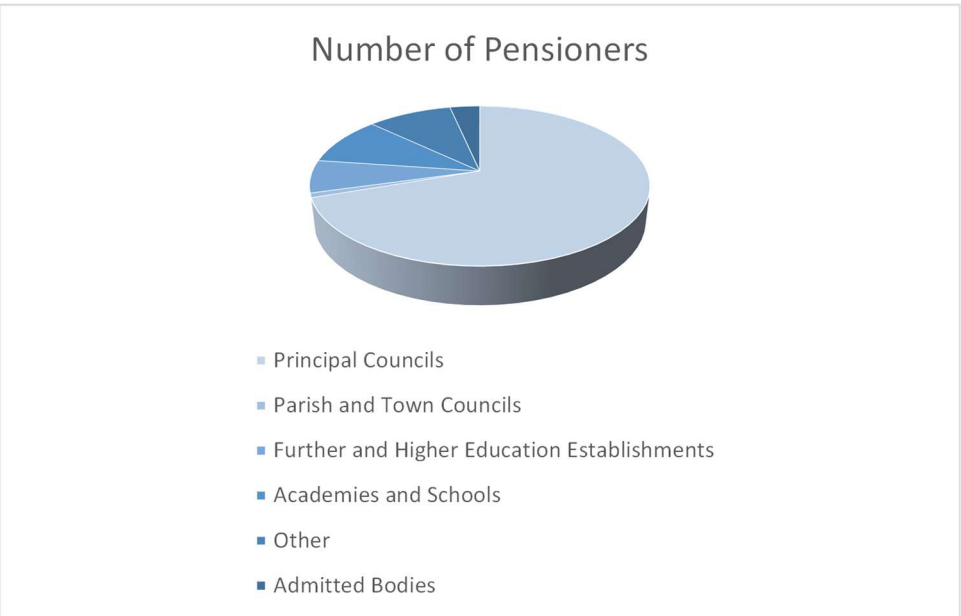


The table and the chart below show the split of active members and pensioner as at 31 March 2025.

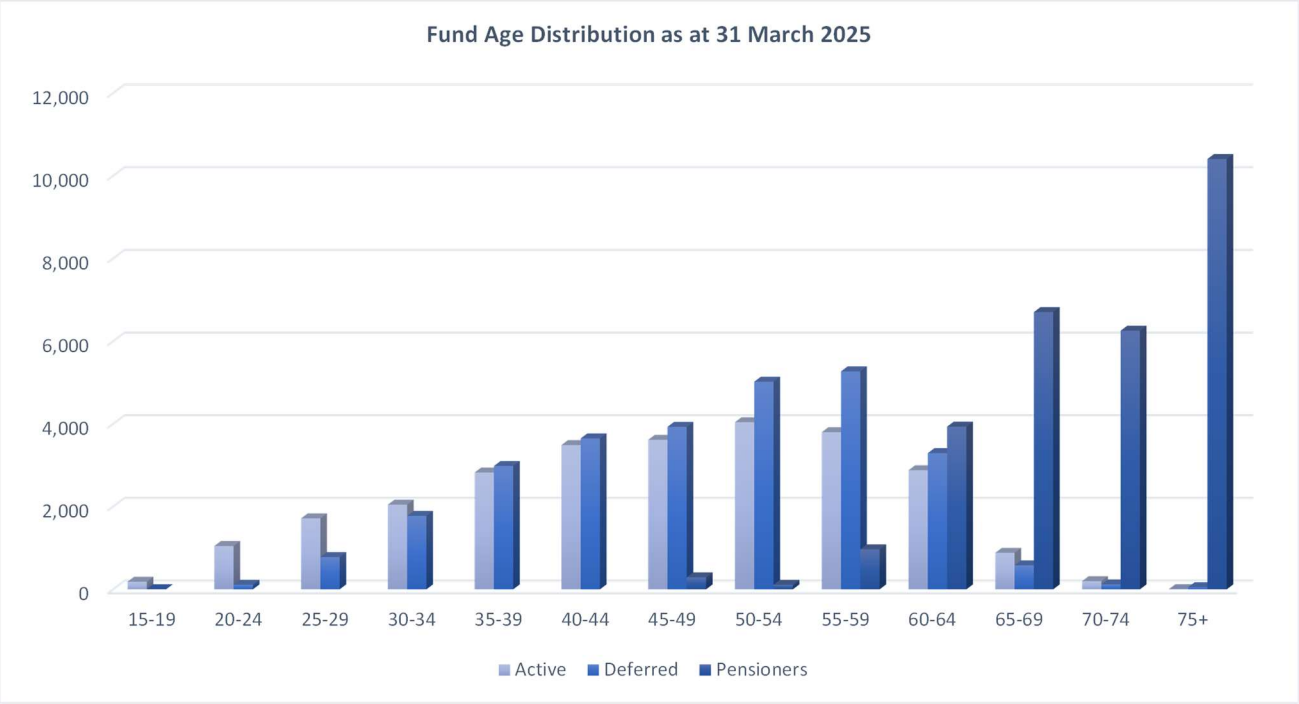
Active Members 31 March 2025	Number of Active Members	%
Principal Councils	11,647	43.5
Parish and Town Councils	324	1.2
Further and Higher Education Establishments	2,196	8.2
Academies and Schools	10,453	39.0
Other Scheduled Bodies	1,895	7.1
Admitted Bodies	259	1.0
Total	**26,774**	**100.0**



Pensioners 31 March 2025	Number of Pensioners	%
Principal Councils	19,833	69.7
Parish and Town Councils	258	0.9
Further and Higher Education Establishments	1,880	6.6
Academies and Schools	2,793	9.8
Other	2,723	9.6
Admitted Bodies	961	3.4
Total	28,448	100.0



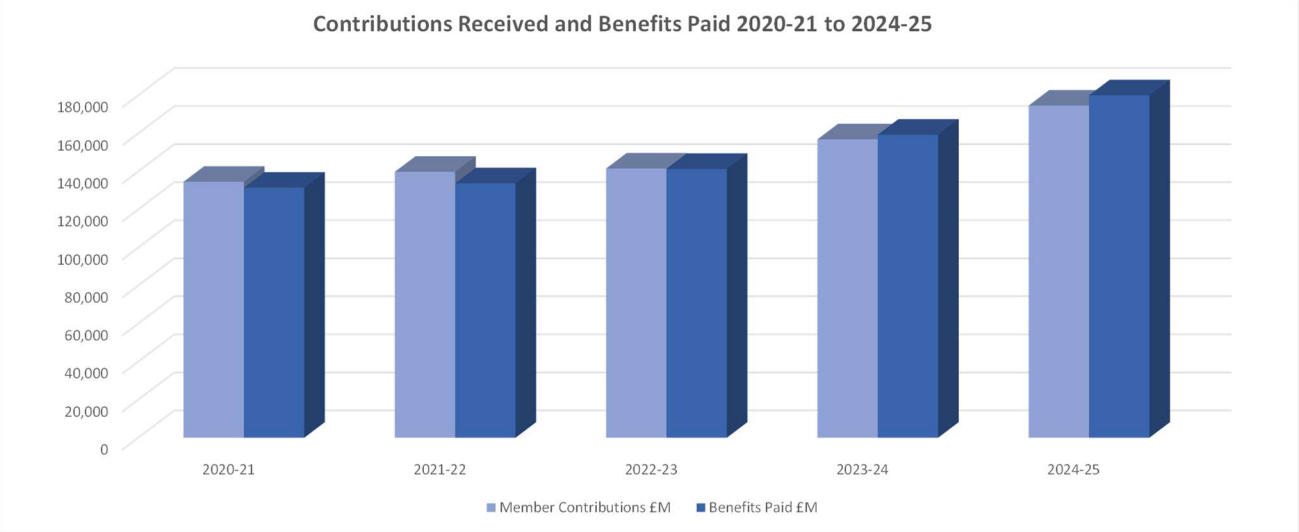
Age Profile of Membership as at 31 March 2025
The chart below shows the Fund Age Profile as at 31 March 2025. There were 24 pensioners / dependents over 100 years old (19 females and 5 males), the oldest being 106 years old as at 31 March 2025.



Starters and Leavers During 2024-25
During 2024-25 there were 3,981 new starters in the Pension Fund and 5,564 that have left the scheme.

Contributions and Benefits
The table and chart below show the history of contributions received and benefits paid over the last five financial years.

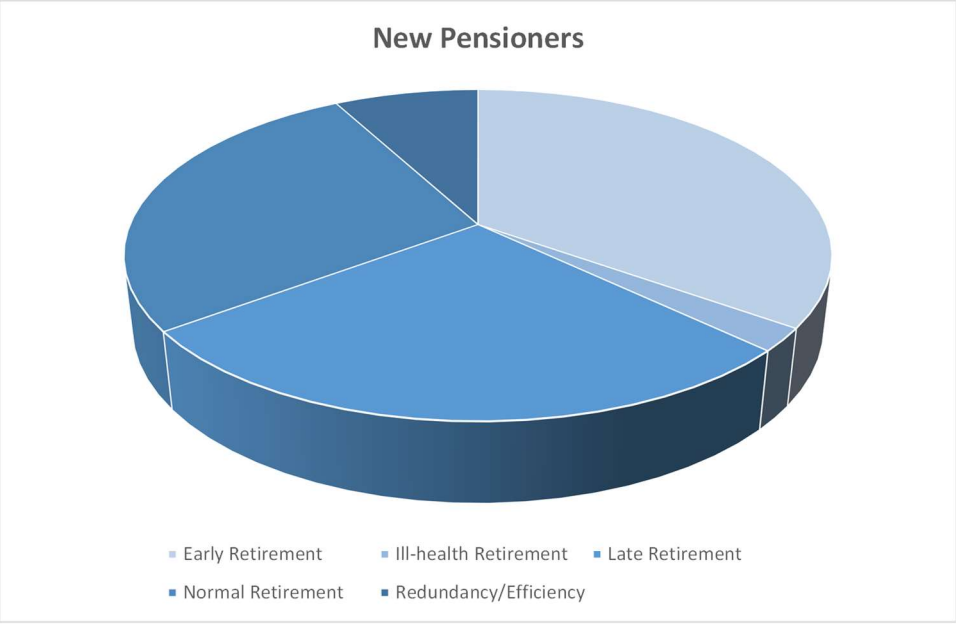
Year	Member Contributions £M	Benefits Paid £M
2024-25	**174,620**	**181,830**
2023-24	156,866	159,280
2022-23	141,527	141,306
2021-22	139,798	133,759
2020-21	134,548	131,431



New Pensioners

The table and chart below show the details of new pensioners split between types of retirement.

New Pensioners	
Type of Retirement	**Total Members**
Early Retirement	651
Ill-health Retirement	42
Late Retirement	519
Normal Retirement	510
Redundancy/Efficiency	147
Total	**1,869**



Scheme Administration
Dorset Council is the administering authority for the Dorset County Pension Fund and the scheme administration is the responsibility of the Fund Administrator. The costs of administering the scheme are charged to the Pension Fund.

Financial Services staff assist the Fund Administrator in his statutory duty to ensure that the Pension Scheme remains solvent and is administered effectively, adhering to the Local Government Pension Scheme Regulations in order to meet any current and future liabilities.

Staffing
There are two separate teams within the Dorset County Pension Fund. There are three sections in Pensions Administration which administers the Local Government Pension Scheme - the Technical Administration Teams, the Employer Relationship and Communication Team, and the Systems Team. The Treasury and Investment Team is responsible for the accounting of the Pension Fund.

The Pensions Administration team is accountable to the Pension Fund Committee, the Local Pensions Board, participating Employers and Scheme members. The team is fully committed to providing a quality service to meet the needs of the Fund's various stakeholders and to deliver excellent customer care.

The Pensions Administration Team provide a wide range of services including:

- Administration of the affairs of Dorset County Pension Fund.
- Administration of new starters in the Scheme.
- Calculation of pensions and lump sums for retiring members of the LGPS and provision of early retirement estimates.
- Calculation of service credit calculations, outgoing transfer value calculations and divorce estimates for the Local Government.
- Calculation of deferred pensions and refunds for early leavers.
- Calculation of widows and dependants benefits for retired and active members.
- Dealing with the administration of in-house AVCs and APCs.
- Maintenance of the database of pension scheme members and provision of annual benefit statements and deferred benefit statements.
- Undertaking the annual pension increase exercise.
- Key Performance Indicators report.
- Promotion and facilitation of relationships and working arrangements between Dorset Council and its Employers.
- Responsible for the design, procurement and issuing of fact sheets, newsletters and guidance to scheme members and employers.
- Liaison with the Actuary to provide information for the triennial valuation, annual accountancy disclosures and ad hoc costings for employers and prospective employers.
- Preparation of Pensions Fund Committee reports relating to benefits related issues.

A team of 5.6 full time equivalent staff in the Treasury and Investments Team provide support to the Fund Administrator in his statutory role in relation to accounting and investment related activities for the Pension Fund, including:

- Collection of employee and employer contributions to be invested into the LGPS.
- Day-to-day accounting for the Pension Fund.
- Liaison with External and Internal audit.
- Preparation of the Pension Fund Accounts for inclusion in Dorset Council's Statement of Accounts.
- Preparation of the Annual Report and Accounts of the Pension Fund.
- Reconciliation of all Managers' purchases, sales and dividends received.
- Allocation of cash to Investment Managers.
- Appointment of Advisers and Actuary.
- Investment of the Fund's surplus cash balances.
- Liaison with Investment Managers, Advisers and Actuary.
- Monitoring and review of Investment Managers, Advisers and Actuary.
- Preparation of the Investment Strategy Statement and Funding Strategy Statement.
- Rebalancing of Investment Managers' portfolios to their target asset allocation.

- Completion of statistical and financial returns for Government and other bodies.
- Co-ordination of the production of FRS 102/IAS19 information for employers.
- Co-ordination of reports for Quarterly Pension Fund Committee meetings and the Pension Fund's Annual Meeting.
- Preparation of Pension Fund Committee reports relating to investments and accounting issues.

Communications

The Pension Fund is committed to establishing and maintaining effective communications with its members and other interested parties. The Fund has a Communications Policy statement formalising the processes by which this will be achieved. This policy statement is available on the Fund's website at:
https://www.dorsetpensionfund.org/forms-and-publications/communications-policy/

UK General Data Protection Regulations (UK GDPR)

The law on Data Protection has changed from 25th May 2018. The General Data Protection Regulation (GDPR) is a new, Europe-wide law that replaces the Data Protection Act 1998 in the UK and supersedes the UK Data Protection Act 1998 (DPA 1998). It is part of the wider package of reform to the data protection landscape that includes the Data Protection Act 2018 (DPA 2018).

The GDPR sets out requirements for how organisations need to handle personal data from 25 May 2018. In addition to other changes, it will enhance the rights of people whose data is held (known as data subjects in the Data Protection Act) and give them more control over what happens to their data.

It also allows for financial penalties to be imposed on any organisation that breaches those rights or does not comply with the 'accountability principle' – which basically means that data controllers and data processors i.e. organisations and certain individuals – including councils, need to put technical and organisational measures in place to protect the data they hold from loss, unauthorised access etc and to ensure the rights of data subjects are protected.

The GDPR has direct effect across all EU member states and has already been passed. This means organisations will still have to comply with this regulation and we will still have to look to the GDPR for most legal obligations. However, the GDPR gives member states limited opportunities to make provisions for how it applies in their country. One element of the Data Protection Act 2018 is the details of these. It is therefore important the GDPR and the 2018 Act are read side by side.

Equality and Diversity

The DCPF has a workforce that reflects and is part of the community it serves. It is the policy of Dorset Council to ensure that all its employees are selected, trained and promoted on the basis of their ability, the requirements of the job and other similar non-discriminatory criteria. All employment decisions are based purely on relevant and objective criteria.

Dorset aim to deliver accessible, high-quality and value for money services to all our customers, without discrimination on grounds of group memberships; for example, sex, race, disability, sexual orientation, religion, belief or age.

Information Technology

The DCPF requires administration software to fulfil its function of providing an efficient compliant service for the LGPS members and pensioners across over 340 employers, covering a membership of over 82,000.

The LGPS regulations, The Pension Regulator, HMRC and the scheme actuaries requires the DCPF to manage the LGPS properly to ensure it has accurate, complete and up-to-date records in order to pay the correct level of benefits to its members with sufficient funding levels. In order to do this, there is the necessity to have administration software and associated software to maintain the controls and processes within the Pensions Administration Team to meet these standards.

The Pension Team's main administration system is Universal Pension Management (UPM), provided under licence by CIVICA, the contract was awarded in October 2020 with an initial contract license of 7 years with the option to extend by a further 3 years.

The Pension Administration System, UPM delivers fully integrated functions, Pensions Administration, Case Management, Information Management and Payroll.

UPM offers a fully integrated Employers and Members portal which allows Employers to submit starters, leavers and change in contracts for members via a secure electronic exchange. Members and Pensioners can register for the portal, whereby they can update personal details which automatically update their pension record in UPM, it has the ability for members to run pension benefit estimates and access an electronic version of the Annual Benefit Statement.

The Fund's financial data is collected from several different payroll providers and collated on the Council's SAP system. This system is maintained in-house by Dorset Council's ICT team and includes comprehensive contingency and business continuity provisions. The payment of pensions is managed in-house by the Pension Fund, using SAP ERM System.

The formal notification to Dorset Council regarding the pension payroll provision has been redacted. Data cleansing is in progress across UPM and the Dorset Council SAP ERM system. A decision on the DCPF payroll provision will be made later in 2025.

All council staff involved in Pension Fund Administration and Investment activities have access to the internet and the council's intranet.

The Pension Fund maintains two websites which are managed by its own officers.

The web address for the member website is **www.dorsetpensionfund.org**

The web address for the employer website is **www.dcpfemployers.org**

Benefit Statements
The Pensions Administration Team is required each year to send annual benefits statements to its active and deferred members. The statement is intended to inform the scheme member of the value of their benefits and provide an overview of when they may become payable.

Performance Standards
The Pensions Team has a number of service standards that it seeks to meet in order to ensure that it is providing an efficient and timely service to members of the LGPS. The standards are:

New Active Members
*Membership Certificate***:** Dorset aim to issue a Membership Certificate to a new member within one month of receiving a completed notification from the member's employer.

*Transfers In***:** Dorset aim to acknowledge the member's request for transfer details and calculate the estimated benefits that a transfer value will buy and issue a quotation within 10 days of receiving details from the previous scheme and any additional essential information required from His Majesty's Revenue & Customs. Dorset aim to request payment of the transfer value within 5 days of receiving confirmation from the member that the transfer is to proceed. Dorset aim to confirm the actual benefits purchased by the transfer value within 10 days of receiving payment from the previous scheme.

Existing Active Members
*Annual Benefit Statements***:** Provided pay details are received from employers promptly after the year end and all information is held, Dorset will make available each year an Annual Benefit Statement to each member showing the estimated current value of accrued benefits, the value of prospective benefits at normal retirement age, the estimated current value of death-in-service benefits and, for tax purposes the amount of Annual Allowance used by the change in benefit value since the previous year.

Paying Extra Contributions: The DCPF aim to provide information within 10 days of receiving a request from a member wishing to pay extra contributions.

Retirements: The DCPF aim to send details of the benefits payable and pay the member's tax-free cash lump sum within 10 days of receiving all of the information required from the member's employer and/or the member.

Deaths: The DCPF aim to send details of the benefits payable within 10 days of receiving all of the information required from the late member's employer and we will pay the lump sum death grant within 10 days of receiving Grant of Probate (or other appropriate documentation) or authorisation from two delegated officers.

Early Leavers: The DCPF aim to send details of the benefit options available within 30 days of receiving all of the information required from the employer.

Refunds: The DCPF aim to pay a refund by the end of the month following receipt of the member's formal request for payment.

Transfers Out: The DCPF aim to issue a quotation, guaranteed for 3 months, within 10 days of receiving the member's request and confirmation of the member's contracted-out rights from His Majesty's Revenue & Customs (where appropriate). The DCPF aim to pay a transfer value within five days of receiving confirmation from the member that the transfer is to be made and all of the information required to make payment is received.

Deferred Members

Annual Benefit Statements: The DCPF aim to make available to each deferred member a Benefit Statement by 31 August annually, showing the current value of the member's preserved benefits.

Website

The DCPF has its own website, with information for all member types, and for employees. The site contains information, forms and fact sheets, as well as details covering investments and governance.

Annual Correspondence

Annual Benefit Illustrations are issued each year to active and deferred members together with an annual newsletter detailing regulatory changes and key messages for members. Annual newsletters are also sent to pensioner members each year. These communications are very well received by members.

Provided the DCPF hold an address which has been confirmed we will write to the member setting out the benefit options available to them.

Lump Sum Death Grant nominations

The LGPS provides a lump sum tax free death grant for members who die while still working and contributing to the LGPS. The death grant is a tax-free lump sum payment of three times your pay. If a member is already in receipt of another LGPS pension or have a deferred pension benefit in the LGPS, different rules will apply to any potential death grant.

If a member has nominated someone to receive their death grant, this is displayed in their Annual Benefit Illustration booklet 2025 on page 7. If this table does not show a name, no nomination for a recipient of the LGPS death grant has been made. LGPS members are able to make or update their nominations online at:
https://mypension.dorsetcouncil.gov.uk/
or by completing a form and returning to the DCPF. The form is available from the fund or online at:
www.dorsetpensionfund.org/forms-and-publications

The McCloud Remedy

When public service pensions schemes changed from final salary to carer average schemes in 2014 and 2015, older members were protected from the changes.

In 2018, the Courts found that younger members had been discriminated against because the protection did not apply to them. Changes made to the LGPS from 1 October 2023 removes the

discrimination found in the court case. These changes are called the McCloud Remedy.

Not all LGPS members are affected by the changes. There is more information on the national LGS website, including a short video. Please visit:
www.lgpsmember.org/mccloud-remedy/

Help with Pension Problems

Internal Dispute Resolution Procedure
Decisions
From the day a person starts a job with an employer, to the day when benefits or dependant's benefits are paid, the employer and the Pension Scheme administering authority have to make decisions under the Pension Scheme rules that affect the member (or their dependants). When the member (this includes dependants) is notified of a decision they should check, as far as they can, that it is based on the correct details and that they agree with the decision.

Complaints
If they are not satisfied with any decision affecting them made in relation to the Scheme, they have the right to ask for it to be looked at again under the formal complaint procedure. They also have a right to use the procedure if a decision should have been made by their employer or administering authority, but it hasn't been. The complaint procedure's official name is the "Internal Dispute Resolution Procedure" (IDRP).

There are also a number of other regulatory bodies, such as Money Helper, which may be able to assist you.

The formal complaint procedure has two stages. Many complaints are resolved at the first stage. Any complaint you make should be treated seriously and considered thoroughly and fairly.

You can ask someone to take your complaint forward on your behalf. This could be, for instance, a trade union official, welfare officer, your husband, wife or partner, or a friend.

No charge is made at any stage for investigating a complaint under the internal dispute resolution procedure. But expenses that you will have to meet are your own (and/or your representative's) time, stationery and postage.

At any stage during the formal complaint procedure, you can contact Money Helper for information and advice.

Please remember that, before going to the trouble of making a formal complaint, your Pensions Section may welcome the opportunity to try to resolve the matter about which you are dissatisfied in an informal way. It may be worth checking again that they know you are concerned, and why.

The following gives an overview of the IDRP process:

First stage:
If a member needs to make a formal complaint, they should make it:
- in writing, and
- normally within 6 months of the day when they were told of the decision they want to complain about.

The complaint will be considered carefully by a person nominated by the body that took the decision against which the member wishes to complain. This guide calls them the "nominated person". That person is required to give the member their decision in writing.

If the nominated person's decision is contrary to the decision the member complained about, the employer or administering authority that made that original decision will now have to deal with your case in accordance with the nominated person's decision.

If the decision the member complained about concerned the exercise of discretion by the employer or administering authority, and the nominated person decides that the employer or administering authority should reconsider how they exercised their discretion, they will be required to reconsider their original decision.

Second Stage:
The member can ask the pension scheme administering authority to take a fresh look at the complaint in any of the following circumstances:

- the member is not satisfied with the nominated person's first stage decision;
- the member has not received a decision or an interim letter from the nominated person, and it is 3 months since the member lodged your complaint; and
- it is one month after the date by which the nominated person told the member (in an interim letter) that they would give them a decision, and they have still not received that decision.
- This review would be undertaken by a person not involved in the first stage decision.

The member will need to send the appropriate administering authority their complaint in writing. The administering authority will consider the complaint and give you their decision in writing.

If the member is still unhappy following the administering authority's second stage decision, they can take the case to the Pensions Ombudsman provided they do so within 3 years from the date of the original decision (or lack of a decision) about which the member is complaining.

If a member is unhappy with the service received, they should contact staff in the Pensions Administration team in the first instance as many issues can be resolved without the need to resort to the lengthy process of IDRP. It could simply be that there is a misunderstanding of the Regulations, and that the decision made is in fact correct and this can be explained to the member accordingly.

The Pensions Regulator (TPR)
The Pensions Regulator is the public body that protects workplace pensions in the UK. They work with employers and those running pensions so that people can save safely for their retirement. Their aim is to be a strong, visible regulator so that we build people's confidence in pensions.

The Pensions Regulator has responsibility for overseeing the Local Government Pension Scheme and is committed to ensuring that every fund reaches a basic level of compliance against the law and the Regulator's Code of Practice 14 for public sector schemes.

Pensions Ombudsman
In cases where a complaint or dispute has not been satisfactorily resolved through the IDRP, an application can be made to the Pensions Ombudsman within three years of the event that gave rise to the complaint or dispute or, if later, within three years of when the individual first knew about it (or ought to have known about it). There is discretion in certain instances for the time limit to be extended.

The Ombudsman can investigate and determine any complaint or dispute involving maladministration of the scheme or matters of fact or law and his or her decision is final and binding (unless the case is taken to the appropriate Court on a point of law). Matters where legal proceedings have already started cannot be investigated by the Pensions Ombudsman.

The Pensions Ombudsman's website can be found at:
www.pensions-ombudsman.org.uk
or they can be contacted on 0800 917 4487.
The address is:
10 South Colonnade
Canary Wharf
London
E14 4PU

Money Helper
Money Helper is available at any time to assist members and beneficiaries of the scheme in connection with any pension query that they may have difficulty which they cannot resolve with the scheme administrator. Information can be found at the following:
www.moneyhelper.org.uk
Telephone No: 0800 011 3797.

How can I trace my pension rights?
The Pension Tracing Service holds details of pension schemes, including the LGPS, together with relevant contact addresses. It provides a tracing service for ex-members of schemes with pension entitlements (and their survivors), who have lost touch with previous schemes. All occupational and personal pension schemes must register if the pension scheme has current members contributing to the scheme or people expecting benefits from the scheme.

If you need to use this tracing service, please write to:
Address:
The Pension Tracing Service
15 Post Handling Site B
Wolverhampton
WV99 1AS.
Telephone: 0800 731 0193
Website: **www.gov.uk**

The Financial Conduct Authority (FCA)
The FCA regulates the conduct of financial service firms and financial markets in the UK. The website provides advice and information to consumers in the avoidance of pension scams and includes a register members can check to find a suitably qualified independent financial advisor.

In writing:
FCA Head Office
12 Endeavor Square
London, E20 1JN
By telephone: 0207 066 1000
Website: **https://www.fca.org.uk/**

Pension Scams Pledge
The Dorset County Pension Fund have pledged to do what we can to protect scheme members and follow the principles of the Pension Scams Industry Group (PSIG) Code of Good Practice as it applies to LGPS Funds.

Pledging to combat pension scams confirms our intent to protect our LGPS members and demonstrates that we are committed to stopping scammers in their tracks.
The Dorset County Pension Fund have committed to:

- Regularly warn members about pension scams.
- Encourage members asking for cash drawdown to get impartial guidance from The Pensions Advisory Service.
- Get to know the warning signs of a scam and best practice for transfers by key staff completing the scams module in the Trustee Toolkit; studying and using resources on the Financial Conduct Authority (FCA) ScamSmart website.
- Take appropriate due diligence measures by carrying out checks on pension transfers and documenting pension transfer procedures.
- Clearly warning members if they insist on high-risk transfers being paid.
- Report concerns about a scam to the authorities and communicate this to the scheme member.

BARNETT WADDINGHAM

Part of HOWDEN

Dorset County Pension Fund

IAS26 Report as at 31 March 2025

v2

6 June 2025

Introduction

We have been instructed by Dorset 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 2025. We have taken account of current LGPS Regulations, as amended, as at the date of this report.

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.

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. Full details of the benefits being valued are as set out in the Regulations and summarised on the LGPS website.

This report is prepared in accordance with our understanding of IAS26. This advice complies with Technical Actuarial Standard 100: General Actuarial Standards (TAS 100) as issued by the Financial Reporting Council (FRC). In calculating the disclosed numbers we have adopted methods and assumptions that are consistent with IAS19.

This report should be read in conjunction with the post accounting date briefing note for disclosures as at 31 March 2025.

This report supersedes previous versions of this report and has been updated to reflect the use of updated asset figures.

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

Hagen Eichel FFA
Senior Consulting Actuary

Data used

We have used the following items of data which we received from the administering authority:

Results of the latest funding valuation as at	31 March 2022
Results of the previous IAS26 report as at	31 March 2024
Actual Fund returns to	n/a
Fund asset statement as at	31 March 2025
Fund income and expenditure items to	31 March 2025
Details of any new unreduced early retirement payments out to	31 March 2025

The data has been checked for reasonableness, including consistency with previous valuation data where relevant, and we are happy that the data is sufficient for the purposes of this advice.
Although some estimation of the data to the accounting date may be required, we do not believe it is likely to be material to the results in this report.
We are not aware of any material changes or events since we received the data.

Fund membership statistics

The table below summarises the membership data at 31 March 2022.

Member data summary	Number	Salaries/Pensions £000s	Average age
Actives	23,160	455,060	47
Deferred pensioners	35,046	49,563	50
Pensioners	25,296	121,447	72

Payroll

The total pensionable payroll for the employers in the Fund is set out below and is based on information provided to us by the administering authority.

Estimated payroll for the year to 31 March 2025	£518,004,000

Unfunded benefits

We have excluded any unfunded benefits as these are liabilities of employers rather than the Fund.

Early retirements

We requested data on any early retirements in respect of the Fund from the administering authority for the year ending 31 March 2025.
We have been notified of 82 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 £819,800.

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2025 is calculated to be 5.15% based on the Fund asset statements and Fund cashflows as set out in the Data section preceding this section.

The estimated asset allocation for the Fund is as follows (noting that due to rounding they may not total 100%):

Asset breakdown	31 Mar 2025		31 Mar 2024	
	£000s	%	£000s	%
Equities	2,553,773	63%	2,452,982	63%
Cash	102,835	3%	80,134	2%
Other Bonds	267,053	7%	256,367	7%
Diversified Growth Fund	271,487	7%	262,731	7%
Property	285,006	7%	307,219	8%
Infrastructure	312,725	8%	290,476	7%
Multi Asset Credit	292,438	7%	269,755	7%
Total	**4,085,317**	**100%**	**3,919,664**	**100%**

Actuarial methods and assumptions

Details of the actuarial methods and derivation of the assumptions used can be found in the 31 March 2025 briefing note issued alongside this report unless noted otherwise below. The key assumptions used are set out below.

Financial assumptions	31 Mar 2025 p.a.	31 Mar 2024 p.a.	31 Mar 2023 p.a.
Discount rate	5.85%	4.90%	4.80%
Pension increases (CPI)	2.90%	2.90%	2.85%
RPI inflation	3.20%	3.20%	3.20%
Salary increases	3.90%	3.90%	3.85%

Projected unit method is used in our calculations.

We have allowed for actual ONS CPI inflation observed between March 2024 and March 2025. This is reflected in the Experience loss/(gain) on defined benefit obligation figure in the results.

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 2022, except for an update of the CMI projection model. Details of the post retirement mortality assumption are set out below; further details of the demographic assumptions adopted can be found in the briefing note corresponding to this report, and the Fund's actuarial valuation report.

Post retirement mortality	31 Mar 2025	31 Mar 2024
Base table	S3PA	S3PA
Multiplier (M/F)	95% / 100%	95% / 100%
Future improvements model	CMI_2023	CMI_2022
Long-term rate of improvement	1.25% p.a.	1.25% p.a.
Smoothing parameter	7.0	7.0
Initial addition parameter	0.0% p.a.	0.0% p.a.
2020 weight parameter	0%	0%
2021 weight parameter	0%	0%
2022 weight parameter	15%	25%
2023 weight parameter	15%	n/a

The assumed life expectancies, based on the assumptions set out above, are set out in the table below:

Life expectancy from age 65 (years)		31 Mar 2025	31 Mar 2024
Retiring today	Males	21.8	21.8
	Females	24.0	23.9
Retiring in 20 years	Males	23.1	23.1
	Females	25.4	25.4

Fund duration

The estimated Macaulay duration of the Fund's liabilities as at the accounting date using the assumptions set out above is 16 years.

Results

Balance sheet Net pension asset in the statement of financial position	As at 31 Mar 2025 £000s	As at 31 Mar 2024 £000s	As at 31 Mar 2023 £000s
Present value of the defined benefit obligation	3,723,670	4,227,493	4,138,310
Fair value of Fund assets (bid value)	4,085,317	3,919,664	3,517,354
Net liability in balance sheet	**(361,647)**	**307,829**	**620,956**

The present value of the defined benefit obligation consists of £3,685,312,000 in respect of vested obligation and £38,358,000 in respect of non-vested obligation.

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to 31 Mar 2025 £000s	Year to 31 Mar 2024 £000s
Opening defined benefit obligation	**4,227,493**	**4,138,310**
Current service cost	93,459	92,282
Interest cost	203,612	195,770
Change in financial assumptions	(632,328)	(38,056)
Change in demographic assumptions	(10,473)	(54,510)
Experience loss/(gain) on defined benefit obligation	(10,006)	14,733
Liabilities assumed / (extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	(185,416)	(154,060)
Past service costs, including curtailments	3,848	936
Contributions by Scheme participants	33,481	32,088
Closing defined benefit obligation	**3,723,670**	**4,227,493**

Reconciliation of opening & closing balances of the fair value of Fund assets	Year to 31 Mar 2025 £000s	Year to 31 Mar 2024 £000s
Opening fair value of Fund assets	**3,919,664**	**3,517,354**
Interest on assets	191,276	168,611
Return on assets less interest	9,821	245,944
Other actuarial gains/(losses)	-	-
Administration expenses	(2,909)	(2,904)
Contributions by employers	119,400	112,631
Contributions by Scheme participants	33,481	32,088
Estimated benefits paid net of transfers in	(185,416)	(154,060)
Settlement prices received / (paid)	-	-
Closing Fair value of Fund assets	**4,085,317**	**3,919,664**

Sensitivity analysis	£000s	£000s	£000s
Adjustment to discount rate	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	3,668,727	3,723,670	3,779,972
Adjustment to long term salary increase	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	3,727,680	3,723,670	3,719,693
Adjustment to pension increases and deferred revaluation	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	3,777,540	3,723,670	3,671,094
Adjustment to life expectancy assumptions	**+1 Year**	**None**	**- 1 Year**
Present value of total obligation	3,850,365	3,723,670	3,601,627

Governance

Pension Fund Committee

Pension Fund Committee
The Pension Fund Committee overseas the management of the Dorset County Pension Fund and act as trustees of the Fund.

The Pension Fund Committee is primarily responsible for all functions of the Council as the administering authority of the Dorset County Pension Fund, including making investment policy, overseeing how the scheme is run and monitoring performance.

The committee will consist of 9 Members comprising 5 Members appointed by Full Council (not more than 2 being also appointed to Cabinet); 3 persons nominated by the Bournemouth Christchurch and Poole Council and 1 person nominated by the unions who have membership that includes officers.

Councillor John Beesley is the Committee's representative on the Brunel Oversight Board and the Scheme Advisory Board. In this capacity, Councillor Beesley gives updates on governance relating to investment pooling at the quarterly Pension Fund Committees.

The Dorset County Pension Fund Committee Members as at 31 March 2025 were as follows.

Dorset County Pension Fund Committee	
Committee Member	**Representing**
Councillor Andy Canning (Chairman)	Dorset Council
Councillor Andy Todd (Vice-Chair)	Dorset Council
Councillor John Beesley	BCP Council
Councillor David Brown	BCP Council
Councillor Will Chakawhata	Dorset Council
Mr Adrian Felgate	Scheme Member Representative
Councillor Felicity Rice	BCP Council
Councillor Andy Skeats	Dorset Council

Councillor Andy Canning
Dorset Council
(Chairman)

Councillor John Beesley
BCP Council

Councillor David Brown
BCP Council

Councillor Will Chakawhata
Dorset Council

Mr Adrian Felgate
Scheme Member Representative

Councillor Felicity Rice
BCP Council

Councillor Andy Skeats
Dorset Council

Councillor Andy Todd
Dorset Council
Vice-Chair

Pension Fund Committee Members Attendance

The table below summarises the meetings which have taken place including attendance by members of the Pension Fund Committee.

Committee Member	25 Jun 2024	17 Sep 2024	26 Nov 2024	18 Mar 2025	Total	Voting rights
Councillor Andy Canning (Chairman)	✓	✓	✓	✓	4/4	✓
Councillor Andy Todd (Vice-Chair)	✓	✓	✓	✓	4/4	✓
Councillor John Beesley	✓	✓	✓	✓	4/4	✓
Councillor David Brown	✓	✓	✓	✓	4/4	✓
Councillor Will Chakawhata	✓	x	✓	✓	3/4	✓
Mr Adrian Felgate	✓	✓	✓	✓	4/4	✓
Councillor Felicity Rice	✓	✓	✓	✓	4/4	✓
Councillor Andy Skeats	x	✓	✓	✓	3/4	✓
Councillor Gary Suttle	x	x	x	N/A	0/3	✓

key and Notes
✓ In Person
✓ Online
x Apologies received

Committee Structure
The Council delegates the management of the Fund to the Pension Committee. A Committee of elected members, five Dorset Councillors, three Councillors representing Bournemouth, Christchurch and Poole Council and one voting Scheme Member representative are responsible for making investment policy, overseeing how the scheme is run and monitoring performance. The Committee is supported by an investment management expert who is not involved in the management of the Fund's Assets. The Committee meets on a quarterly basis.

Committee Responsibilities Delegated to the Fund Administrator
The Committee delegates to the Fund Administrator the following responsibilities:

- Managing and monitoring the investment managers, consultants and custodian.
- Managing the Fund's cash assets directly held by the Administering Authority.
- Transferring assets between the Administering Authority, the investment managers and custodian.
- Accounting for all investment transactions.
- Within limits, authorising expenditure from the Fund.
- Paying the fees of the investment managers and the custodian.
- When necessary, exercising the Fund's voting rights after consulting the Chairman and Vice Chairman.
- Admitting organisations into the Pension Scheme after consulting the Chairman and Vice Chairman.

Committee Responsibilities
The Pension Fund Committee's terms of reference are set out below and the Committee is responsible for monitoring all aspects relating to the investment of the assets of the Fund as follows:

- To undertake statutory functions on behalf of the Local Government Pension Scheme and ensure compliance with legislation and best practice.
- To determine policy for the investment, funding and administration of the pension fund.
- To consider issues arising and make decisions to secure efficient and effective performance and service delivery.
- To appoint and monitor all relevant external service providers:
  - *fund managers.*
  - *custodian.*
  - *corporate advisors.*
  - *independent advisers.*
  - *actuaries.*
  - *governance advisers.*
  - *all other professional services associated with the pension* fund.
- To monitor performance across all aspects of the service.
- To ensure that arrangements are in place for consultation with stakeholders as necessary.
- To consider and approve the annual statement of pension fund accounts.
- To consider and approve the Dorset County Pension Fund actuarial valuation and employer contributions.
- Approval of key policies and statement:
  - Investment Strategy Statement.
  - Funding Strategy Statement.
  - Governance Compliance Statement.
  - Communications Strategy Statement.

Matters Discussed by the Committee
During 2024-25 the following items were discussed by the Committee.
Standing items at each board meeting:

- Pension Fund Investments
- Brunel Governance/Scheme Advisory Board Update.
- Pensions Administration report.

In addition, other subjects included:

- Brunel Pension Partnership's Chief Executive's Update.
- Independent Auditor's Report 2021-22 update.
- Pension Fund Annual report 2023-24 approval.

- Independent Auditor's Statements and Reports 2023-24.
- LGPS Investment Pooling Update.
- Pension Fund Treasury Management Strategy 2025-26 approval.

Code of Conduct
Councillors are required to comply with the requirements of the Localism Act 2011 regarding disclosable pecuniary interests which are to:

- Check if there is an item of business on this agenda in which you or a relevant person has a disclosable pecuniary interest.
- Inform the Secretary to the Committee in advance about your disclosable pecuniary interest and if necessary, take advice.
- Check that you have notified your interest to your own Council's Monitoring Officer (in writing) and that it has been entered in your Council's Register (if not this must be done within 28 days, and you are asked to use a notification form available from the clerk).
- Disclose the interest at the meeting and in the absence of a dispensation to speak and/or vote, withdraw from any consideration of the item.

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.

Accountability and Transparency
Pensions Committee meetings are open to members of the public.

Agendas and Minutes
Pensions Committee agendas and minutes are published on the Dorset Council website at: **https://moderngov.dorsetcouncil.gov.uk**

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 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.

The Local Pension Board for the Dorset County Pension Fund

Introduction
With effect from 1 April 2015 Dorset County Pension Fund created a Local Pension Board. The role of the board is to help the Dorset Pension Fund comply with all the legislative requirements to ensure the scheme is being effectively and efficiently governed and managed.

The Local Pension Board helps ensure that the Fund 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.

Local Pension Boards are constituted entirely under the Public Service Pensions Act 2013 and are not local authority committees.

The current membership of the Local Pension Board as at 31 March 2025
The Pension Board consists of eight members plus an independent chair and is constituted as follows.

- 1 Independent Chair.
- 4 employer representatives.
- 4 scheme membership representatives.

The Local Pension Board membership as at 31 March 2025 was as follows.

The Local Pension Board Current Membership	
Richard Bates (Chairman)	Independent
Adam Richens (Vice Chairman)	Employer Representative (BCP Council)
Jon Bird	Scheme Member Representative (Union Nominated)
Neal Butterworth	Employer Representative (Dorset Police)
Liz Bishopp	Employer Representative (Ferndown Town Council)
Mary O'Sullivan	Scheme Member Representative
James Stevens	Scheme Member Representative
Jonathan Stiby	Scheme Member Representative
Councillor David Taylor	Employer Representative (Dorset Council)

The Local Board Members Attendance
The table below summarises the meetings which have taken place including attendance by members of the Board.

The Board met five times during the 2024-25 scheme year.

Pension Board Member	03 Apr 2024	10 Jul 2024	25 Sept 2024	04 Dec 2024	26 Mar 2025	Total
Richard Bates	✓	✓	✓	✓	✓	5/5
Adam Richens (Vice Chairman)	✓	✓	✓	✓	✓	5/5
Jon Bird	x	✓	✓	✓	✓	4/5
Liz Bishopp	N/A	N/A	✓	x	x	1/3
Neal Butterworth	✓	x	x	✓	✓	3/5
Mary O' Sullivan	✓	✓	✓	✓	✓	5/5
James Sheehy	x	N/A	N/A	N/A	N/A	0/1
Councillor David Shortell	✓	N/A	N/A	N/A	N/A	1/1
James Stevens	✓	✓	✓	✓	✓	5/5
Jonathan Stiby	✓	x	✓	✓	✓	4/5
Councillor David Taylor	N/A	x	✓	x	x	1/4

Pension Board Changes
Cllr David Shortell was replaced as Dorset Council's Employer Representative by Cllr David Taylor in May 2024. Liz Bishopp became an Employer Representative in July 2024.

The Function of the Board
The function of the 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.
- To secure the effective and efficient governance and administration of the LGPS for the Dorset County Pension Fund; and
- To provide the Scheme Manager with such information as it requires to ensure that any member of the Local Pension Board or person to be appointed to the Local Pension Board does not have a conflict of interest.

Role of the Pension Board
The Pension Board is responsible for:

- Scrutinising the progress of actions to meet the performance objectives of the Pension Fund.
- Reviewing and monitoring the training plan of the Pensions Board and elected members and officers with delegated responsibilities for the governance, management, and administration of the Pension Fund.
- Reviewing and monitoring the performance of external business partners, including the pensions administration service, the actuary, the custodian, and the investment consultant.
- Reviewing and monitoring the Risk Register and risk monitoring of scheme employers.
- Reviewing the implementation of revised policies and procedures, including the administering discretions.
- Reviewing the compliance of projects commissioned by the Pension Fund Committee, including the Triennial Valuation of the Pension Fund.

- Ensuring pension rules and regulations are being complied with when officers are making decisions on pension matters.
- Scrutinising data quality.
- Reviewing internal audit reports.
- Assisting in the development of improved customer services.
- Reviewing compliance of Investment Managers with Investment Management Agreements; and
- Reviewing progress of agreed actions to address finding from any review of the Pension Fund activities.

Matters discussed by the Board

During 2024-25 the following items were discussed by the Board.

Standing items at each board meeting:

- LGPS Administration report, which includes Key Performance Indicators.
- Papers from the Pension Fund Committee meetings.
- Investment Update.
- Risk Register.

In addition, other subjects included:

- Abolition of the Lifetime Allowance.
- UK Spring Budget.
- The Pensions Regulator's General Code of Practice.
- McCloud Judgement.
- Pensions Dashboard.
- Administration Authority Discretions Policy.
- Changes to the Internal Dispute Resolution Procedure.
- Shared Cost Additional Pension Contributions.
- Autumn Budget 2024.
- Dorset Council Pension Fund data quality report.
- Annual end of year processes and annual benefit statements.
- Inheritance tax consultation.
- Dorset County Pension Fund Opt-Out Data.
- Member information and Scheme Awareness.

Agendas and Minutes

Pension Board agendas, minutes and additional reports are published on the Dorset County Pension Fund website:
https://dorsetpensionfund.ord/about-the-scheme/about-the-pension-fund/local-pension-board/

Scheme Compliance/Breaches

During the 2024-25 scheme year no materially significant breaches of the law were identified that required reporting to The Pensions Regulator (TPR).

The TPR's guidance on reporting breaches of the law can be found here:
www.thepensionsregulator.gov.uk

Training

Dorset County Pension Fund is committed to providing training to those involved in the governance of the Fund and to ensure members have the necessary skills and knowledge to act effectively in line with their responsibilities.

The Local Pension Board Training Policy for Dorset County Pension Fund can be found on our website here:
https://dorsetpensionfund.org/

The Pensions Regulator Public Service Toolkit

All Board members are required to complete the Pensions Regulator's online Public Service toolkit. The programme is split into seven separate courses designed to cover the governance and administration of public service schemes, as described in the public service code of practice.
www.thepensionsregulator.gov.uk/

- Conflicts of interest.
- Managing risk and internal controls.
- Maintaining accurate member data.
- Maintaining member contributions.
- Providing information to members and others.
- Resolving internal disputes.
- Reporting breaches of the law.

LGPS Online Learning Academy (LOLA)
Board members are also given access to Hymans Robertson's online platform, LOLA. This is designed to support the training needs of Pension Committees, Pension Boards and Fund Officers. The learning plan consists of a series of short video presentations with additional learning materials and quizzes.

Further details can be found here:
www.hymans.co.uk/services/lgps-online-learning-academy/

Training Sessions and Events
Various conferences and seminars organised by industry bodies such as the Local Government Association (LGA) and the Chartered Institute of Public Finance and Accountancy (CIPFA) take place during the year. Attendance at these events will count as Board member training, along with bespoke sessions arranged for board meetings.

2025-26 Local Pension Board Meetings
Local Pension Board Meetings have been scheduled for the following dates.

- 23 July 2025
- 1 October 2025
- 7 January 2026

Independent auditor's statement to the members of Dorset Council on the pension fund financial statements of Dorset Pension Fund included within the pension fund annual report

Opinion

We have examined the pension fund financial statements of Dorset Pension Fund (the 'pension fund') for the year ended 31 March 2025 included within the pension fund annual report, which comprise the Fund Account, the Net Assets Statement, and the notes to the financial statements, including material accounting policy information.

In our opinion, the pension fund financial statements included within the pension fund annual report are consistent, in all material respects, with the audited pension fund financial statements of Dorset Council for the year ended 31 March 2025 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25. However, we expressed a qualified audit opinion on the pension fund financial statements of Dorset Council for the year ended 31 March 2025.

We have not considered the effects of any events between 27 February 2026, being the date we signed our auditor's report on the audited financial statements of Dorset Council, and the date of this statement.

The audited financial statements and our report thereon

As explained below, we expressed a qualified audit opinion on the pension fund financial statements of Dorset Council for the year ended 31 March 2025 in our report dated 27 February 2026.

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements, including for the Pension Fund, for the year ended 31 March 2025 by 27 February 2026 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements.

As a result of the limitations imposed by the backstop date, we were unable to obtain sufficient appropriate audit evidence over the corresponding figures and opening balances reported in the Pension Fund's financial statements or whether there was any consequential effect on the Fund Account's and in-year movements reported in the Net Asset Statement for the year ended 31 March 2024. We issued a disclaimer of opinion on the financial statements for the year ended 31 March 2024 accordingly. Our audit opinion on the current period's financial statements is modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures. This enables the Authority to comply with the requirement of the Regulations to publish the financial statements for the year ended 31 March 2025 by the backstop date.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Respective responsibilities of the Chief Financial Officer and Section 151 Officer and the auditor

As explained more fully in the Statement of the Responsibilities, the Chief Financial Officer and Section 151 Officer is responsible for the preparation of the pension fund's financial statements in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25.

Our responsibility is to state to the members of Dorset Council our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the financial statements of Dorset Council.

We also read the other information contained in the pension fund annual report and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information comprises the information included in the pension fund annual report, other than the pension fund financial statements and our auditor's statement thereon.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the financial statements of Dorset Council describes the basis of our opinion on those financial statements.

Use of this auditor's statement

This statement is made solely to the members of Dorset Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our work has been undertaken so that we might state to the members of Dorset Council those matters we are required to state to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Dorset Council and the members of Dorset Council as a body, for our work, for this statement, or for the opinions we have formed.

Julie Masci

Julie Masci, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

27 February 2026

APPENDIX C: PENSION FUND ACCOUNTS 2024-25

2023/24		FUND ACCOUNT	Note	2024/25	
£'000	£'000			£'000	£'000
		Dealings with members, employers and others directly involved in the Fund:			
	156,866	**Contributions**	*7*		**174,620**
121,979		Employer contributions		138,248	
34,887		Member contributions		36,372	
	15,871	**Transfers in from other pension funds**	*8*		**22,951**
	172,737	**Total additions from dealing with members etc.**			**197,571**
	(159,280)	**Benefits**	*9*		**(181,830)**
(135,005)		Pensions		(147,340)	
(19,660)		Commutation and lump sum retirement benefits		(31,218)	
(4,615)		Lump sum death benefits		(3,272)	
	(12,922)	**Payments to and on account of leavers**	*10*		**(27,631)**
(502)		Refunds of contributions		(508)	
(12,420)		Transfers to other pension funds		(27,123)	
	535	**Net additions/(withdrawals) from dealings with members and others**			**(11,890)**
	(20,955)	**Management expenses**	*11*		**(22,204)**
	(20,420)	**Net additions/(withdrawals) including Fund management expenses**			**(34,094)**
		Returns on investments:			
	18,514	**Investment Income**	*12*		**21,937**
	399,575	**Profit/(loss) on disposal of investments and changes in the value of investments**			**177,810**
	418,089	**Net return on investments**			**199,747**
	397,669	**Net increase/(decrease) in assets available for benefits during the year**			**165,653**
	3,521,995	**Opening net assets of the Fund**			**3,919,664**
	3,919,664	**Closing net assets of the Fund**			**4,085,317**

NET ASSETS STATEMENT

31 March 2024				31 March 2025	
£'000	£'000		Note	£'000	£'000
	722	**Long term investments**	*13*		**750**
722		Brunel Pension Partnership Ltd		750	
	3,921,466	**Investment assets**	*14*		**4,070,553**
77		Equities		60	
3,464,168		Pooled investment vehicles		3,631,761	
138,390		Private equity		137,149	
235,645		Property		211,980	
81,929		Cash & cash equivalents		88,239	
528		Derivative contracts	*16*	782	
729		Other investment assets		582	
	(3,352)	**Investment liabilities**			**-**
(3,352)		Derivative contracts	*16*	-	
-		Other investment liabilities		-	
	3,918,836	**Total net investments**			**4,071,303**
	12,925	**Current assets**			**22,209**
11,584		Contributions due from employers		17,925	
1,341		Other current assets		4,284	
	(12,097)	**Current liabilities**			**(8,195)**
(1,259)		Unpaid benefits		(470)	
(10,838)		Other current liabilities		(7,725)	
	3,919,664	**Net assets available to fund benefits**			**4,085,317**

DISCLOSURE NOTES

NOTE 1. DESCRIPTION OF THE FUND

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

a) General

The scheme is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

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

It is a contributory defined benefit pension scheme administered by the Council to provide pensions and other benefits for pensionable employees of the Council, other councils and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The Fund is overseen by the Pension Fund Committee, which is a committee of the Council.

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

- **Scheduled bodies**, which are automatically entitled to be members of the Fund.
- **Admitted bodies**, which participate in the Fund under the terms of an admission agreement between the Fund and the employer. Admitted bodies include voluntary, charitable and similar not-for-profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.

Membership details are set out below:

31 March 2024		31 March 2025
346	**Total Employers**	**345**
	Employees	
6,546	Administering Authority	6,523
19,234	Other Scheduled Bodies	19,587
846	Admitted Bodies	664
26,626	**Total Employees**	**26,774**
	Pensioners	
9,954	Administering Authority	10,199
15,109	Other Scheduled Bodies	15,995
2,148	Admitted Bodies	2,254
27,211	**Total Pensioners**	**28,448**
	Deferred Pensioners	
9,407	Administering Authority	9,070
17,592	Other Scheduled Bodies	16,910
1,585	Admitted Bodies	1,577
28,584	**Total Deferred Pensioners**	**27,557**
82,421	**Total Members**	**82,779**

c) **Funding**
Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2025. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2022. Currently, employer contribution rates range from 10.0% to 29.0% of pensionable pay.

d) **Benefits**
Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index. A range of other benefits are also provided including early retirement, disability pensions and death benefits.

NOTE 2. BASIS OF PREPARATION

The statement of accounts summarise the Fund's transactions for the 2024/25 financial year and its financial position at 31 March 2025. The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 ("the Code"), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. There are no changes in accounting requirements for 2025/26 that are anticipated to have a material impact on the Fund's financial performance or financial position.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Fund has opted to disclose this information by appending an actuarial report.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account:

Contribution income
Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the Fund actuary for the period to which they relate.
- Employer deficit funding contributions are accounted for on the basis advised by the Fund actuary in the rates and adjustment certificate issued to the relevant employing body. Additional employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long term financial assets.

Transfers to and from other schemes
Transfers in and out relate to members who have either joined or left the Fund:

- Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (Note 9).

- Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

Investment income

- Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.
- Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.
- Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.
- Rental income is recognised on a straight-line basis over the term of the lease. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.
- Changes in the value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

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 current liabilities, providing that payment has been approved.

Taxation

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

Management expenses

The Fund discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016). All items of expenditure are charged to the Fund on an accruals basis as follows:

Administrative expenses:

All staff costs relating to the pensions administration team are charged direct to the fund. Council recharges for management, accommodation and other overhead costs are also accounted for as administrative expenses of the Fund.

Oversight and Governance:

All costs associated with governance and oversight are separately identified, apportioned to this activity and charged as expenses to the Fund.

Investment management expenses:

Investment fees are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off returns by investment managers, these expenses are grossed up to increase the change in value of investments. Fees charged by external investment managers and custodians are set out in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. The costs of the time spent by officers on investment management activity are also included.

Net Assets Statement:

Financial assets
All investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. Any gains or losses on investment sales arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 18). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

Freehold and leasehold properties
Properties are valued annually as at the year-end date by independent external valuers on a fair value basis and in accordance with the Royal Institute of Chartered Surveyors' (RICS) Valuation Standards. See Note 18 for more details.

Foreign currency transactions
Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period.

Derivatives
The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Cash and cash equivalents
Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers. 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 and are close to maturity at the time of acquisition, generally within three months or less.

Loans and receivables
Financial assets are carried in the net asset statement at amortised cost.

Financial liabilities
A financial liability is recognised in the net assets statement on the date the Fund becomes legally responsible for that liability. The Fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the change in value of investments.

Other financial liabilities classed as amortised cost are carried in the net asset statement at the value of the outstanding principal at 31 March each year. Any interest due not yet paid is accounted for on an accruals basis and included in administration costs.

Actuarial present value of promised retirement benefits
The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of International Accounting Standard (IAS) 19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of an actuarial report appended to the accounts.

Additional voluntary contributions
The Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed for information in Note 23.

Contingent assets and contingent liabilities
A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event prior to the year-end has created a possible financial obligation whose existence will only be confirmed or otherwise by future events. Contingent liabilities can also arise in circumstances where it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes (see Note 25).

NOTE 4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Directly held property
The Fund's investment portfolio includes a number of directly owned properties which are leased commercially to various tenants. The Fund has determined that these contracts all constitute operating lease arrangements under the classifications permitted by the Code, therefore the properties are retained on the net asset statement at fair value.

NOTE 5. PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

Prior period adjustments are accounted for by restating the comparative figures for each prior period presented in the financial statements and notes and by adjusting the opening balances for the current period for the cumulative effect.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting Financial Statements.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the pension fund's financial position. Where a change is made, if the new pronouncement does not include specific transition provisions, then the change in accounting policy is applied retrospectively. Retrospective application means adjusting the opening balance of each affected component for the earliest prior period presented, along with other comparative amounts disclosed for each prior period presented, and restating them as if the new accounting policy had always been applied.

NOTE 6. 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 reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations. However actual outcomes could be different from the assumptions and estimates made.

The items in the net asset statement for which there is a significant risk of material adjustment the following year are as follows:

Private equity investments (Note 18)
Private equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (December 2018). Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

Private equity investments are valued at £137m in the financial statements. 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, by up to 15% i.e. an increase or decrease of £21m.

Freehold and leasehold property (Note 18)
Valuation techniques are used to determine the carrying values of directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data, otherwise the best available data is used.

Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property-based investments by up to 15% i.e. an increase or decrease of £32m on carrying values of £212m.

Level 2 and 3 investments (Note 18)
The Fund's remaining level 2 and 3 investments (excluding private equity investments and freehold and leasehold property mentioned above) are valued at £3,269m and £384m respectively, £3,653m in total. Uncertainty will exist when investments are not valued using quoted prices in active markets, or by reference to markets which are not considered to be active and are valued based on alternative pricing sources supported by observable inputs. Level 3 investments will have significant unobservable inputs.

For every 1% increase in the value of level 2 and 3 investments, the value of the Fund will increase by £37m with a decrease having the opposite effect.

Actuarial present value of promised retirement benefits (Note 22)
Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on Fund assets. A firm of consulting actuaries, Barnett Waddingham LLP, is engaged to provide the Fund with expert advice about the assumptions to be applied.

If actual results differ from key assumptions:
- a 0.1% p.a. increase in the discount rate would reduce future pension liabilities by c. £200m
- a 0.5% p.a. increase in earnings inflation would increase future pension benefits by c. £180m
- a 0.25% p.a. increase in long-term rate of mortality improvement would increase future pension benefits by c. £170m.

NOTE 7. 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. There are events that

provide additional information about conditions that existed at the end of the reporting period (adjusting events), and events that occur after the reporting period (non-adjusting events).

Reforms to LGPS asset pooling arrangements in England and Wales (non-adjusting event)

The 86 administering authorities in England and Wales currently manage their LGPS assets through eight investment pools. The Fund's assets, together with the assets of nine other LGPS pension funds, are managed by Brunel Pension Partnership Ltd (Brunel), a company owned wholly in equal shares by the ten administering authorities. In April 2025, as part of its 'fit for future' pensions review, the Government wrote to the administering authorities from two pools (Brunel and ACCESS) directing them to join one of the six continuing pools, with a 'decision in principle' on which pool they planned to join required by 30 September 2025. The Council has selected Local Pension Partnership Investments (LPPI) as its preferred new investment pooling partner.

Considerable uncertainties remain on how any new arrangements will be adopted and on the future of Brunel. The value of the Fund's shareholding in Brunel reported in the Net Assets Statement was £750,000 as at 31 March 2025, which is not considered to be material.

No other events after the reporting date have been identified.

NOTE 8. CONTRIBUTIONS RECEIVABLE

By category:

2023/24		2024/25
£'000	**Employer contributions**	£'000
103,624	Contributions re future service costs	108,094
16,819	Contributions re past service costs (deficit recovery)	18,676
261	Voluntary additional contributions	-
1,275	Augmentation cost of early retirements	5,908
-	Exit payments from employers	5,570
-	Exit credits to employers	-
121,979	**Total employer contributions**	**138,248**
34,887	**Member contributions**	**36,372**
156,866	**Total contributions receivable**	**174,620**

By type of employer:

2023/24		2024/25
£'000		£'000
49,016	Administering authority	51,567
103,070	Other scheduled bodies	113,540
4,780	Admitted bodies	9,513
156,866	**Total contributions receivable**	**174,620**

NOTE 9. TRANSFERS IN FROM OTHER PENSION FUNDS

2023/24		2024/25
£'000		£'000
15,587	Individual transfers from other pension funds	22,896
-	Group transfers from other pension funds	-
284	AVC to purchase scheme benefits	55
15,871		**22,951**

NOTE 10. BENEFITS PAYABLE

By category:

2023/24		2024/25
£'000		£'000
135,005	Pensions	147,340
19,660	Commutation and lump sum retirement benefits	31,218
4,615	Lump sum death benefits	3,272
159,280	**Total benefits payable**	**181,830**

By type of employer:

2023/24		2024/25
£'000		£'000
54,019	Administering authority	59,473
92,525	Other scheduled bodies	108,371
12,736	Admitted bodies	13,986
159,280	**Total benefits payable**	**181,830**

NOTE 11. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2023/24		2024/25
£'000		£'000
502	Refunds to members leaving service	508
-	Group transfers to other pension funds	8,431
12,420	Individual transfers to other pension funds	18,692
12,922		**27,631**

NOTE 12. MANAGEMENT EXPENSES

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

2023/24		2024/25
£'000		£'000
2,338	Administrative expenses	2,726
571	Oversight and governance costs	610
18,046	Investment management expenses	18,868
20,955	**Total management expenses**	**22,204**

The scale fee for the 2024/25 external audit is £93,992 and is included in oversight and governance costs above. Additional fees for the audit relating to 2024/25 are estimated to be £10,000. The total fee for the 2024/25 external audit is estimated to be £103,992.

There is a non-audit service fee of £1,100 for 2024/25 in relation to the provision of an IAS19 assurance letter to United Learning Trust, a scheduled body of the pension fund.

Investment management expenses consisted of:

2023/24 £'000		2024/25 £'000
15,385	Investment management fees	15,699
320	Performance related fees	32
23	Custody fees	21
1,457	Transaction costs	1,758
861	Other fees and costs	1,358
18,046	**Total investment management expenses**	**18,868**

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.

The following table summarises investment management expenses by asset class:

2023/24 £'000		2024/25 £'000
13,517	Pooled investments	15,294
61	Pooled property investments	-
3,744	Private Equity	2,873
663	Property	516
38	Derivatives (FX contracts)	164
23	Custody Costs	21
18,046	**Total investment management expenses**	**18,868**

NOTE 13. INVESTMENT INCOME

2023/24 £'000		2024/25 £'000
6	Equities	6
1,617	Pooled Investments	3,433
2,067	Pooled Property Investments	2,427
11,406	Direct Property	11,824
84	Private Equity	214
3,065	Interest from Cash Deposits	3,413
1	Other Income	0
1	Class Action Income	-
268	Fee Rebate Income	620
18,514	**Total Investment Income**	**21,937**

NOTE 14. LONG TERM INVESTMENTS

In response to the requirements of the investment regulations for LGPS funds to pool investment assets, Brunel Pension Partnership Ltd (Brunel) 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, with share capital invested by each fund at a cost of £840k. The value of each fund's shareholding based on Brunel's most recently audited accounts was £750k (£722k at 31 March 2024).

NOTE 15. INVESTMENT ASSETS

31 March 2024			31 March 2025	
Market Value		Description / Investment Manager	Market Value	
%	£'000		£'000	%
0.0%	**77**	**Equities**	**60**	**0.0%**
0.0%	77	Investec	60	0.0%
3.5%	**138,390**	**Private Equity**	**137,149**	**3.4%**
1.6%	63,088	HarbourVest	56,205	1.4%
0.3%	13,928	Patria	8,029	0.2%
0.3%	12,569	Capital Dynamics Global Secondary Fund V	11,365	0.3%
0.3%	12,217	Neuberger Berman Private Equity Impact Fund	14,002	0.4%
0.4%	14,528	Neuberger Berman SCIOP IV	16,603	0.4%
0.1%	3,625	Neuberger Berman Clifton Fund III	11,039	0.3%
0.2%	5,993	Ardian LBO Fund	5,394	0.1%
0.1%	4,373	Vespa Capital III	5,519	0.1%
0.1%	2,514	Summit Eur Growth EQ III SCSP LP	2,760	0.1%
0.1%	5,555	Alpinvest Secondaries Fund VII Limited Partnership	4,886	0.1%
0.0%	-	Neuberger Berman Clifton Private Equity IV	1,345	0.0%
6.0%	**235,645**	**Property (directly owned)**	**211,980**	**5.2%**
6.0%	235,645	CBRE Global Investors	211,980	5.2%
		Pooled Investment Vehicles:		
6.5%	**256,367**	**Bonds**	**267,053**	**6.6%**
6.5%	256,367	Royal London Mutual Insurance Mutual Fund	267,053	6.6%
8.7%	**339,906**	**UK Equities - Quoted**	**436,080**	**10.7%**
3.5%	135,774	LGIM UK Equity Index (passive)	212,237	5.2%
5.2%	204,132	Brunel UK Equities	223,843	5.5%
50.3%	**1,973,886**	**Global Equities - Quoted**	**1,979,734**	**48.6%**
8.9%	348,876	LGIM Smart Beta Fund	373,355	9.2%
6.2%	243,048	LGIM World Developed Equities Index Fund	229,038	5.6%
6.8%	267,710	LGIM Paris Aligned Benchmark Developed Equities	-	0.0%
8.3%	325,323	Brunel Global High Alpha Equities	270,952	6.7%
3.8%	147,803	Brunel Emerging Markets Equities	157,228	3.9%
10.0%	393,596	Brunel Global Sustainable Equities	383,022	9.3%
6.3%	247,530	Brunel Smaller Companies Equities	262,841	6.4%
0.0%	-	Brunel Low Volatility	303,298	7.5%
6.9%	**269,755**	**Multi Asset Credit (MAC)**	**292,439**	**7.2%**
1.5%	56,299	CQS Global Funds Mutual Fund	61,883	1.5%
1.4%	55,083	Oaktree (LUX) III SA SICAV Mutual Fund	60,013	1.5%
4.0%	158,373	Neuberger Berman Investment Mutual Fund	170,543	4.2%
1.8%	**71,574**	**Property Funds**	**73,026**	**1.8%**
0.0%	23	Lend Lease Retail Partnership	-	0.0%
0.1%	3,444	Standard Life UK Shopping Centre Trust	2,290	0.1%
0.3%	13,917	CBRE UK Long Income Property Fund	13,912	0.3%
0.7%	26,809	Aberdeen Standard Long Lease Property Fund	28,030	0.7%
0.7%	27,381	M&G Secured Income Property Fund	28,794	0.7%
6.7%	**262,203**	**Diversified Returns Funds**	**270,705**	**6.7%**
6.7%	262,203	Brunel Diversifying Returns Fund	270,705	6.7%
7.4%	**290,476**	**Infrastructure**	**312,725**	**7.7%**
2.1%	83,652	Hermes GPE Infrastructure Funds	77,642	1.9%
4.1%	161,422	IFM Global Infrastructure Fund	171,151	4.2%
0.6%	24,479	Greencoats Renewable Income Infrastructure Fund	27,435	0.7%
0.6%	20,923	STEPSTONE B III	36,497	0.9%
88.3%	**3,464,168**	**Total - Pooled Investments**	**3,631,761**	**89.3%**

31 March 2024 Market Value		Description / Investment Manager	31 March 2024 Market Value	
2.1%	81,929	Cash & Cash Equivalents	88,239	2.2%
0.0%	528	Derivatives	782	0.0%
0.0%	729	Investment Receivables	582	0.0%
100.0%	3,921,466	Total Investment Assets	4,070,553	100.0%

Single investments exceeding 5% of total value of the net assets are shown in the table above.

Investments analysed by fund manager:

31 March 2024 Market Value		Description / Investment Manager	31 March 2025 Market Value	
%	£'000		£'000	%
83.2%	3,263,084	Investments managed by the Brunel Pension Partnership Asset Pool:	3,439,681	84.5%
0.7%	26,809	Aberdeen Standard Investments	28,030	0.7%
0.1%	5,555	Alpinvest Partners	4,886	0.1%
0.2%	5,993	Ardian	5,394	0.1%
40.3%	1,580,587	Brunel Pension Partnership Ltd	1,871,889	46.0%
0.3%	12,569	Capital Dynamics	11,365	0.3%
1.4%	56,299	CQS	61,883	1.5%
0.6%	24,479	Greencoat Capital	27,435	0.7%
25.4%	995,409	LGIM	814,629	20.0%
0.7%	27,381	M&G Investments	28,794	0.7%
4.8%	188,743	Neuberger Berman	213,533	5.2%
1.4%	55,083	Oaktree	60,013	1.5%
6.5%	256,367	Royal London	267,053	6.6%
0.5%	20,923	StepStone Infrastructure and Real Assets	36,497	0.9%
0.1%	2,514	Summit Partners	2,760	0.1%
0.1%	4,373	Vespa Capital	5,519	0.1%
14.7%	575,195	Investments managed outside the Brunel Pension Partnership Asset Pool:	541,269	13.3%
6.5%	253,029	CBRE Investment Management	228,182	5.6%
2.1%	83,652	Federated Hermes	77,642	1.9%
1.6%	63,088	HarbourVest	56,205	1.4%
4.1%	161,422	IFM Investors	171,151	4.2%
0.0%	77	Investec	60	0.0%
0.4%	13,928	Patria	8,029	0.2%
2.1%	83,186	Cash, derivatives and investment receivables:	89,603	2.2%
2.1%	81,929	Cash	88,239	2.2%
0.0%	528	Derivatives	782	0.0%
0.0%	729	Investment Receivables	582	0.0%
100.0%	3,921,466	Total Investment Assets	4,070,553	100.0%

NOTE 15B. PROPERTY HOLDINGS

The pension fund's investment portfolio includes a number of directly owned properties that are leased commercially to various tenants. Details of these properties are as follows:

31 March 2024 £'000		31 March 2025 £'000
245,859	Opening balance	235,645
2,281	Purchases	716
(6,131)	Disposals	(23,966)
(6,364)	Change in market value	(415)
235,645	Closing balance	211,980

The future minimum lease payments receivable are as follows:

31 March 2024 £'000		31 March 2025 £'000
10,777	Within one year	9,498
26,313	Between one and five years	20,667
41,482	Later than five years	37,360
78,572	**Total future lease payments due under existing contracts**	**67,524**

NOTE 16. RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

The following tables summarise details of purchases, sales and changes in the market valuation of investments in the fund during the financial year and prior year.

2024-25	Value 1 April 2024 £'000	Purch's & Derivative payments £'000	Sales & Derivative receipts £'000	Change in market value £'000	Value 31 March 2025 £'000
Long Term Investments	722	-	-	28	750
Equities	77	-	-	(17)	60
Pooled Investment Vehicles	3,464,168	420,731	(417,196)	164,058	3,631,761
Private Equity	138,390	14,478	(20,827)	5,108	137,149
Property	235,645	716	(23,966)	(415)	211,980
Total Securities	**3,839,002**	**435,925**	**(461,989)**	**168,762**	**3,981,700**
Forward Foreign Exchange	(2,824)	-	-	3,606	**782**
Total Securities and Derivatives	**3,836,178**	**435,925**	**(461,989)**	**172,368**	**3,982,482**
Other Investment Balances:					
Cash & cash equivalents*	81,929			5,448	**88,239**
Other investment assets	729			(6)	**582**
Other investment liabilities	-			-	-
Total Net Investments	**3,918,836**			**177,810**	**4,071,303**

2023-24	Value 1 April 2023 £'000	Purch's & Derivative payments £'000	Sales & Derivative receipts £'000	Change in market value £'000	Value 31 March 2024 £'000
Long Term Investments	707	-	-	15	722
Equities	72	267,479	(267,460)	(14)	77
Pooled Investment Vehicles	3,069,686	428,269	(424,943)	391,156	3,464,168
Private Equity	135,849	17,624	(16,939)	1,856	138,390
Property	245,859	2,281	(6,131)	(6,364)	235,645
Total Securities	**3,452,173**	**715,653**	**(715,473)**	**386,649**	**3,839,002**
Forward Foreign Exchange	7,086	-	-	(9,910)	**(2,824)**
Total Securities and Derivatives	**3,459,259**	**715,653**	**(715,473)**	**376,739**	**3,836,178**
Other Investment Balances:					
Cash & cash equivalents*	58,035			22,850	**81,929**
Other investment assets	768			(14)	**729**
Other investment liabilities	-			-	-
Total Net Investments	**3,518,062**			**399,575**	**3,918,836**

The closing value of securities and derivatives equals the opening value plus purchases and derivative payments, less sales and derivative receipts, plus increases (or less decreases) in market value over the period. The value of other investment balances will change with cashflows over the year and therefore closing values do not 'cast' from opening values in the same way as for securities and derivatives.

*The change in market value shown for cash and cash equivalents is the net increase/(decrease) in cash balances resulting from the realised profits or losses on forward foreign currency contracts during the period.

NOTE 17. ANALYSIS OF DERIVATIVES

The Fund's holdings in derivatives are to hedge liabilities or hedge exposures to reduce risk. To maintain appropriate diversification a significant proportion of the Fund's equity portfolio is in overseas stock. To reduce the volatility associated with fluctuating currency rates, the Fund hedges 50% of the US Dollar, Euro and Japanese Yen exposure within its global equities investments. As at 31 March, the Fund held the following open forward currency contracts.

Settlement	Currency Bought	Local Value 000s	Currency Sold	Local Value 000s	Asset Value £'000	Liability Value £'000
2-6 months	GBP	36,936	EUR	43,722	185	(0.3)
2-6 months	GBP	34,747	JPY	6,557,632	478	(0)
2-6 months	GBP	329,365	USD	424,943	119	0
2-6 months	USD	11,230	GBP	8,701	0	0
Open Forward Currency Contracts at 31 March 2025					**782.1**	**(0.3)**
Net Forward Currency Contracts at 31 March 2025						**781.8**

Settlement	Currency Bought	Local Value 000s	Currency Sold	Local Value 000s	Asset Value £'000	Liability Value £'000
2-6 months	GBP	37,400	EUR	43,604	17	-
2-6 months	GBP	35,447	JPY	6,601,821	510	(1)
2-6 months	GBP	304,776	USD	389,409	0	(3,351)
Open Forward Currency Contracts at 31 March 2024					**527.7**	**(3,351.9)**
Net Forward Currency Contracts at 31 March 2024						**(2,824.1)**

NOTE 18. FAIR VALUE OF INVESTMENT ASSETS

All investment assets have been valued using fair value techniques based on the characteristics of each asset class. 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 form unadjusted quoted prices in active markets for identical assets;
- **Level 2**: where quoted 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 asset's valuation is not based on observable market data.

During the year ended 31 March 2025 there were no transfers between levels 1, 2 or 3 of the fair value hierarchy.

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.
	Cash and cash equivalents	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments.	Not required.	Not required.
Level 2:				
	Pooled investments - unit trusts etc.	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.
	Cash and cash equivalents	Where held in vehicles priced once a month.	Not required.	Not required.
Level 3:				
	Freehold and leasehold properties	Valued at fair value at the reporting date by Savills, 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 (2018) and the IPEV Board's Special Valuation Guidance (March 2020).	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.
Level 3:				
	Property funds (where regular trading does not take place)	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.

Sensitivity of assets valued at Level 3

The Fund has determined that the valuation methods described above are likely to be accurate within the following ranges, and has set out below the consequent potential impact on the closing values of investments held at 31 March 2025.

	Valuation range % (+/-)	Value at 31 March 2025 £'000	Value on Increase £'000 £'000	Value on Decrease £'000 £'000
Pooled Investment Vehicles	15.00%	384,405	442,066	326,744
Private Equity	15.00%	137,149	157,721	116,577
Property	15.00%	211,980	243,777	180,183
Total		**733,534**	**843,564**	**623,504**

	Valuation range % (+/-)	Value at 31 March 2024 £'000	Value on Increase £'000 £'000	Value on Decrease £'000 £'000
Pooled Investment Vehicles	15.00%	362,050	416,358	307,743
Private Equity	15.00%	138,390	159,149	117,632
Property	15.00%	235,645	270,992	200,298
Total		**736,085**	**846,499**	**625,673**

The following tables provides an analysis of the Fund's assets and liabilities by fair value hierarchy.

31 March 2025	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets at fair value through profit and loss				
Equities	60	-	-	60
Pooled investments	-	3,247,356	311,379	3,558,735
Pooled property investments	-	-	73,026	73,026
Private equity	-	-	137,149	137,149
Derivative contracts	-	782	-	782
Cash and cash equivalents	61,864	21,180		83,044
Sub-total	**61,924**	**3,269,318**	**521,554**	**3,852,796**
Non financial assets at fair value through profit and loss				
Property	-	-	211,980	211,980
Financial liabilities at fair value through profit and loss				
Derivative contracts	-	-	-	-
Total	**61,924**	**3,269,318**	**733,534**	**4,064,776**

31 March 2024 (restated)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss				
Equities	77	-	-	77
Pooled investments	-	3,102,118	290,476	3,392,594
Pooled property investments	-	-	71,574	71,574
Private equity	-	-	138,390	138,390
Derivative contracts	-	528	-	528
Cash and cash equivalents	53,623	26,042		79,665
Sub-total	**53,700**	**3,128,688**	**500,440**	**3,682,828**
Non financial assets at fair value through profit and loss				
Property	-	-	235,645	235,645
Financial liabilities at fair value through profit and loss				
Derivative contracts	-	(3,352)	-	(3,352)
Total	**53,700**	**3,125,336**	**736,085**	**3,915,121**

Prior period restatement:
The 'cash and cash equivalents at fair value through profit and loss' row was omitted in prior period financial statements. The 31 March 2024 table above has been restated to include this. The amount of the correction for the year ending 31 March 2024 is £79,665k, split between £53,623k level 1 and £26,042k level 2.

The following table provides a reconciliation of fair value measurements within Level 3.

	Pooled Investment £'000	Private Equity £'000	Property £'000	Total £'000
Opening value at 1 April 2024	**362,050**	**138,390**	**235,645**	**736,085**
Purchases and derivative payments	21,731	14,478	716	36,925
Sales and derivative receipts	(5,347)	(20,827)	(23,966)	(50,140)
Unrealised gains and losses	11,350	(8,289)	(415)	2,646
Realised gains and losses	(5,379)	13,397	-	8,018
Closing value at 31 March 2025	**384,405**	**137,149**	**211,980**	**733,534**

	Pooled Investment £'000	Private Equity £'000	Property £'000	Total £'000
Opening value at 1 April 2023	**333,082**	**135,849**	**245,859**	**714,790**
Purchases and derivative payments	104,778	17,624	2,281	124,683
Sales and derivative receipts	(69,622)	(16,939)	(6,131)	(92,692)
Unrealised gains and losses	(4,964)	(8,289)	(6,364)	(19,617)
Realised gains and losses	(1,224)	10,145	-	8,921
Closing value at 31 March 2024	**362,050**	**138,390**	**235,645**	**736,085**

NOTE 19. CLASSIFICATION OF FINANCIAL INSTRUMENTS

As at 31 March 2025	Fair value through profit and loss £'000	Assets at amortised cost £'000	Liabilities at fair value through profit & loss £'000	Liabilities at amortised cost £'000
Financial assets				
Long term investments	750			
Equities	60	-		
Pooled investments	3,558,735	-		
Pooled property investments	73,026	-		
Private equity	137,149	-		
Derivative contracts	782	-		
Cash and cash equivalents	83,044	5,195		
Other investment balances	-	582		
Debtors	-	4,284		
Total	**3,853,546**	**10,061**		
Financial liabilities				
Derivative contracts			-	
Other investment balances				-
Sundry creditors				8,195
Total			**-**	**8,195**

As at 31 March 2024 (restated)	Fair value through profit and loss £'000	Assets at amortised cost £'000	Liabilities at fair value through profit & loss £'000	Liabilities at amortised cost £'000
Financial assets				
Long term investments	722			
Equities	77	-		
Pooled investments	3,392,594	-		
Pooled property investments	71,574	-		
Private equity	138,390	-		
Derivative contracts	528	-		
Cash and cash equivalents	79,665	2,264		
Other investment balances	-	729		
Debtors	-	1,341		
Total	**3,683,550**	**4,334**		
Financial liabilities				
Derivative contracts			3,352	
Other investment balances				-
Sundry creditors				12,097
Total			**3,352**	**12,097**

Prior period restatement:
The figures in the ‘cash and cash equivalents’ row of the 31 March 2024 table above had not been split between fair value through profit and loss and assets at amortised cost in the prior period financial statements. The full amount had incorrectly been shown as assets at amortised cost. The 31 March 2024 table above has therefore been restated to include the correct split. The amount of the correction for the year ending 31 March 2024 is £79,665k now shown as fair value through profit and loss.

NOTE 19A. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

All realised gains and losses arise from the sale or disposal of financial assets that have been derecognised in the financial statements. The Fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

2023/24		2024/25
£'000		£'000
	Financial assets	
383,103	Fair value through profit and loss	172,783
	Financial liabilities	
	Fair value through profit and loss	
383,103	**Total**	**172,783**

NOTE 20. 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 Pension Fund Committee. The Pension Fund Committee receives regular reports from all investment managers and from its Independent Investment Adviser on the nature of the investments made and their associated risks.

(a) Market Risk

Market risk is the risk of loss from 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. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of asset classes, geographical and industry sectors, and individual securities. Exposure to specific markets and asset classes is limited by applying strategic targets to asset allocation, which are agreed and monitored by the Pension Fund 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 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 cash and other investment assets.

As at 31 March 2025	Value	Change	Increase	Decrease
	£'000	%	£'000	£'000
Equities	60	15.00%	9	(9)
Pooled Investment Vehicles	3,631,761	15.00%	544,764	(544,764)
Private Equity	137,149	15.00%	20,572	(20,572)
Property	211,980	15.00%	31,797	(31,797)
Cash & cash equivalents	88,239	0.00%	-	-
Derivatives	782	15.00%	117	(117)
Other investment assets	582	0.00%	-	-
Total	**4,070,553**		**597,259**	**(597,259)**

As at 31 March 2024	Value £'000	Change %	Increase £'000	Decrease £'000
Equities	77	15.00%	12	(12)
Pooled Investment Vehicles	3,464,168	15.00%	519,625	(519,625)
Private Equity	138,390	15.00%	20,759	(20,759)
Property	235,645	15.00%	35,347	(35,347)
Cash & cash equivalents	81,929	0.00%	-	-
Derivatives	528	15.00%	79	(79)
Other investment assets	729	0.00%	-	-
Total	**3,921,466**		**575,822**	**(575,822)**

(a) (ii) Interest Rate Risk

Interest rates can vary and can affect both income the Fund and the value of Fund assets, both of which affect the value of net assets available to pay benefits. The Fund's exposure to interest rate movements on those investments at 31 March 2025 and 2024 are provided below, based on underlying financial assets at fair value.

This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of an increase or decrease of 1% (100 basis points) in interest rates.

The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalents but they will affect the interest received on those balances.

As at 31 March 2025	Market Value £'000	Impact of 1% Rate Decrease £'000	Impact of 1% Rate Increase £'000
Cash & cash equivalents	88,239	-	-
Assets held in pooled investment vehicles:			
Bonds	267,053	15,342	15,342
Multi Asset Credit (MAC)	292,439	7,086	(7,086)
Total	**647,730**	**22,428**	**8,256**

As at 31 March 2024	Market Value £'000	Impact of 1% Rate Decrease £'000	Impact of 1% Rate Increase £'000
Cash & cash equivalents	81,929	-	-
Assets held in pooled investment vehicles:			
Bonds	256,367	14,833	(14,833)
Multi Asset Credit (MAC)	269,755	6,818	(6,818)
Total	**608,051**	**21,651**	**(21,651)**

(a) (iii) Currency Risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling (GBP).

To mitigate the effect 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, and 50% of its holdings in the LGIM Passive Developed Equites and Smart Beta funds are in hedged units.

Following analysis of historical data, the Fund considers the likely volatility associated with foreign exchange rate movements to be not more than +/- 15% in total. The following summarises the Fund's exposure to currency exchange rate movements on its investments net of these hedges.

As at 31 March 2025	Total Exposure	Unhedged Exposure	Potential Movement
	£'000	£'000	£'000
Equities	60	30	4
Pooled Investment Vehicles	2,714,029	1,802,776	270,416
Private Equity	137,149	137,149	20,572
Total	**2,851,237**	**1,939,954**	**290,993**

As at 31 March 2024	Total Exposure	Unhedged Exposure	Potential Movement
	£'000	£'000	£'000
Equities	77	39	6
Pooled Investment Vehicles	2,667,267	1,754,225	263,134
Private Equity	138,390	138,390	20,759
Total	**2,805,734**	**1,892,654**	**283,898**

(b) Credit Risk

Credit risk represents the risk that the counterparty to a financial transaction will fail to discharge an obligation and cause the Fund to incur a financial loss. The selection of high quality counterparties, brokers and financial institutions minimises credit risk and the market values of investments generally reflect an assessment of credit risk.

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, the Fund invests in low volatility money market funds, all of which have a AAA rating from the leading credit rating agencies.

The table below summarises the Fund's exposure to credit risk at 31 March 2025 and 31 March 2024.

Investment	31 March 2025 £'000	31 March 2024 £'000
Cash and Cash Equivalents	88,239	81,929
Assets held in pooled investment vehicles:		
Bonds	267,053	256,367
Multi Asset Credit (MAC)	292,439	269,755
Total	**647,730**	**608,051**

(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 2025, liquid assets were £3,368m representing 82% of total net assets (£3,220m at 31 March 2024 representing 82% of total net assets at that date).

NOTE 21. FUNDING ARRANGEMENTS

In accordance with the LGPS Regulations, the Fund's actuary, Barnett Waddingham LLP, 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 2022, setting employer contribution rates for the period 1 April 2023 to 31 March 2026.

The next valuation is taking place as at 31 March 2025 and will set employer contribution rates for the period 1 April 2026 to 31 March 2029.

The key elements of the funding policy are:

- to ensure that the long-term solvency of the Fund i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- to ensure that employer contribution rates are as stable as possible;
- to minimise the long term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;
- to reflect the different characteristics of employing bodies in determining contribution rates where it is reasonable to do so; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the council taxpayer from an employer defaulting on its pension obligations.

Contribution rates for the year ending 31 March 2025 were set at the valuation calculated as at 31 March 2022. The common contribution rates set at the 2022 valuation for the three-year period ending 31 March 2026 are as follows.

	2023/24	2024/25	2025/26
Primary rate (future service contributions)	19.10%	19.10%	19.10%
Secondary rate (deficit recovery contributions)	3.10%	3.30%	3.40%
Total employer contributions	**22.20%**	**22.40%**	**22.50%**

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 2022 actuarial valuation, the Fund was assessed as 96% funded (92% at the 2019 valuation) with a deficit recovery period of no more than 16 years (19 years at the 2019 valuation). The key assumptions applied by the actuary for the 2022 and 2019 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 2019	Valuation 2022
Annual rate of return on investments (discount rate)	5.00%	4.90%
Annual rate of increases in pay (long term)	3.60%	4.00%
Annual rate of inflation (CPI)	2.60%	3.00%

NOTE 22. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary, Barnett Waddingham LLP, also undertakes a valuation of the Fund's liabilities on an IAS 19 basis every year using the same base data as the funding valuation rolled forward to the current financial year but taking account of changes in 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 2025 is set out in Appendix D to these financial statements.

NOTE 23. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC)

The Council administers an in-house AVC Scheme with two designated providers, Prudential Plc and Utmost Life and Pensions Limited (formerly 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 Council, in its capacity as a scheme employer, deducted and paid to the AVC providers a total of £1,714k in 2024/25 (£1,352k in 2023/24).

The market value of the separately invested additional voluntary contributions as at 31 March 2025 was £9,551k (£8,855k as at 1 April 2024).

NOTE 24. RELATED PARTY TRANSACTIONS

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 Pension Fund has transactions with Brunel Pension Partnership (BPP Ltd), company number 10429110. BPP Ltd was formed on 14 October 2016 and oversees the investment of pension fund assets for Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset and Wiltshire funds. Each of the ten administering authorities, including Dorset Council, own 10% of BPP Ltd. Transactions with BPP Ltd were £1,598k for 2024/25 and £1,306k for 2023/24.

The Council remits monthly contributions to the Fund in arrears, and total contributions for the year were £48m. £3.6m of this related to March 2025 contributions and was accrued as at 31 March 2025. Management and administration costs of £2.6m were incurred by the Council and recharged to the Fund in 2024/25. 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.

Note 24A. KEY MANAGEMENT PERSONNEL

Senior officers of the Council are members of the Fund as employee contributors. As at 31 March 2025, no members of the Pension Fund Committee were contributing members of the Fund. The key management personnel of the Fund are the members of the Pension Fund Committee, the Council's Chief Financial Officer (who is the Fund Administrator) and the Deputy Chief Financial Officer. The £2.6m recharge from the Council includes a charge of £22k for the Deputy Chief Financial Officer's time spent working for the Fund. The £22k charge is categorised as a short-term employee benefit.

NOTE 25. CONTINGENT ASSETS, LIABILITIES AND CONTRACTUAL COMMITMENTS

Recovery of withholding tax
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 2025 do not reflect any potential recovery of tax.

Commitments to private markets' portfolios
Outstanding capital commitments (investments) at 31 March 2025 were approximately £135m. These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the pension fund. The amounts ‘called’ by these funds are irregular in both size and timing over a number of years from the date of each original commitment.

Virgin Media case
The Fund is aware that in June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Ltd) ruled that certain historical amendments for contracted-out defined benefit schemes

were invalid if they were not accompanied by the correct actuarial confirmation. The case was taken to The Court of Appeal in June 2024 and the original ruling was upheld.

It is not yet known whether this case has any implications to public sector pension schemes, including the Local Government Pension Scheme. Therefore, no allowance for the potential impact of the Virgin Media case has been recognised in the financial statements.

Asset Pools

Asset Pools Background

In 2015 the Department of Communities and Local Government (as it then was) issued LGPS: Investment Reform Criteria and Guidance which set out how the government expected LGPS funds to establish asset pooling arrangements. The objective was to deliver:

- Benefits of scale;
- Strong governance and decision making;
- Reduced costs and excellent value for money; and
- An improved capacity and capability to invest in infrastructure.

To meet these requirements, the Fund joined with nine other LGPS administering authorities (Avon, Buckinghamshire, Cornwall, Devon, Gloucestershire, Oxfordshire, Somerset, Wiltshire and the Environment Agency) to form the Brunel Pension Partnership. The expected costs and savings for the Fund in the original business case approved in January 2017 and then submitted to Government, are set out in the following table.

Table 1: Expected Costs and Savings from Pooling (as per Business Case)

	2016 2018 £'000	2018 2019 £'000	2019 2020 £'000	2020 2021 £'000	2021 2022 £'000	2022 2023 £'000	2023 2024 £'000	2024 2025 £'000	2025 2036 £'000	Total £'000
Set up costs	1,183	-	-	-	-	-	-	-	-	1,183
Ongoing Brunel Costs	-	487	637	657	679	701	724	747	10,019	14,650
Dorset Fund Savings	-	(125)	(129)	(133)	(137)	(141)	(145)	(149)	(1,972)	(2,931)
Transition costs	-	1,283	1,896	123	-	-	-	-	-	3,301
Fee savings	-	(59)	(1,499)	(2,562)	(2,986)	(3,453)	(3,953)	(4,232)	(71,046)	(89,788)
Net costs / (savings)	**1,183**	**1,586**	**905**	**(1,915)**	**(2,444)**	**(2,893)**	**(3,374)**	**(3,634)**	**(62,999)**	**(73,585)**

Following approval of the business case, Brunel Pension Partnership Ltd was established in July 2017 as a company wholly owned in equal shares by the ten administering authorities and authorised by the Financial Conduct Authority (FCA).

The company is responsible for implementing the strategic asset allocations of the participating funds by investing their assets within defined outcome focused investment portfolios. In particular, it researches and selects the external managers or pooled funds needed to meet the investment objective of each portfolio. However, responsibility for setting strategic asset allocations remains with the administering authorities.

The financial performance of the pool is monitored to ensure that Brunel is delivering on the key objectives of investment pooling. This includes reporting of the costs associated with the appointment and management of the pool company including set up costs, investment management expenses and the

oversight and monitoring of Brunel by the client funds. The set up and transition costs incurred to date are set out in the following table.

Table 2: Investment Pool Set Up Costs

	2024/25			Cumulative
	Direct	Indirect	Total	to date
	£'000	£'000	£'000	£'000
Set Up Costs				
Recruitment	-	-	-	18
Legal	-	-	-	133
Consulting, Advisory & Procurement	-	-	-	82
Other support costs e.g. IT, accommodation	-	-	-	0
Share purchase / subscription costs	-	-	-	840
Total Set Up Costs	**-**	**-**	**-**	**1,072**
Transition Costs				
Transition fees		-	-	320
Taxation		-	-	552
Other transition costs		-	-	3,460
Total Transition Costs	**-**	**-**	**-**	**4,332**

The Fund transitioned its first assets to Brunel's management in July 2018 and by 31 March 2025 approximately 85% of assets had transitioned. The investment fee savings achieved to date are summarised in the following table.

Table 3: Investment Fee Savings from Pooling

	Value OBC 31-Mar-16 £'000	Value 31-Mar-25 £'000	Price Variance £'000	Quantity Variance £'000	Total Saving / (Cost) £'000
UK Passive Equities	365,654	212,237	-71	0	-71
UK Active Equities	218,539	223,843	5,380	2,051	7,431
Global Passive Equities	0	229,038	221	-444	-223
Global Climate Transition Equities	0	0	35	-64	-29
Global Paris Aligned Equities	0	0	94	-179	-85
Smart Beta Passive Equities	0	373,355	502	-1,602	-1,100
Low Volatility Equities	227,083	303,298	159	3,115	3,274
Emerging Markets Equities	65,186	157,228	1,054	-1,942	-888
High Alpha Global Equities	0	270,952	4,187	-8,910	-4,723
Global Smaller Companies Equities	0	262,841	1,651	-6,141	-4,490
Global Sustainable Equites	0	383,022	4,470	-9,260	-4,790
Core Global Equites	333,306	0	0	21,607	21,607
Diversifying Returns Fund	107,588	270,705	2,626	-1,824	802
Multi Asset Credit	0	292,442	538	-2,784	-2,246
Sterling Corporate Bonds	0	267,053	880	4,911	5,791
Sub-Total Listed Markets	**1,317,356**	**3,246,014**	**21,726**	**-1,466**	**20,260**
Private Markets			2,846	-3,647	-801
Total			**24,572**	**-5,113**	**19,459**

This analysis shows the fee savings achieved for the assets that have transitioned to Brunel portfolios against the fees charged at the time the business case for pooling was prepared in 2016. Where the Fund did not have an investment in an equivalent mandate an average of the fees paid by other client funds at that time is used as a proxy fee.

The price variance measures the extent to which changes in fee rates have generated savings or costs, and the quantity variance shows the difference in fees payable as a result of changes in asset value since the original business case.

A summary of the costs and savings to date compared to the original business case is provided in the following table.

Table 4: Expected vs Actual Costs and Savings to Date

	2023/24				2024/25			
	Budget		Actual		Budget		Actual	
	In Year £'000	To Date £'000	In Year £'000	To Date £'000	In Year £'000	To Date £'000	In Year £'000	To Date £'000
Set up costs	0	1,183	0	1,072	0	1,183	0	1,072
Ongoing Brunel Costs	724	3,884	1,084	5,731	747	4,631	1,331	7,062
Client Savings	(145)	(810)	(133)	(786)	(149)	(959)	(133)	(919)
Transition costs	0	3,301	0	4,332	0	3,301	0	4,332
Fee savings	(3,953)	(14,510)	(5,475)	(17,752)	(4,232)	(18,742)	(6,820)	(24,572)
Net costs/(savings)	**(3,374)**	**(6,952)**	**(4,524)**	**(7,403)**	**(3,634)**	**(10,586)**	**(5,622)**	**(13,025)**

Other Material

Knowledge and Skills

There is a requirement for all those involved in the management and oversight of public sector pension funds (whether members or 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

All public sector organisations charged with the financial management of pension schemes will be aware of the schemes' growing complexity. Public sector pension scheme financial management demands appropriate skills, including knowledge of financial markets and products; financial services procurement; pensions accounting and auditing; actuarial practices; investment performance and risk management and the implications of legal and regulatory requirements.

Every public sector organisation should secure appropriate training, having assessed the professional competence of both those involved in pension scheme financial management and those with a policy, management and/or oversight role. They should also ensure that those charged with pension scheme governance have access to the skills and knowledge they require to carry out this role effectively.

CIPFA has published its Pensions Finance Knowledge and Skills Framework as a basis for the training and development of those involved in pension scheme finances. The six areas within the Knowledge and Skills framework are:

- Pensions legislative and governance context.
- Pensions accounting and auditing standards.
- Financial services procurement and relationship management.
- Investment performance and risk management.
- Financial markets and product knowledge.
- Actuarial methods, standards and practices.

As an administering authority of the Local Government Pension Scheme, Dorset 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.

The administering authority recognises the importance of training, both for Committee members, Local Pension Board and pension fund staff responsible for financial management and decision making within the Fund. Training is provided to ensure committee members, Local Pension Board and staff, possess an appropriate level of knowledge, skill and understanding to carry out their duties. Specifically, the administering authority must ensure:

• that decisions are taken by persons or organisations with the skills, knowledge advice and resources necessary to make them effectively monitor implementation; and

• those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest.

Topics for training in 2024-25 for members and officers are shown in the table below.

Date	Training	By Whom
Jun-24	Investment Training by Independent Adviser	Apex Investment Advisory
Sep-24	Strategic Asset Allocation Training	Ninety One
Sep-24	Approach to Sustainability and Net Zero	Ninety One
Nov-24	2025 Actuarial Valuation Training	Barnett Waddingham
Nov-24	Global Low Volatility Portfolio Training	Brunel Pension Partnership
Mar-25	Global Sustainable Equity Portfolio Training	Brunel Pension Partnership

Pension Fund Documents

The precis and the links below are important documents that relate to the Dorset County Pension Fund.

Investment Strategy Statement

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.

The regulations provide a prudential framework, within which administering authorities are responsible for setting their policy on asset allocation, risk and diversity. Administering authorities must invest, in accordance with its investment strategy, any pension fund money that is not needed immediately to make

payments. The Investment Strategy Statement is therefore an important governance tool as well as providing transparency in relation to how LGPS funds' investments are managed.

All functions of Dorset 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 Fund's primary purpose is to provide pension benefits for its members.

The Fund's investments will be managed to achieve a return that will ensure the solvency of the Fund and provide for members' benefits in a way that achieves long term cost efficiency and effectively manages risk. The Investment Strategy Statement therefore sets out a strategy that is designed to achieve an investment return consistent with the objectives and assumptions set out in the Fund's Funding Strategy Statement. The Investment Strategy Statement sets out in more detail the Fund's:

- assessment of the suitability of particular types of investments, and the balance between asset classes.
- approach to risk and how risks will be measured and managed, consistent with achieving the required investment return.
- approach to investment pooling and its relationship with its investment pooling manager, Brunel Pension Partnership Ltd ("Brunel"); and
- policy on how environmental, social or corporate governance considerations are taken into account in its investment strategy, including its stewardship responsibilities as a shareholder and asset owner.

The full report can be read following the link below:
https://www.dorsetpensionfund.org/forms-and-publications/investment-strategy-statement

Funding Strategy Statement
This is the Funding Strategy Statement for the Dorset County Pension Fund (the Fund). It has been prepared with the support of the Fund Actuary, Barnett Waddingham LLP in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 as amended (the Regulations) and describes Dorset Council's funding strategy, in its capacity as administering authority, for the Dorset County Pension Fund.

This statement should be read in conjunction with the Fund's Investment Strategy Statement (ISS) and has been prepared with regard to the guidance (Preparing and Maintaining a funding strategy statement in the LGPS 2016 edition) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The full report can be read following the link below:
https://www.dorsetpensionfund.org/forms-and-publications/dorset-funding-strategy-statement

Pensions Administration Strategy Statement
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 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.

The full report can be read following the link below:
https://www.dorsetpensionfund.org/forms-and-publications/administration-strategy

Communication Policy Statement
The Dorset County Pension Fund 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.

The full report can be read following the link below:
https://www.dorsetpensionfund.org/forms-and-publications/communications-policy

Glossary of Terms

50/50 Option
The LGPS offers the flexibility to pay half of the normal contribution rate and build up half of the normal pension whilst retaining full life and ill-health cover.

Accrual
An amount to cover income or spending that belongs to the accounting year, which was outstanding at the accounting date.

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 independent consultant who advises the Fund and reviews the financial position of the Fund every three years. The Actuary produces a report, known as the actuarial report, which compares the Fund's assets with the liabilities and prescribes the rates at which the employing bodies must contribute.

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.

Administering Authority
A body required to maintain a pension fund under the LGPS regulations. For the Dorset County Pension Fund this is Dorset Council.

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

Annual Benefit Statement
A document issued to active and deferred members on an annual basis informing them of the current and estimated future value of their pension benefits at the end of each scheme year.

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.

Automatic Enrolment
To help people save for their retirement the Government requires all employers in the UK to automatically enrol their workers into a workplace pension, if they meet certain requirements. This is known as automatic enrolment and already happens in the LGPS, with most new employees automatically joining the Scheme when they commence employment.

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.

Brunel Pension Partnership (BPP Ltd)
A partnership of ten LGPS funds to pool the management of their investment assets. The individual funds will retain responsibility for setting investment strategy; BPP Ltd, a company owned by the ten administering authorities will implement the strategies on behalf of the funds. The funds in the partnership are Avon, Buckinghamshire, Cornwall, Devon, Dorset,

Environment Agency, Gloucestershire, Oxfordshire, Somerset and Wiltshire.

Cessation Valuation
A calculation carried out by the actuary when an employer leaves the Fund, which may result in a final deficit payment due to the Fund.

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.

Consumer Price Index (CPI)
CPI is a measure of inflation based on the change in the price of a fixed basket of goods and services. The difference between CPI and Retail Price Index (RPI) is that CPI excludes some items used in RPI such as mortgage interest payments and Council Tax, and includes other items not used in RPI.

Corporate Bonds
Fixed interest securities and index-linked securities issued by companies registered either in the UK or overseas. They represent 'loans' to the companies which are repayable on a stated future date. In the annual accounts, these are included in 'Sterling Bonds'.

Custodian
An external body responsible for ensuring Fund assets are registered in the name of the Fund, managing the settlement of trades entered into by the Fund, collecting income arising on Fund assets and reporting transactions and values to the Fund on a regular basis.

Deficit
If assets are less than liabilities, the Fund is said to be in deficit - there isn't enough money in the Fund to pay all future pension payments, so contributions may need to increase.

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.

Dividend
The part of a company's after-tax earnings, which is distributed to the shareholders in the form of cash or shares. The directors of the company decide how much dividend is to be paid and when. The dividend is neither automatic nor guaranteed for ordinary shareholders.

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.

Funding Level
The ratio of a fund's assets to the estimated value of its past service liabilities. This is expressed as a percentage. If a fund has a funding level of 110% it owns 10% more assets than it currently requires to meet its liabilities.

Hedge
To protect a fund from a fall in prices. This is usually accomplished by the selling of futures.

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
The actuarially calculated present value of all benefit entitlements i.e. Fund cashflows of all members of the Fund, built up to date or in the future. The liabilities in relation to the benefit entitlements earned up to the valuation date are compared with the present market value of Fund assets to derive the deficit and funding/solvency level. Liabilities can be assessed on different set of actuarial assumptions depending on the purpose of the valuation.

Local Pension Board
The Local Pension Board is made up of employer and member representatives and provides assistance to the scheme manager with the administration of the pension fund.

Market Value
The price at which an asset might reasonably be expected to be sold in an open market.

Membership
Local authority employment during which time pension contributions were made or redeemed to have been made providing entitlement to benefits under the scheme.

Ministry of Housing, Communities and Local Government (MHCLG)
Formerly the Department for Communities and Local Government (DCLG), MHCLG is the government department responsible for the Local Government Pension Scheme.

Net Asset Value
The value of the Fund's assets minus the value of its liabilities.

Passive Management
A style of investment management that seeks to attain performance equal to market or index returns.

Pension Fund Committee
The Pension Fund Committee oversees the management of the Dorset Pension Fund and acts as trustees of the Fund.

Pensionable Pay
Pensionable pay is the amount of pay on which you pay contributions. It includes basic pay, plus some other extras such as bonus, shift allowances and voluntary overtime. It does not include things like mileage or expenses.

Performance Measurement
Calculation of a Fund's historic return on its investments.

Pooled Funds
Pooled Funds are funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units in the fund which are revalued at regular intervals. Income from these investments is normally reinvested in the pooled fund automatically which increases the value of the units.

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.

Property
In investment, property can refer to offices, shops, shopping centres, retail parks and warehouses. Returns from property can include rental income and growth in value (capital growth).

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.

Scheme Employer
An employer participating in the pension fund with current employees enrolled in the LGPS.

Scheme Member
An individual with pension benefits in the LGPS or who is in receipt of pension benefits from the LGPS.

State Pension Age
This is the earliest age that someone can receive the state basic pension. You can use the Government's State Pension Age calculator (**www.gov.uk/state-pension-age**) to find out your State Pension Age.

Transfer Payment
A payment made from one pension scheme to another in lieu of benefits which have accrued to the member or members concerned, to enable the receiving pension scheme to provide alternative benefits.

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Independent auditor's report to the members of Dorset Council on the pension fund financial statements of Dorset Pension Fund

Qualified opinion

We have audited the financial statements of Dorset Pension Fund (the 'Pension Fund') administered by Dorset Council (the 'Authority') for the year ended 31 March 2025, which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25.

In our opinion, except for the possible effects on the corresponding figures of the matter described in the basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2025 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for qualified opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements, including for the Pension Fund, for the year ended 31 March 2025 by 27 February 2026 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements.

As a result of the limitations imposed by the backstop date, we were unable to obtain sufficient appropriate audit evidence over the corresponding figures and opening balances reported in the Pension Fund's financial statements or whether there was any consequential effect on the Fund Account's and in-year movements reported in the Net Asset Statement for the year ended 31 March 2024. We issued a disclaimer of opinion on the financial statements for the year ended 31 March 2024 accordingly. Our audit opinion on the current period's financial statements is modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures. This enables the Authority to comply with the requirement of the Regulations to publish the financial statements for the year ended 31 March 2025 by the backstop date.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Financial Officer and Section 151 Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Chief Financial Officer and Section 151 Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2024) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

In auditing the financial statements, we have concluded that the Chief Financial Officer and Section 151 Officer's use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Financial Officer and Section 151 Officer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements and our auditor's report thereon, and our auditor's report on the Authority's financial statements. The Chief Financial Officer and Section 151 Officer is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements, the other information published together with the Pension Fund's financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report 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; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application 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 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

Responsibilities of the Authority and the Chief Financial Officer and Section 151 Officer

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Financial Officer and Section 151 Officer. The Chief Financial Officer and Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer and Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Chief Financial Officer and Section 151 Officer is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Audit and Accountability Act 2024 and the Local Government Act 2003, Public Service Pensions Act 2013, Local Government Pension Scheme Regulations 2013, and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- We enquired of management and the Audit and Governance Committee**,** concerning the Authority's policies and procedures relating to:
    - the identification, evaluation and compliance with laws and regulations;
    - the detection and response to the risks of fraud; and
    - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management, Internal Audit and the Audit and Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management

override of controls. We determined that the principal risks were in relation to material post year-end journals, journals posted by senior finance personnel and unapproved manual journals.

- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
  - journal entry testing, with a focus on unusual journals as defined above,
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 2 and 3 investments and valuation of directly held properties, and
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including management override of controls. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government pensions sector
  - understanding of the legal and regulatory requirements specific to the Pension Fund including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA/LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Julie Masci

Julie Masci, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

27 February 2026

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Pension Fund Committee
17 March 2026
Pension Fund Investments
For Decision

Local Councillor(s): All

Senior Leadership Team:
S Cremer, Corporate Director, Section 151 Officer

Report author: David Wilkes
Job title: Service Manager (Treasury and Investments)
Email: investments@dorsetcouncil.gov.uk

Statutory Authority: Dorset Council

Report status: Public (the exemption paragraph is N/A)

Executive summary (maximum of 500 words)

The estimated value of the pension fund's assets at 31 December 2025 was £4,519m compared to £4,071m at the start of the financial year, an increase of £448m. Approximately 86% of the pension fund's assets were under the management of Brunel Pension Partnership, the fund's investment pooling manager.

The total return from the pension fund's investments over the quarter to 31 December 2025 was 2.6%, compared to the combined benchmark return of 3.3%. The total return for the 12 months to 31 December 2025 was 11.0% compared to the benchmark return of 13.5%. Annualised returns for three years were 10.3% compared to the benchmark return of 11.7% and for five years were 7.0% compared to the benchmark of 8.8%.

Global equities made steady gains in the quarter with Europe, the UK and Emerging Markets outperformed the US. UK gilts led global bond markets, while investment-grade credit delivered positive returns. There are growing concerns that an Artificial Intelligence (AI) 'bubble' is developing in US technology stocks that could see significant corrections if sentiment towards AI changes.

Recommendation(s):

That the Committee review and comment upon the activity and overall performance of the pension fund's investments.

Reason for the recommendation(s):

To ensure that the pension fund has the appropriate management and monitoring arrangements in place, and to ensure that asset allocation in line with agreed strategic targets.

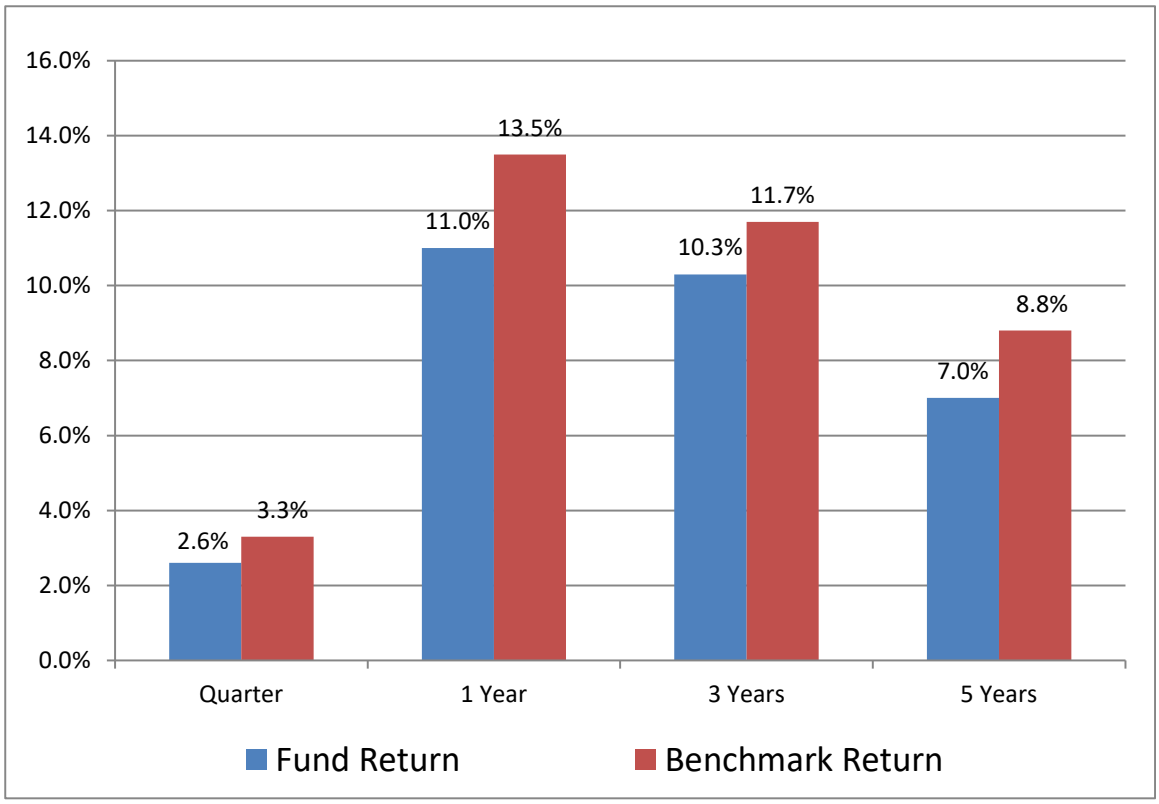
1. Asset Valuation Summary

1.1 The table below shows the pension fund's asset valuation by asset class at the beginning of the financial year and as at 31 December 2025, compared with the target allocation agreed by the Committee June 2023.

	31-Mar-25		31-Dec-25		Target Allocation	
Asset Class	**£M**	**%**	**£M**	**%**	**£M**	**%**
UK Equities	436.1	10.7%	519.9	11.5%	406.7	9.0%
Global Equities	1,822.6	44.8%	2,048.8	45.3%	2,033.7	45.0%
Emerging Markets Equities	157.2	3.9%	198.9	4.4%	180.8	4.0%
Total Listed Equities	***2,415.9***	***59.3%***	***2,767.6***	***61.2%***	***2,621.3***	***58.0%***
Corporate Bonds	267.1	6.6%	285.9	6.3%	293.8	6.5%
Multi Asset Credit	292.4	7.2%	311.4	6.9%	293.8	6.5%
Diversified Returns	270.7	6.7%	285.7	6.3%	316.4	7.0%
Infrastructure	312.7	7.7%	332.7	7.4%	361.6	8.0%
Private Equity	137.2	3.4%	147.2	3.3%	226.0	5.0%
Property	285.0	7.0%	288.5	6.4%	406.7	9.0%
Liability Driven Investment	0.0	0.0%	-	0.0%	-	0.0%
Cash	88.8	2.2%	96.7	2.1%	-	0.0%
F/X Hedging	0.8	0.0%	3.7	0.1%	-	0.0%
Total Asset Valuation	**4,070.6**	**100.0%**	**4,519.4**	**100.0%**	**4,519.4**	**100.0%**

2. Investment Performance Summary

2.1 The overall performance of the pension fund's investments to 31 December 2025 is summarised below (returns for three and five years are annualised figures).



2.2 Appendix 1 summarises by investment manager and investment vehicle the value of Assets Under Management (AUM) as at 31 December 2025 plus each investment's return compared to its benchmark for the quarter, one, three and five years, and 'Since Initial Investment' (SII). All percentages quoted for periods over one year are annualised returns

3. Economic and Market Background

3.1 Global equities made steady gains in the fourth quarter of 2025, supported by falling inflation and interest-rate cuts. Europe, the UK and Emerging Markets outperformed the US. UK government bonds (gilts) led global bond markets, while investment-grade credit delivered positive returns. There are growing concerns that an Artificial Intelligence (AI) 'bubble' is developing in US technology stocks and that sufficient returns to justify valuations won't materialise from the billions being invested.

3.2 Further information relating to the economic and market background relevant to the pension fund's investments can be found in the independent investment adviser's quarterly report (Appendix 2) and in Brunel's quarterly report (Appendix 3).

4. Investment Pooling

4.1 In accordance with the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, Dorset participates with nine other LGPS funds to pool investment assets through the Brunel Pension Partnership. Brunel is wholly owned in equal shares by the ten administering authorities that participate in the pool and is authorised by the Financial Conduct Authority (FCA).

4.2 As at 31 December 2025, approximately 86% of the pension fund's assets were under the management of Brunel.

4.3 Brunel's performance report for the quarter ending 31 December 2025 is included as Appendix 3 to this report. This report includes market summaries from Brunel's investment officers and an overall performance summary for the pension fund, together with more detailed information in relation to Dorset's assets under Brunel's management.

4.4 The administering authorities of two of the eight LGPS investment pools (Brunel Pension Partnership and ACCESS) received a joint letter from the ministers for Pensions and Local Government advising them that they would need to identify a new pool to work with by 30 September 2025.

4.5 At its September 2025, the Committee resolved to join Local Pension Partnership Investments (LPPI) alongside five of the other Brunel partner funds. An update on progress in implementing this decision is provided later in the agenda for this meeting.

4.6 On 20 November 2025 the Ministry of Housing, Communities & Local Government (MHCLG) launched a consultation seeking views on whether two draft statutory instruments "will effectively deliver the policy proposals set out in the government's response to the LGPS Fit for the Future consultation". Officers drafted a response to the consultation and circulated to Committee members for comment before submitting the response before the consultation ended 2 January 2026. MHCLG are currently analysing feedback and the outcomes will be shared with Committee members when known.

Local Government Pension Scheme in England and Wales: Fit for the Future - technical consultation - GOV.UK

5. Private Markets

5.1 The pension fund has investments in private equity funds managed by two external managers, HarbourVest and Patria (formerly managed by Aberdeen group), and Brunel.

5.2 Private Equity is an asset class that takes several years for commitments to be fully invested. The table below summarises the pension fund's commitments, drawdowns, distributions received and closing valuations by manager as at 31 December 2025.

	Commitment	Drawndown		Distributions	Valuation
	£m	£m	%	£m	£m
HarbourVest	104.5	96.9	93%	141.9	51.5
Patria	75.7	68.8	91%	105.3	3.0
Brunel	160.4	79.6	50%	3.8	92.7
Total	**340.7**	**245.3**	**72%**	**251.0**	**147.2**

5.3 The pension fund has two external infrastructure managers, Federated Hermes and IFM. The target for each manager is a 10% absolute annual return and this is used at the benchmark for these investments. In addition to the assets under the management of Federated Hermes and IFM, the pension fund also has holdings in infrastructure funds under the management of Brunel.

5.4 The performance of the pension fund's property investments managed by CBRE is detailed in Appendix 4. In addition to the assets under the management of CBRE, the pension fund also has holdings in secured long income property funds under the management of Brunel.

6. Legal considerations

6.1 None identified.

7. Financial implications

7.1 The Local Government Pension Scheme (LGPS) is a national pension scheme administered locally. Dorset Council is the administering authority for the LGPS in Dorset which provides pensions and other benefits for employees of the Council, other councils and a range of other organisations within the county.

7.2 The LGPS is a 'defined benefit' scheme which means that benefits for scheme members are calculated based on factors such as age, length of

membership and salary. Member benefits are not calculated on the basis of investment performance as they would be in a 'defined contribution' scheme.

7.3 Administering authorities are required to maintain a pension fund for the payment of benefits to scheme members funded by contributions from scheme members and their employers, and from the returns on contributions invested prior to benefits becoming payable.

7.4 Contribution levels for scheme members are set nationally, and contribution levels for scheme employers are set locally by actuaries engaged by administering authorities. As scheme member rates cannot be changed locally and benefits are defined, the risk of investment underperformance is effectively borne by scheme employers.

7.5 In September 2024 the LGPS Scheme Advisory Board (SAB) published a statement making clear that that "when decision makers exercise their LGPS investment responsibilities, the primary purpose must be to achieve the required returns in an appropriately risk-managed way to pay pensions when they become due, minimising the need for additional funding in the future."

7.6 The pension fund's actuary, Barnett Waddingham, undertakes a full assessment of the funding position every three years. The draft results of the latest full assessment as at 31 March 2025 were that the pension fund had a funding level of 98% i.e. assets were estimated to be 98% of the value that they would have needed to be to pay for the expected benefits accrued to that date, based on the assumptions used, compared to 96% at the last valuation as at 31 March 2022.

8. Natural environment, climate & ecology implications

8.1 The pension fund's Investment Strategy Statement requires all external investment managers to consider and manage all financially material risks arising from environmental issues, including those associated with climate change.

8.2 At its meeting in September 2020, the Committee agreed to a strategy of decarbonisation meaning a reduction in allocations of investment to companies which are high carbon emitters and looking to influence the demand for fossil fuels and their financing, not just their supply.

8.3 Significant decarbonisation has been and will continue to be achieved through the transition of assets to the management of Brunel. Approximately 10% of the pension fund's assets are invested in Brunel's global sustainable equities fund, with all other actively managed Brunel funds are committed to a policy of a 7% year on year reduction in their carbon footprint.

8.3 The pension fund no longer has any direct investments in individual companies, including 'fossil fuel' companies, but it does have indirect exposure to such companies through its holdings in pooled investment vehicles. As at 30 June 2025, the value of the pension fund's investments in companies primarily involved in the exploration, production, mining and/or refining of fossil fuels was estimated at approximately £79M (1.8% of total investment assets).

9. Well-being and health implications

9.1 None identified.

10. Other implications

10.1 None identified.

11. Risk implications

11.1 The risks associated with the pension fund's investments are assessed in detail and considered as part of the strategic asset allocation. The pension fund's Investment Strategy Statement requires all external investment managers to consider and manage all financially material risks.

12. Equalities

12.1 There are no equalities implications arising from this report.

13. Appendices

Appendix 1: Performance summary by investment manager
Appendix 2: Independent Investment Adviser's quarterly report
Appendix 3: Brunel's quarterly report
Appendix 4: CBRE Quarterly Investment Report

14. Background papers

Funding Strategy Statement (dorsetpensionfund.org)
Investment Strategy Statement | Dorset Pension Fund

Dorset County Pension Fund Holdings Report 30 June 2025 | Dorset Pension Fund
Dorset County Pension Fund to join new investment pool | Dorset Pension Fund
LGPS Scheme Advisory Board - Home

Appendix 1

Performance by Investment Manager

The following tables summarise by investment manager and investment vehicle the value of Assets Under Management (AUM) as at 31 December 2025 plus each investment's return compared to its benchmark for the quarter, one, three and five years, and 'Since Initial Investment' (SII). All percentages quoted for periods over one year are annualised returns.

Brunel Pension Partnership

Investment	AUM	Qtr	1 Yr	3 Yr	5 Yr	SII
	£m	%	%	%	%	%
Global Equities:						
Brunel Global Sustainable Equities	**424.2**	1.4	5.6	8.8	5.5	6.0
MSCI AC World GBP Index		3.5	14.4	16.8	12.1	11.8
Excess		-2.1	-8.8	-8.0	-6.6	-5.8
Brunel Global High Alpha Equity	**306.0**	1.1	7.4	13.7	9.1	12.1
MSCI World TR Index		3.3	13.2	17.3	13.0	12.9
Excess		-2.2	-5.8	-3.6	-3.9	-0.8
Brunel Smaller Companies Equities	**289.2**	-0.9	0.4	6.4	-	3.0
MSCI World Small Cap		3.0	12.1	10.8	-	6.9
Excess		-3.9	-11.7	-4.4	-	-3.9
Brunel Emerging Market Equity	**198.9**	4.7	25.6	12.7	3.7	5.8
MSCI Emerging Markets		4.9	25.1	12.7	5.0	7.0
Excess		-0.2	0.5	0.0	-1.3	-1.2
LGIM Passive Developed Equities	**132.7**	3.6	14.2	17.0	12.7	12.3
FTSE World Developed		3.6	14.3	17.3	12.8	12.5
Excess		0.0	-0.1	-0.3	-0.1	-0.2
LGIM Passive Dev. Equities (Hedged)	**145.0**	4.1	20.5	21.5	13.1	13.2
FTSE World Developed Hedged		4.1	20.8	21.8	13.3	13.4
Excess		0.0	-0.3	-0.3	-0.2	-0.2
Low Volatility Global Equity	**341.0**	3.7	12.0	-	-	10.2
MSCI AC World Index		3.5	14.4	-	-	12.3
Excess		0.2	-2.4	-	-	-2.1

Investment	AUM	Qtr	1 Yr	3 Yr	5 Yr	SII
	£m	%	%	%	%	%
LGIM Passive Smart Beta	**199.1**	2.9	9.3	10.3	10.5	9.1
SciBeta Multifactor Composite		2.7	8.8	9.8	10.0	8.7
Excess		0.2	0.5	0.5	0.5	0.4
LGIM Passive Smart Beta (Hedged)	**211.5**	3.2	15.3	14.4	10.8	9.3
SciBeta Multifactor Hedged Composite		3.1	14.8	13.9	10.3	9.0
Excess		0.1	0.5	0.5	0.5	0.3
UK Equities:						
LGIM Passive UK Equities	**519.9**	6.4	24.0	13.6	11.8	7.0
FTSE All Share		6.4	24.0	13.6	11.7	7.0
Excess		0.0	0.0	0.0	0.1	0.0
Fixed Income:						
Brunel Multi Asset Credit	**311.4**	1.5	8.3	9.8	-	4.6
SONIA + 4%		2.0	8.4	8.9	-	7.5
Excess		-0.5	-0.1	0.9	-	-2.9
Brunel Sterling Corporate Bonds	**285.9**	2.7	8.3	7.6	-	6.8
iBoxx Sterling Non Gilts Overall Return		2.6	6.9	5.7	-	5.1
Excess		0.1	1.4	1.9	-	1.7
Other:						
Brunel Diversifying Returns Fund	**285.7**	1.0	9.2	6.5	4.5	4.5
SONIA + 3%		1.7	7.4	7.8	6.2	5.9
Excess		-0.7	1.8	-1.3	-1.7	-1.4
Private Markets:						
Brunel Private Equity Cycle 1	**63.4**	2.5	6.4	7.0	17.0	17.8
MSCI AC World Index		3.5	14.4	16.8	12.1	13.0
Excess		-1.0	-8.0	-9.8	4.9	4.8
Brunel Private Equity Cycle 3	**22.7**	4.8	11.1	-	-	9.3
MSCI AC World Index		3.5	14.4	-	-	17.1
Excess		1.3	-3.3	-	-	-7.8
Brunel Private Equity Cycle 4	**6.6**	1.7	19.3	-	-	16.8
MSCI AC World Index		3.5	14.4	-	-	15.6
Excess		-1.8	4.9	-	-	1.2
Brunel Secured Income Cycle 1	**54.6**	1.8	4.1	0.7	1.0	1.5
CPI		0.6	3.3	3.3	5.1	3.9
Excess		1.2	0.8	-2.6	-4.1	-2.4
Brunel Secured Income Cycle 3	**30.9**	1.7	2.5	-	-	2.9
CPI		0.6	3.3	-	-	2.5
Excess		1.1	-0.8	-	-	0.4
Brunel Infrastructure Cycle 3	**44.9**	3.4	10.8	5.5	-	5.1
CPI		0.6	3.3	3.3	-	3.9
Excess		2.8	7.5	2.2	-	1.2

Other Managers

Manager / Investment	AUM	Qtr	1 Yr	3 Yr	5 Yr	SII
	£m	%	%	%	%	%
CBRE / Property	**228.5**	1.7	5.1	5.0	3.8	6.5
MSCI UK All Properties (Quarterly)		1.4	5.8	3.1	3.1	6.2
Excess		0.3	-0.7	1.9	0.7	0.3
HarbourVest / Private Equity	**51.5**	0.9	1.9	0.3	12.6	12.1
FTSE All Share		6.4	24.0	13.6	11.7	6.6
Excess		-5.5	-22.1	-13.3	0.9	5.5
Patria / Private Equity	**3.0**	0.1	-10.0	-1.7	5.3	3.9
FTSE All Share		6.4	24.0	13.6	11.7	6.9
Excess		-6.3	-34.0	-15.3	-6.4	-3.0
Federated Hermes / Infrastructure	**78.1**	3.3	6.2	-2.5	3.3	5.1
10% Absolute Return		2.4	10.0	10.0	10.0	10.0
Excess		0.9	-3.8	-12.5	-6.7	-4.9
IFM / Infrastructure	**184.1**	3.3	9.0	6.4	11.4	12.0
10% Absolute Return		2.4	10.0	10.0	10.0	10.0
Excess		0.9	-1.0	-3.6	1.4	2.0

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Market Review

Quarterly Report

Q4 2025

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Contacts

Steve Tyson
Senior Adviser

steve.tyson@apexgroup.com

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Key Indicators at a Glance

	Index (Local Currency)	Q4	YTD
Equities		**Total Return**	
UK Large-Cap Equities	FTSE 100	6.86%	25.78%
UK All-Cap Equities	FTSE All-Share	6.38%	24.02%
US Equities	S&P 500	2.65%	17.88%
European Equities	EURO STOXX 50 Price EUR	5.05%	21.20%
Japanese Equities	Nikkei 225	12.18%	28.65%
EM Equities	MSCI Emerging Markets	4.73%	33.57%
Global Equities	MSCI World	3.12%	21.09%
Government Bonds			
UK Gilts	FTSE Actuaries UK Gilts TR All Stocks	3.10%	5.03%
UK Gilts Over 15 Years	FTSE Actuaries Uk Gilts Over 15 Yr	5.75%	3.69%
UK Index-Linked Gilts	FTSE Actuaries UK Index-Linked Gilts TR All Stocks	3.29%	1.34%
UK Index-Linked Gilts Over 15 Ye	FTSE Actuaries UK Index-Linked Gilts TR Over 15 Yr	6.90%	0.06%
Euro Gov Bonds	Bloomberg EU Govt All Bonds TR	0.27%	0.56%
US Gov Bonds	Bloomberg US Treasuries TR Unhedged	0.90%	6.32%
EM Gov Bonds (Local)	JP. Morgan Government Bond Index Emerging Markets Core Index	3.43%	19.00%
EM Gov Bonds (Hard/USD)	JP. Morgan Emerging Markets Global Diversified Index	3.29%	14.30%
Bond Indices			
IBOXX Sterling Corporates	IBOXX Sterling Corporates Overall Total Return Index	2.71%	7.30%
European Corporate Investment	Bloomberg Pan-European Aggregate Corporate TR Unhedged	0.58%	2.78%
European Corporate High Yield	Bloomberg Pan-European HY TR Unhedged	0.66%	4.86%
US Corporate Investment Grade	Bloomberg US Corporate Investment Grade TR Unhedged	0.84%	7.77%
US Corporate High Yield	Bloomberg US Corporate HY TR Unhedged	1.31%	8.62%
Currencies			
GBP/EUR	GBPEUR Exchange Rate	0.11%	-5.07%
GBP/USD	GBPUSD Exchange Rate	0.22%	7.66%
EUR/USD	EURUSD Exchange Rate	0.10%	13.44%
USD/JPY	USDJPY Exchange Rate	5.96%	-0.31%
Dollar Index	Dollar Index Spot	0.56%	-9.37%
USD/CNY	USDCNY Exchange Rate	-1.86%	-4.25%
Alternatives			
Infrastructure	S&P Global Infrastructure Index	2.32%	22.51%
Private Equity	S&P Listed Private Equity Index	-1.49%	2.89%
Hedge Funds	Hedge Fund Research HFRI Fund-Weighted Composite Index	3.47%	10.92%
Global Real Estate	FTSE EPRA Nareit Global Index TR GBP	-0.45%	3.39%
Volatility		**Change in Volatility**	
VIX	Chicago Board Options Exchange SPX Volatility Index	-8.17%	-13.83%
Commodities			
Brent Crude Oil	Generic 1st Crude Oil, Brent, USD/bbl	-9.21%	-18.48%
Natural Gas (US)	Generic 1st Natural Gas, USD/MMBtu	11.60%	1.46%
Gold	Generic 1st Gold, USD/toz	13.03%	64.37%
Copper	Generic 1st Copper, USD/lb	17.00%	41.12%
Gold	Spot gold price quoted in USD per troy ounce	11.93%	64.58%
S&P GSCI	Broad, production-weighted S&P GSCI commodity benchmark	-0.27%	-0.20%
Sugar Futures	Front-month ICE Sugar #11 raw-sugar futures contract	-6.77%	-22.07%
Arabica Coffee	Front-month ICE Coffee "C" Arabica futures contract	-6.96%	9.07%
Sector Indices			
S&P500 Consumer Discretionary	S&P 500 Consumer Discretionary sector	0.55%	5.31%
S&P500 Consumer Staples	S&P 500 Consumer Staples sector	-0.71%	1.32%
NASDAQ-100 Technology	Equal-weighted NASDAQ-100 Technology Sector	0.25%	22.46%
S&P 500 Health Care	S&P 500 Health Care sector	11.20%	12.53%
S&P 500 Financials	S&P 500 Financials sector	1.64%	13.32%
S&P 500 Energy	S&P 500 Energy sector	0.66%	4.96%
S&P 500 Industrials	S&P 500 Industrials sector	0.54%	17.70%
S&P 500 Utilities	S&P 500 Utilities sector	-2.11%	12.69%
S&P 500 Communication Service	S&P 500 Communication Services sector	7.05%	32.41%
S&P 500 Real Estate	S&P 500 Real Estate sector	-3.69%	-0.35%

Source: Bloomberg. All return figures quoted are total return, calculated with gross dividends/income reinvested.

Executive Summary

- **Performance**

- Dorset performance was +2.6% versus benchmark +3.3% in the fourth quarter. Over 1 year, Dorset is +10.9% versus +13.5% benchmark. As last quarter, these are very strong returns in absolute terms, and I have a concern they will not be sustained if we have a market correction or a period of consolidation.

- The Dorset fund is behind benchmark because the underlying Brunel funds are behind benchmark. The market environment is not suited to Brunel's style. As an example, the Brunel Quarterly report mentions a philosophical mismatch between the Sustainable Fund and its benchmark MSCI All-Countries World Index, citing the fund's lack of investments in the top performing sector, metals and mining, amongst others. Thus, Dorset's performance against benchmark reflects Brunel's performance but also past choices by Dorset about sustainable investing and decarbonisation.

- It is worth reflecting on this issue: looking at the longer-term, Dorset's 6.8% 5 year return has lagged the benchmark's 8.8%, but thankfully 6.8% is above the discount rate which is positive.

- Dorset's performance figures within the universe of LGPS are worth noting. PIRC collects data on 62 LGPS funds with a combined value of £275bn. The preliminary cumulative performance data to September 2025 shows Dorset above average over 1y, 3y, 5y, and 10y. We do not have detailed attribution of the reasons for this above-average performance, but I believe that despite some poor performance from Brunel, the ranking is a function of some savvy asset allocation decisions – the elimination of the LDI portfolio in 2022, the investments in Low Volatility in 2024, the hedging strategy, a high UK allocation, retaining Smart Beta when others abandoned it, and a higher than average public equity weight. This last point leads me to conclude some caution is necessary.

- The immediate priority is a smooth transition of assets from Brunel to LPPI at April 1st 2026.

- Equity markets have been strong and bond markets benign, as the world economy continues to grow led by the US economy. Within equity markets we have seen the start of a tectonic shift with the US market now being outpaced by the Rest of the World, particularly into 2026 Q1. I have written and spoken in the past of the AI-driven bubble in US technology stocks. I

am concerned that there is over-investment in AI and that the profits won't materialise to justify the billions spent. It is very hard for fund managers to discern who the winners and losers will be from AI, the best answer is to diversify. Dorset has already taken steps in the past to ensure we hold the right kind of equities, via the investment in the Brunel Low Volatility Equity Fund.

- It is noteworthy that the UK stock market is performing well, due to it's sectoral bias to the older industries, such as defence, oil, mining. Dorset has approximately one-sixth of its public equity weight in UK equities, which is higher than often found in pension funds. I believe the UK will continue to perform relatively well.

- The Emerging Markets have also been strong as a result of weakness in the US Dollar, which is in a major downturn.

- Elsewhere, Government Bonds have become more attractive in the past two years – the yield on long term UK conventional Gilts is above 5%, and for the Index-Linked variety has recently been above 2% in real terms – this is in contrast to the years of the UK's zero-interest rate policy when Index Linked yielded negative 2% real. As I write in early March, Operation "Epic Fury" has been unleashed. Obviously this creates uncertainty, but initial market reaction is only moderate. The danger to world economies is via the oil and gas price, and thus inflation, so this must be monitored.

- Overall, the current main conclusion is caution.

- **General Market Commentary on Q4**

- Global markets extended gains in Q4 2025, with many indices ending the year near record or multi-year highs. Performance leadership broadened meaningfully, with non-US equities outperforming the US, supported by a weaker dollar, more attractive valuations, and easing inflation. The S&P 500 rose 2.7% over the quarter, though returns were increasingly constrained by valuation sensitivity and greater sector dispersion. Market breadth improved beyond mega-cap technology, with industrials, financials, healthcare, and utilities contributing more consistently. European and UK equities delivered strong relative performance, benefiting from easing inflation pressures, improved real income dynamics, and heavier exposure to cyclical and value-oriented sectors. Japan was a standout, supported by strong earnings momentum and continued corporate governance reforms. Emerging markets also performed

well, aided by dollar weakness and supportive global financial conditions. Inflation trends continued to improve across major economies, reinforcing expectations of gradual policy easing into 2026. Bond yields remained elevated but stable, supporting carry-driven returns in credit markets. Overall, Q4 marked a transition toward broader regional and sector participation, setting a more balanced foundation for markets entering 2026.

- The fourth quarter of 2025 was characterised by a moderation in growth momentum alongside improving inflation dynamics and the aforementioned broadening of market leadership. While global activity softened in parts, risk assets remained resilient, supported by expectations of policy easing in 2026, moderation of inflationary pressures, and improved earnings breadth outside the narrow US mega-cap cohort. GDP growth moderated across most developed markets: the US economy expanded by 1.1% in Q3, the UK posted marginal growth of 0.1%, the Eurozone grew by 0.3%, while Japan contracted by -0.6%, highlighting uneven global momentum entering year-end. Inflation continued to trend lower: US CPI eased to 2.7% in December, the UK disinflation path continued with CPI falling from 3.6% in October to 3.2% in November, while Eurozone CPI remained contained around 2.1–2.2%. Japan's CPI also moderated from 3.0% to 2.9% over the period. Labour markets softened modestly but remained resilient. US unemployment edged up to 4.4% in September, while job openings declined materially from July levels, signalling easing labour tightness. UK unemployment rose to 5.0%, reflecting slowing domestic demand, while Eurozone unemployment remained elevated but stable at 6.4%. Japan continued to exhibit tight labour conditions, with unemployment steady at 2.6%. Wage growth cooled across regions, supporting the ongoing disinflation narrative.
- Business sentiment decelerated but remained expansionary in most regions. US composite PMI eased from mid-50s levels but stayed firmly above 50, supported by resilient services activity. UK PMI slipped to around 51.4 in December, reflecting weaker manufacturing (46.2) partially offset by services resilience. Eurozone PMI came in at 51.5 in December, while Japan was similarly 51.5 I in, suggesting stabilisation rather than contraction heading into 2026
- Equity markets delivered positive but more differentiated returns, with a clear rotation toward value, international, and cyclical exposures. MSCI World Value (+2.9%) outperformed Growth (+2.7%), while Japan's TOPIX was the standout major market (+8.8%), benefiting from domestic reforms and yen stability. Emerging markets posted mixed but generally positive returns, led by MSCI EM LATAM (+8.4%) and EM Asia (+4.6%), while China equities were broadly flat. US equities delivered more modest gains, with the NASDAQ up 2.5% amid ongoing consolidation in large-cap technology leadership. European equities advanced, with MSCI EM EMEA up 4.0%, supported by stabilising macro data.

Charts and Data

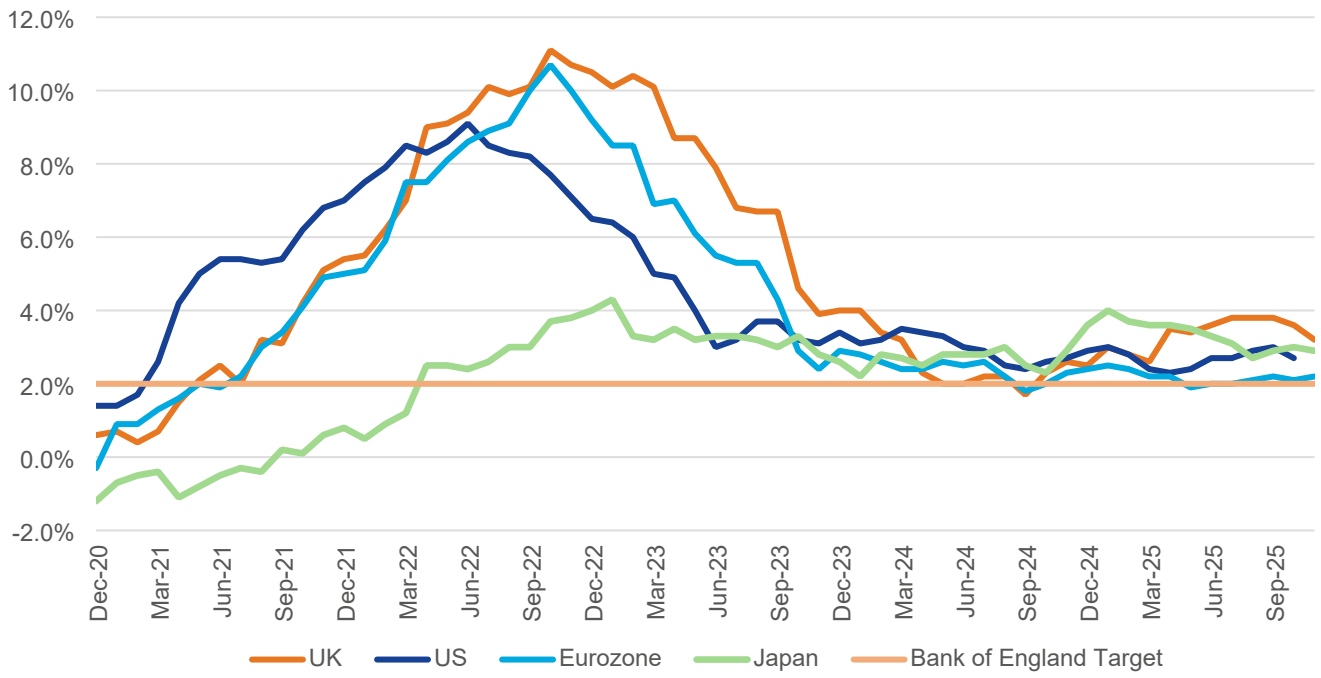
Economic Indicators

Table 1: Quarterly Real GDP Growth and Monthly CPI

%	GDP		CPI		
	Q3 2025	Q4 2025	Oct	Nov	Dec
UK	0.1	-	3.6	3.2	-
US	1.1	-	-	2.7	-
Eurozone	0.3	-	2.1	2.2	-
Japan	-0.6	-	3	2.9	-

Source: Bloomberg; Trading Economics.
CPI: UK: UK CPI EU Harmonised YoY NSA (Ticker: UKRPCJYR Index); US: US CPI Urban Consumer YoY NSA (Ticker: CPI YOY Index); Eurozone: Eurostat Eurozone MUICP All Items YoY Flash Estimate (Ticker: ECCPEST Index); Japan: Japan CPI Nationwide YOY (Ticker: JNCPIYOY Index)
GDP: UK Real GDP (Ticker: UKGRABIQ Index), US Real GDP (Ticker: GDP CQOQ Index) de-annualised, Eurozone Real GDP (Ticker: EUGNEMUQ Index), Japan Real GDP (Ticker: JGDPQGDP)

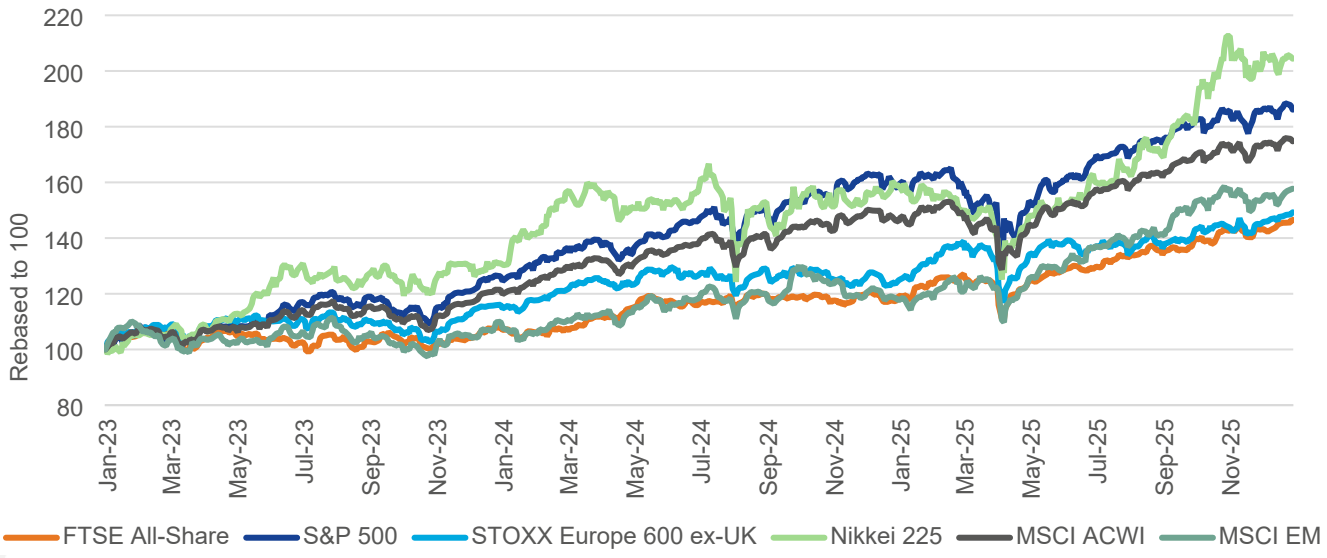
Chart 1: CPI – Annual rate of Inflation - Five Years to Sep 2025



Source: Bloomberg
Notes: UK: UK CPI EU Harmonised YoY NSA (Ticker: UKRPCJYR Index); US: US CPI Urban Consumer YoY NSA (Ticker: CPI YOY Index); Eurozone: Eurostat Eurozone MUICP All Items YoY Flash Estimate (Ticker: ECCPEST Index); Japan: Japan CPI Nationwide YOY (Ticker: JNCPIYOY Index)

Equities

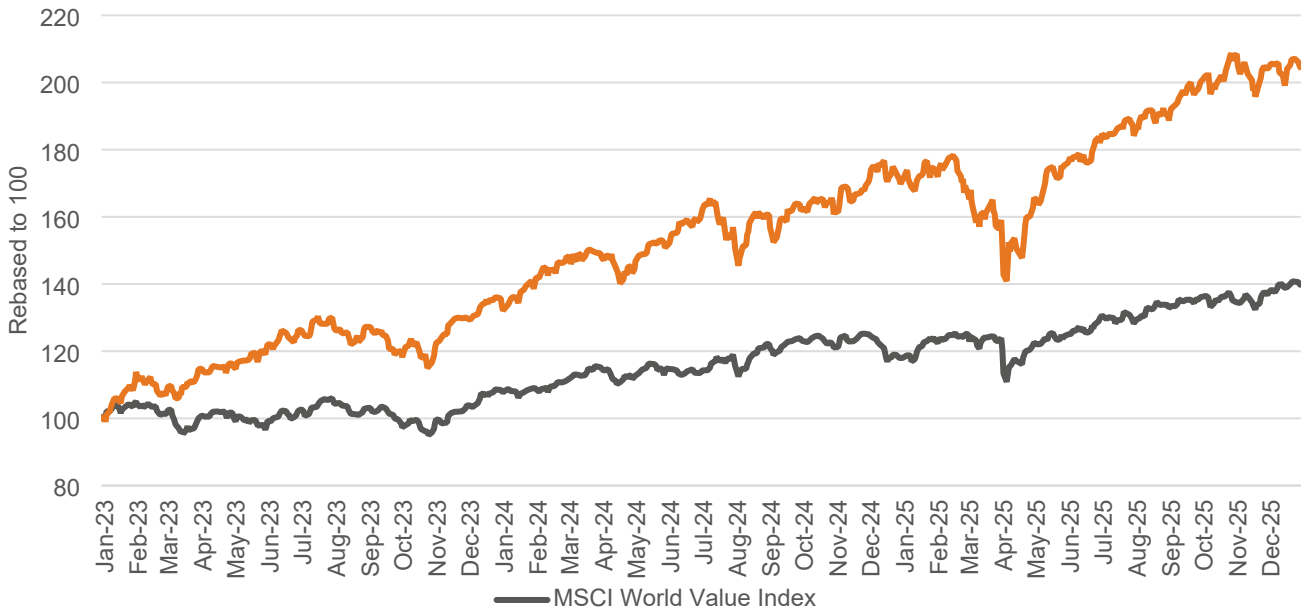
Chart 2: Global Equity Markets Performance



Source: Bloomberg. All in local currencies

Notes: FTSE All-Share Index (Ticker: ASXTR Index); S&P 500 Index (Ticker: SPXT Index); STOXX Europe 600 (Ticker: SXXG Index); Nikkei 225 Index (Ticker: NKYTR Index); MSCI World Index (Ticker: DLEACWF Index); MSCI Emerging Markets (Ticker: M1EF Index)

Chart 3: Global Equity Markets, Growth vs Value



Source: Bloomberg

Notes: MSCI World Value Index (Ticker: MXWO000V Index); MSCI World Growth Index (Ticker: MXWO000G Index)

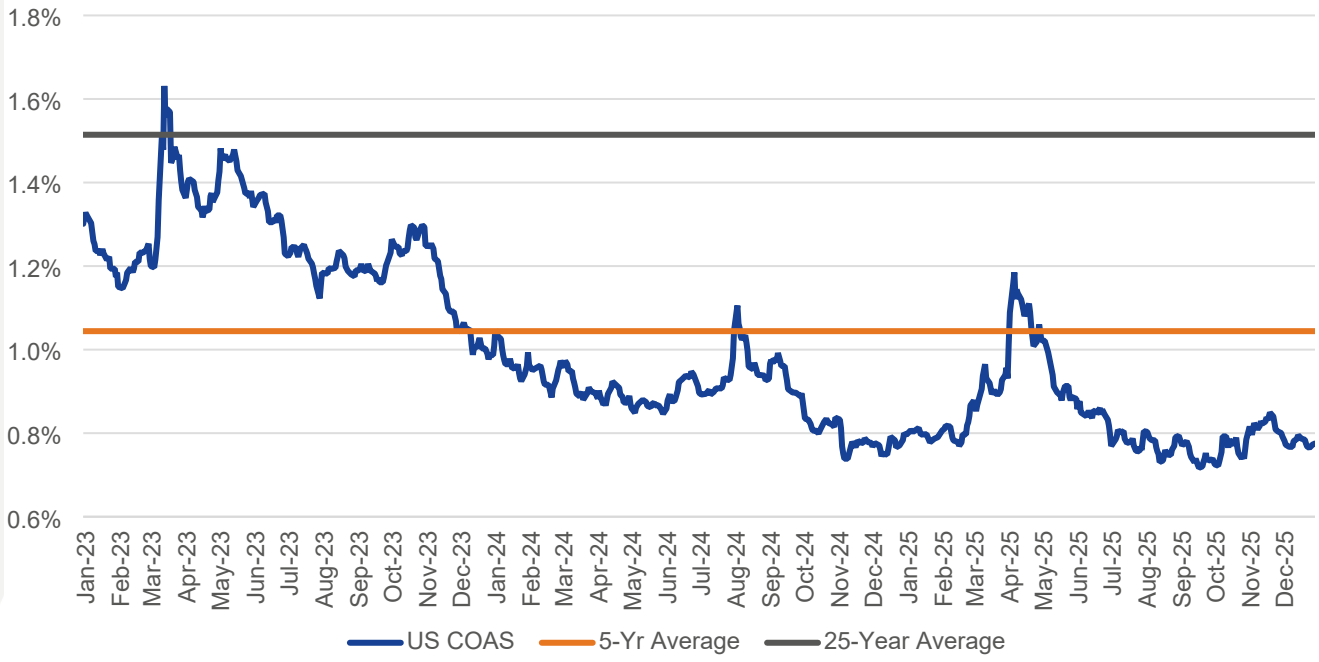
Table 2: MSCI ACWI Composition

Region	Q3 2025 (%)	Q4 2025 (%)
US	65.0	64.4
UK	3.2	3.3
Europe (ex-UK)	11.1	11.5
Japan	4.9	5.0
Developed Asia-Pacific	2.4	2.3
Emerging Markets	10.1	10.1
Other	3.2	3.3

Source: iShares MSCI ACWI ETF

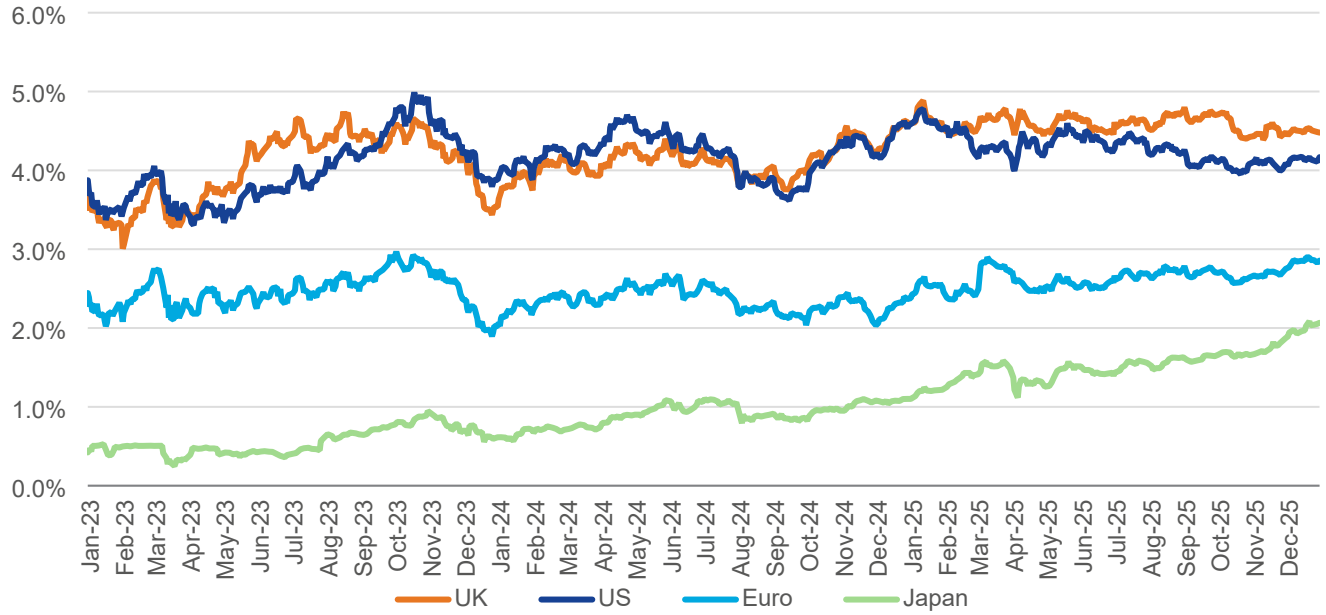
Fixed Income

Chart 4: US Corporate Bond Spreads



Source: Bloomberg
Notes: Bloomberg Barclays US Corporate Option Adjusted Spread (Ticker: LUACSTAT Index); Option-Adjusted Spreads (OAS) represent the difference between the index yield and the yield of a comparable maturity treasury

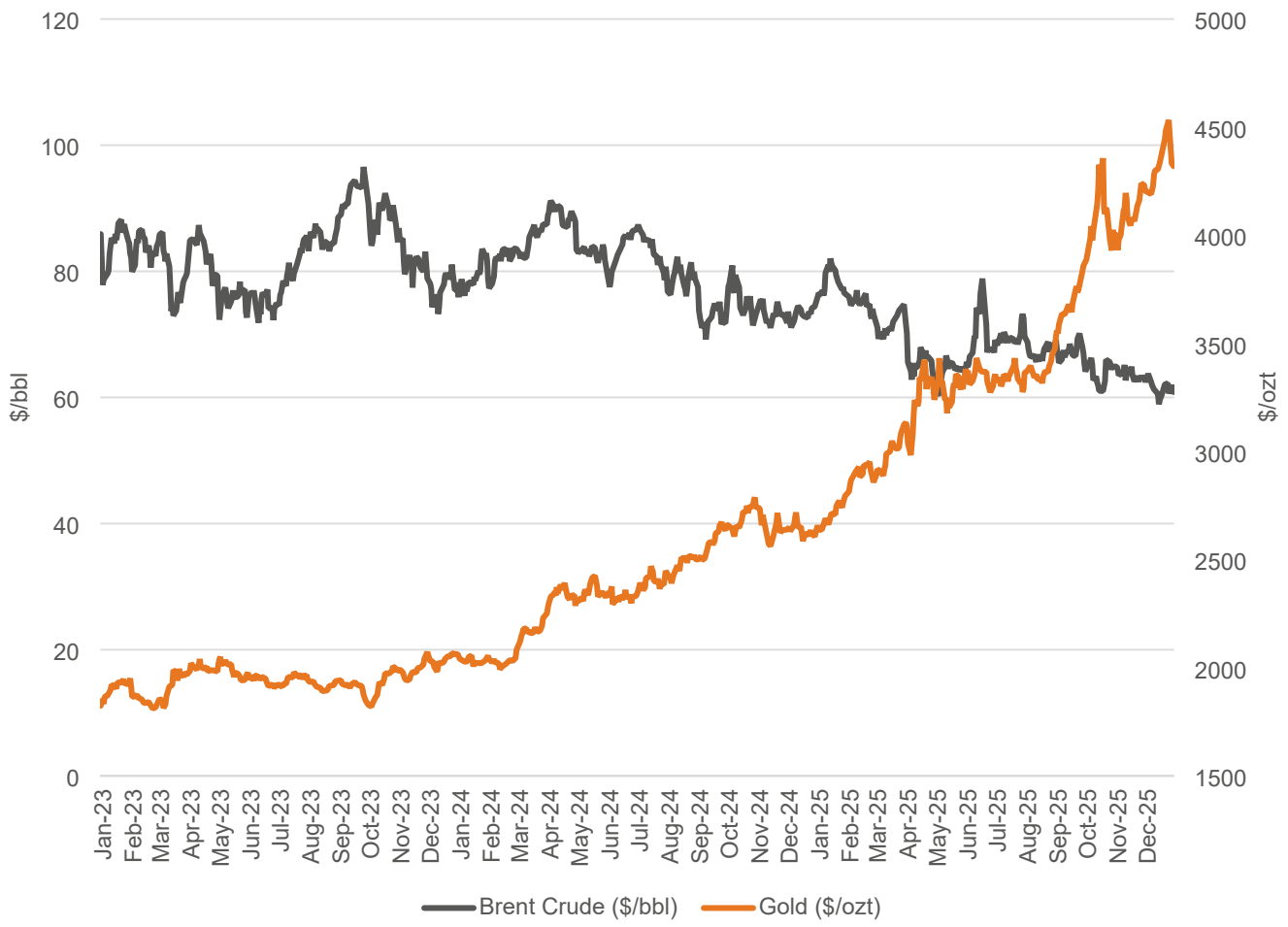
Chart 5: Government Bond Yields



Source: Bloomberg
Notes: US Generic Govt 10 Year Yield (Ticker: USGG10YR Index); UK Govt Bonds 10 Year Note Generic Bid Yield (Ticker: GUKG10 Index); Euro Generic Govt Bond 10 Year (Ticker: GECU10YR Index); Japan Generic Govt Bond 10 Year Yield (Ticker: GJGB10 Index)

Commodities

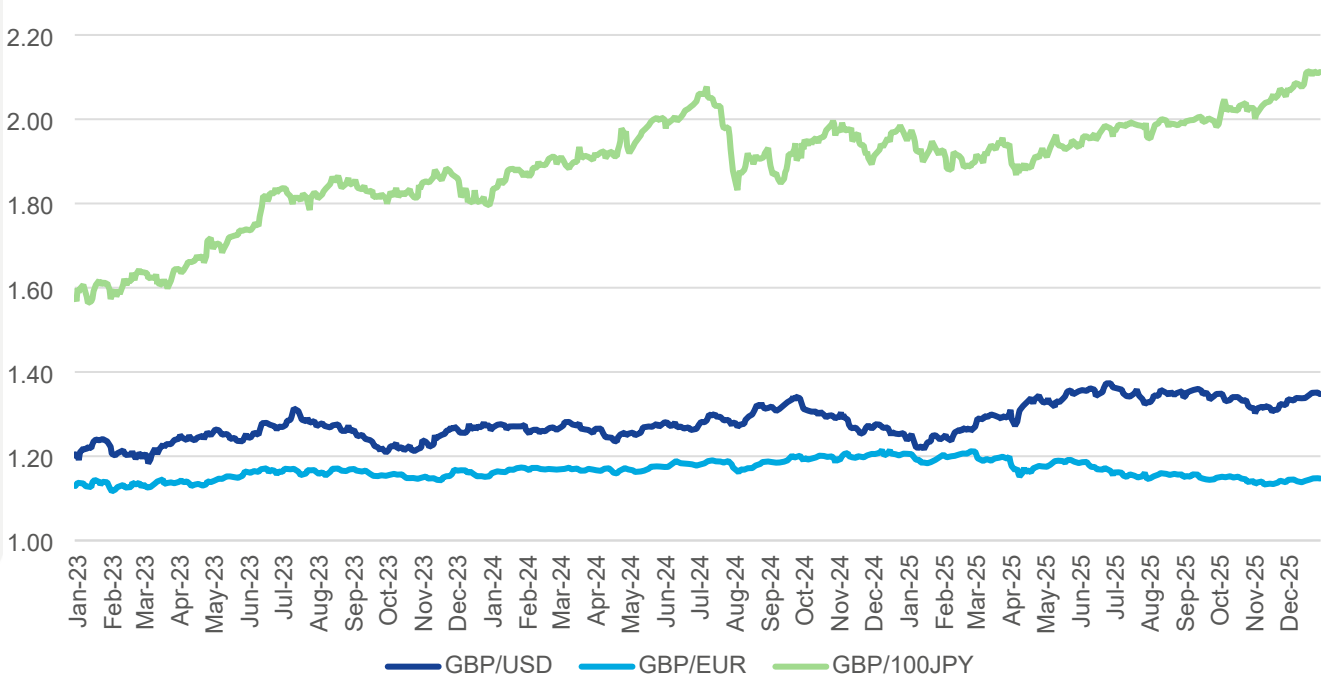
Chart 6: Gold and Brent Crude Oil Prices



Source: Bloomberg
Notes: Gold USD Spot (Ticker: XAU Currency); Generic 1st Brent Crude Oil (Ticker: CO1 Commodity)

Currencies

Chart 7: Three-Year Currency Rates of Major Currencies vs Pound Sterling



Source: Bloomberg
Notes: GBPEUR Spot Exchange Rate (Ticker: GBPEUR Currency); GBPUSD Spot Exchange Rate (Ticker: GBPUSD Currency); GBPJPY Spot Exchange Rate (Ticker: GBPJPY Currency)

Table 3: Currency Rates as of 30 September 2025

Pair	Q4 Value	% Change Over Quarter
GBP/EUR	1.1472	0.11%
GBP/USD	1.3475	0.22%
EUR/USD	1.1746	0.10%
USD/JPY	156.71	5.96%

Source: Bloomberg
Notes: GBPEUR Spot Exchange Rate (Ticker: GBPEUR Currency); GBPUSD Spot Exchange Rate (Ticker: GBPUSD Currency); EURUSD Spot Exchange Rate (Ticker: EURUSD Currency); USDJPY Spot Exchange Rate (Ticker: USDJPY Currency)

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Dorset County Pension Fund Performance Report

Quarter ending 31 December 2025

Dorset County Pension Fund
administered by Dorset Council

Brunel Pension Partnership

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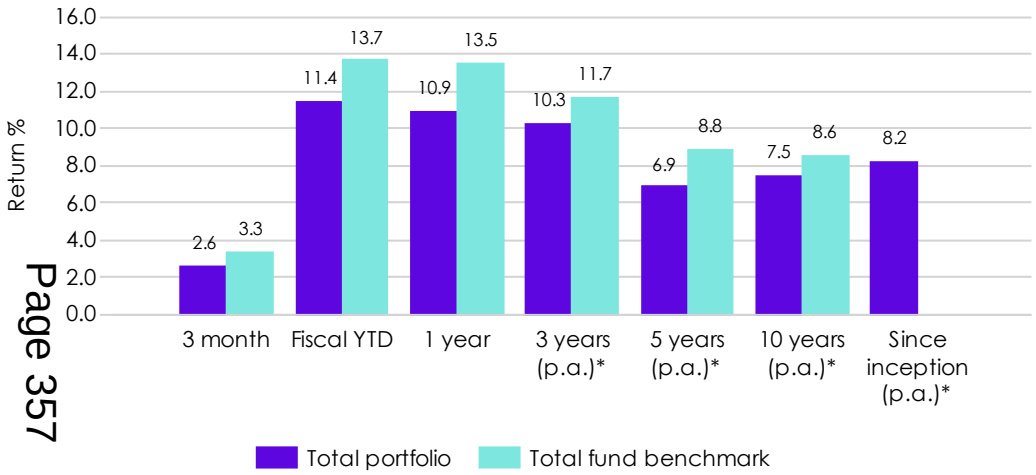
Classification: Public

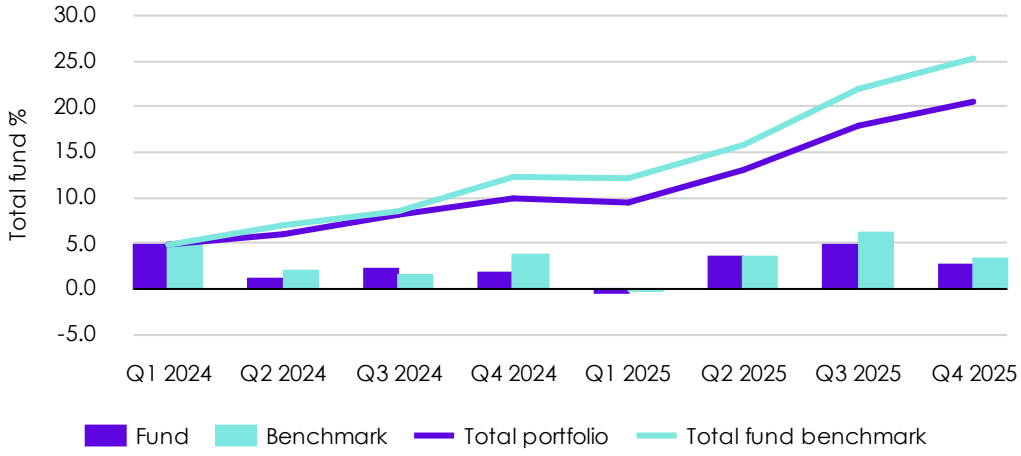
Pension Fund performance

Performance (annualised)



Source: State Street Global Services
*per annum. Net of all fees.

Quarterly performance



Source: State Street Global Services. Net of all fees.

Key events

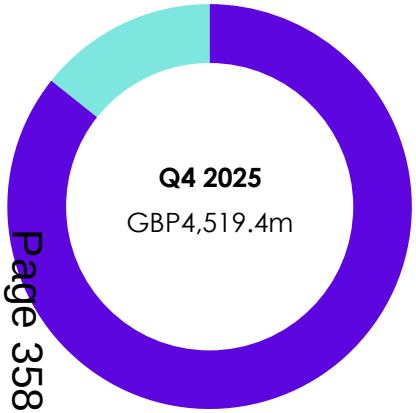
Over the fourth quarter of 2025, global equity markets delivered modest but steady gains, with several equity indices finishing the year near record or multi-year highs, capping a strong period for risk assets overall.

There was marked divergence across global government bond markets during the final quarter of 2025. Despite volatility, UK gilts were the notable outperformer as November's Budget was well received by markets. Returns were more muted in US Treasuries. The Federal Open Market Committee cut interest rates by 25 basis points when they met in October and again in December.

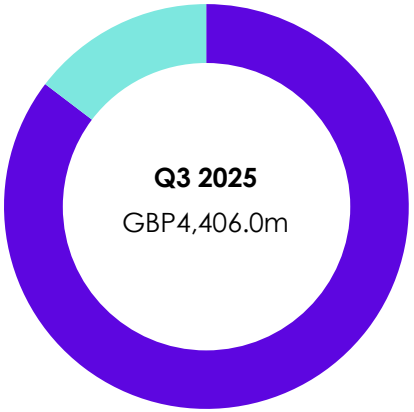
Global mergers and acquisitions (M&A) exceeded $4 trillion in 2025, the second-best year ever for transactions (bettered only by 2021), driven by the highest ever number of mega-deals (those>$10bn). Deal value increased 50% from 2024.

Asset summary

Assets transitioned to Brunel



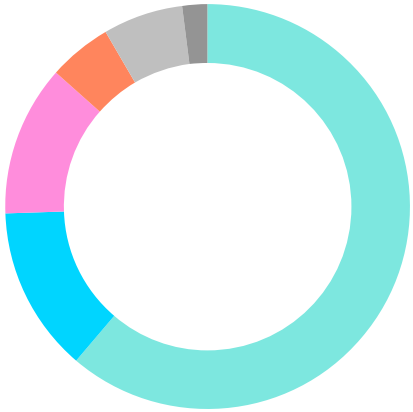
Transitioned	85.71%
Non-pooled assets	14.29%



Transitioned	85.35%
Non-pooled assets	14.65%

Source: State Street Global Services. Net of all fees.

Asset allocation breakdown



Key:

Equities	61.25%
Fixed income	13.22%
Private markets	12.05%
Property	5.06%
Other	6.41%
Cash	2.01%

Source: State Street Global Services. Net of all fees.
Data includes non-pooled assets

Overview of assets

Detailed asset allocation

Equities	**£2,768.15m**	**61.25%**
Passive UK Equities	£519.92m	11.50%
Global Sustainable Equities	£424.25m	9.39%
Low Volatility Global Equities	£340.99m	7.55%
Global High Alpha Equities	£306.00m	6.77%
Global Small Cap Equities	£289.20m	6.40%
Passive Smart Beta (Hedged)	£211.53m	4.68%
Passive Smart Beta	£199.10m	4.41%
Emerging Markets Equities	£198.87m	4.40%
Passive Developed Equities (Hedged)	£144.96m	3.21%
Passive Developed Equities	£132.68m	2.94%
Non-pooled Assets	£0.65m	0.01%
Fixed income	**£597.31m**	**13.22%**
Multi-Asset Credit	£311.39m	6.89%
Sterling Corporate Bonds	£285.92m	6.33%

Private markets (incl. property)	**£773.30m**	**17.11%**
Private Equity Cycle 1	£63.44m	1.40%
Secured Income Cycle 1	£54.62m	1.21%
Infrastructure Cycle 3	£44.92m	0.99%
Secured Income Cycle 3	£30.86m	0.68%
Private Equity Cycle 3	£22.68m	0.50%
Private Equity Cycle 4	£6.58m	0.15%
Non-pooled Assets	£550.21m	12.17%
Other	**£289.82m**	**6.41%**
Diversifying Returns Fund	£285.74m	6.32%
Non-pooled Assets	£4.08m	0.09%

Cash not included

Overview of assets

Top 10 Equity Holdings at Pension Fund

ISIN	Security Name	Sector	Sub-sector	Country	Market Value (£)	% of Pension fund	ESG Score
US5949181045	MICROSOFT CORP	Information Technology	Systems Software	UNITED STATES	48,307,411.48	1.07%	14.36
US67066G1040	NVIDIA CORP	Information Technology	Semiconductors	UNITED STATES	46,274,793.53	1.02%	12.45
GB0009895292	ASTRAZENECA PLC	Health Care	Pharmaceuticals	UNITED KINGDOM	45,084,259.63	1.00%	18.27
GB0005405286	HSBC HOLDINGS PLC	Financials	Diversified Banks	UNITED KINGDOM	40,962,600.83	0.91%	13.50
US02079K3059	ALPHABET INC-CL A	Communication Services	Interactive Media &	UNITED STATES	40,953,636.38	0.91%	19.99
GB00BP6MXD84	SHELL PLC	Energy	Integrated Oil & Gas	UNITED KINGDOM	32,588,619.27	0.72%	31.38
TW0002330008	TAIWAN SEMICONDUCTOR	Information Technology	Semiconductors	TAIWAN	32,474,614.03	0.72%	13.33
US0378331005	APPLE INC	Information Technology	Technology Hardware	UNITED STATES	31,303,766.38	0.69%	15.22
GB00BVZK7T90	UNILEVER PLC	Consumer Staples	Personal Care Products	UNITED KINGDOM	25,571,531.28	0.57%	16.08
US11135F1012	BROADCOM INC	Information Technology	Semiconductors	UNITED STATES	22,021,775.74	0.49%	19.98

Table excludes cash and non-pooled assets. This is an estimated aggregate position using Brunel Portfolios.

Performance attribution

Pension fund performance attribution - to quarter end

	End market value £'000	Actual % allocation at end of quarter	Strategic asset allocation (%)	Difference (%)	Fund return (%): 3 months	Contribution to return: 3 month
Aberdeen Standard	3,018	0.1%	1.50%	-1.4%	0.1%	0.0%
Brunel PM Cash (DPDLCASH)	4,888	0.1%	-	0.1%	0.4%	0.0%
Cash	90,838	2.0%	-	2.0%	0.4%	0.0%
CBRE	228,510	5.1%	8.00%	-2.9%	1.5%	0.1%
Hg Pegasus	51,525	1.1%	2.50%	-1.4%	0.8%	0.0%
Hermes	78,147	1.7%	2.00%	-0.3%	2.0%	0.0%
IFM	184,121	4.1%	4.00%	0.1%	3.3%	0.1%
Insight	169	0.0%	-	0.0%	0.1%	0.0%
Investec	388	0.0%	-	0.0%	1.4%	0.0%
SSgA Currency Overlay	3,914	0.1%	-	0.1%	-108.0%	0.0%
Wellington	234	0.0%	-	0.0%	0.1%	0.0%
Dorset Transition Acc - Brunel (DPDP)	0	0.0%	-	0.0%	-0.0%	-
Brunel - Cash (DPDGCASH)	24	0.0%	-	0.0%	-	-
Global High Alpha Equities	306,001	6.8%	6.00%	0.8%	1.1%	0.1%
Global Sustainable Equities	424,247	9.4%	10.00%	-0.6%	1.4%	0.1%
Emerging Markets Equities	198,870	4.4%	4.00%	0.4%	4.7%	0.2%

Performance attribution

Pension fund performance attribution - to quarter end

	End market value £'000	Actual % allocation at end of quarter	Strategic asset allocation (%)	Difference (%)	Fund return (%): 3 months	Contribution to return: 3 month
Global Small Cap Equities	289,197	6.4%	7.00%	-0.6%	-0.9%	-0.1%
Diversifying Returns Fund	285,740	6.3%	7.00%	-0.7%	1.0%	0.1%
Low Volatility Global Equities	340,993	7.5%	7.50%	0.0%	3.7%	0.3%
Multi-Asset Credit	311,386	6.9%	6.50%	0.4%	1.5%	0.1%
Sterling Corporate Bonds	285,920	6.3%	6.50%	-0.2%	2.7%	0.2%
Passive Developed Equities	132,684	2.9%	1.75%	1.2%	3.6%	0.1%
Passive Developed Equities (Hedged)	144,961	3.2%	1.75%	1.5%	4.1%	0.1%
Passive UK Equities	519,921	11.5%	11.00%	0.5%	6.3%	0.7%
Passive Smart Beta	199,100	4.4%	4.50%	-0.1%	2.9%	0.1%
Passive Smart Beta (Hedged)	211,528	4.7%	4.50%	0.2%	3.2%	0.1%
Private Equity Cycle 1	63,437	1.4%	2.00%	-0.6%	N/M	N/M
Private Equity Cycle 3	22,677	0.5%	-	0.5%	N/M	N/M
Private Equity Cycle 4	6,579	0.1%	-	0.1%	N/M	N/M
Infrastructure Cycle 3	44,921	1.0%	1.00%	-0.0%	N/M	N/M
Secured Income Cycle 1	54,625	1.2%	1.00%	0.2%	N/M	N/M
Secured Income Cycle 3	30,857	0.7%	-	0.7%	N/M	N/M

Performance attribution

Pension fund performance attribution - to quarter end

Private Markets 3 month performance is not material. Private Markets interim period performance is calculated using NAVs provided on business day 8. Later revisions to these NAVs are not captured in the calculations so please use caution when using this data.

Stewardship and climate metrics

Portfolio	WACI		Total Extractive Exposure[1]		Extractive Industries (VOH)[2]	
	2023 Q4	2024 Q4	2025 Q3	2025 Q4	2025 Q3	2025 Q4
Global High Alpha Equities	**107**	**91**	**1.2**	**1.1**	**1.0**	**1.6**
MSCI World*	176	161	3.1	3.0	7.3	7.1
Global Sustainable Equities	**196**	**200**	**1.2**	**1.3**	**6.3**	**6.1**
MSCI ACWI*	211	190	3.1	3.0	7.1	7.1
Emerging Markets Equities	**244**	**164**	**0.1**	**0.1**	**1.8**	**2.7**
MSCI Emerging Markets*	513	459	5.6	5.2	6.2	6.4
Global Small Cap Equities	**140**	**154**	**1.4**	**0.9**	**1.5**	**1.1**
MSCI Small Cap World*	225	239	3.2	3.0	5.2	5.3
Low Volatility Global Equities	**126**	**107**	**0.9**	**0.5**	**3.0**	**2.8**
MSCI ACWI*	211	190	3.1	3.0	7.1	7.1
PAB Passive Global Equities	**145**	**115**	**0.9**	**0.7**	**3.7**	**3.7**
FTSE Dev World TR UKPD*	182	165	3.1	3.0	7.6	7.4
PAB Passive Global Equities (Hedged)	**145**	**115**	**0.9**	**0.7**	**3.7**	**3.7**
CTB Passive Global Equities	**167**	**141**	**1.3**	**1.1**	**5.1**	**5.1**
CTB Passive Global Equities (Hedged)	**167**	**141**	**1.3**	**1.1**	**5.1**	**5.1**
FTSE Dev World TR UKPD*	182	165	3.1	3.0	7.6	7.4
Passive Developed Equities	**182**	**165**	**2.9**	**2.8**	**7.4**	**7.3**
Passive Developed Equities (Hedged)	**182**	**165**	**2.9**	**2.8**	**7.4**	**7.3**
Passive UK Equities	**184**	**156**	**5.9**	**5.1**	**15.4**	**15.5**
Passive Smart Beta	**316**	**316**	**2.9**	**3.0**	**12.1**	**11.9**
Passive Smart Beta (Hedged)	**316**	**316**	**2.9**	**3.0**	**12.1**	**11.9**

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: S&P. Changes between periods may reflect improved data quality and coverage.

Stewardship reporting links

Engagement records
www.brunelpensionpartnership.org/stewardship/engagement-records/
Holdings records
www.brunelpensionpartnership.org/stewardship/holdings-records/
Voting records
www.brunelpensionpartnership.org/stewardship/voting-records/

Risk and return summary

Brunel portfolio performance - 3 year

	Annualised return	Risk (standard deviation)	Benchmark return	Benchmark standard deviation
Equities				
Global High Alpha Equities	13.7%	11.4%	17.3%	9.9%
Global Sustainable Equities	8.8%	10.7%	16.8%	9.7%
Emerging Markets Equities	12.7%	11.7%	12.7%	11.9%
Global Small Cap Equities	6.4%	13.5%	10.8%	13.7%
Passive Developed Equities	17.0%	9.8%	17.3%	9.8%
Passive Developed Equities (Hedged)	21.5%	10.3%	21.8%	10.3%
Passive UK Equities	13.6%	9.0%	13.6%	9.0%
Passive Smart Beta	10.2%	8.4%	9.8%	8.4%
Passive Smart Beta (Hedged)	14.3%	9.4%	13.9%	9.4%
Fixed income				
Multi-Asset Credit	9.8%	3.3%	8.9%	0.2%
Sterling Corporate Bonds	7.6%	5.0%	5.7%	5.1%
Other				
Diversifying Returns Fund	6.5%	3.5%	7.8%	0.2%

Risk and return summary

Brunel portfolio performance - 3 year

	Annualised return	Risk (standard deviation)	Benchmark return	Benchmark standard deviation
Private markets (incl. property)				
Private Equity Cycle 1	5.4%	6.5%	16.8%	9.7%
Infrastructure Cycle 3	6.1%	4.8%	3.3%	1.5%
Secured Income Cycle 1	0.6%	11.2%	3.3%	1.5%

Risk and return summary

Non-pooled manager performance - 3 year

	Annualised return	Risk (standard deviation)	Benchmark return	Benchmark standard deviation
Aberdeen Standard	-1.7%	11.8%	13.6%	9.0%
Brunel PM Cash	263.0%	-	-	-
Cash	0.9%	-	-	-
CBRE	4.5%	7.6%	-1.6%	7.3%
Harbourvest	0.3%	7.9%	13.6%	9.0%
Hermes	-3.1%	3.8%	10.0%	0.1%
IFM	6.4%	5.3%	10.0%	0.1%
Insight	72.8%	271.8%	72.8%	271.8%
Dorset County Pension Fund	10.3%	6.0%	11.7%	5.6%

Portfolio overview

Portfolio	Benchmark	Outperformance target	AUM (GBPm)	Perf. 3 month	Excess+ 3 month	Perf. 1 year	Excess+ 1 year	Perf. 3 year	Excess+ 3 year	Perf. SII*	Excess+ SII*	Initial investment
Equities (61.24%)			**2,767.50**									
Global High Alpha Equities	MSCI World	+2-3%	306.00	1.1%	-2.2%	7.4%	-5.8%	13.7%	-3.6%	12.1%	-0.9%	15 Nov 2019
Global Sustainable Equities	MSCI ACWI	+2%	424.25	1.4%	-2.1%	5.6%	-8.8%	8.8%	-8.0%	6.0%	-5.8%	01 Dec 2020
Emerging Markets Equities	MSCI Emerging Markets	+2-3%	198.87	4.7%	-0.2%	25.6%	0.5%	12.7%	-	5.8%	-1.3%	09 Oct 2019
Global Small Cap Equities	MSCI Small Cap World	+2%	289.20	-0.9%	-4.0%	0.4%	-11.8%	6.4%	-4.4%	3.0%	-3.8%	03 Mar 2021
Low Volatility Global Equities	MSCI ACWI	> Benchmark	340.99	3.7%	0.2%	12.0%	-2.4%	-	-	10.2%	-2.2%	11 Dec 2024
Passive Developed Equities	FTSE Developed	Match	132.68	3.6%	-	14.1%	-0.2%	17.0%	-0.2%	12.3%	-0.2%	24 Jan 2020
Passive Developed Equities (Hedged)	FTSE Developed	Match	144.96	4.1%	-	20.5%	-0.3%	21.5%	-0.3%	13.2%	-0.2%	31 Jan 2020
Passive UK Equities	FTSE All Share	Match	519.92	6.3%	-	24.0%	-0.1%	13.6%	-	7.0%	0.1%	11 Jul 2018
Passive Smart Beta	SciBeta Multifactor Composite	+0.5-1%	199.10	2.9%	0.1%	9.3%	0.5%	10.2%	0.5%	9.1%	0.4%	25 Jul 2018
Passive Smart Beta (Hedged)	SciBeta Multifactor Hedged Composite	+0.5-1%	211.53	3.2%	0.1%	15.2%	0.4%	14.3%	0.5%	9.2%	0.3%	25 Jul 2018
Fixed income (13.22%)			**597.31**									
Multi-Asset Credit	SONIA +4%	0% to +1.0%	311.39	1.5%	-0.5%	8.3%	-0.2%	9.8%	0.9%	4.6%	-3.0%	01 Jun 2021
Sterling Corporate Bonds	iBoxx Sterling Non Gilt x	+1%	285.92	2.7%	0.1%	8.3%	1.4%	7.6%	1.9%	6.8%	1.7%	14 Dec 2022
Private markets (incl. property) (4.94%)			**223.10**									
Private Equity Cycle 1	MSCI ACWI	+3%	63.44	N/M	N/M	5.5%	-8.9%	5.4%	-11.3%	11.8%	-1.2%	26 Mar 2019

Portfolio overview

Portfolio	Benchmark	Outperformance target	AUM (GBPm)	Perf. 3 month	Excess+ 3 month	Perf. 1 year	Excess+ 1 year	Perf. 3 year	Excess+ 3 year	Perf. SII*	Excess+ SII*	Initial investment
Private markets (incl. property) (4.94%)			**223.10**									
Private Equity Cycle 3	MSCI ACWI	+3%	22.68	N/M	N/M	10.3%	-4.1%	-	-	4.6%	-12.5%	28 Apr 2023
Private Equity Cycle 4	MSCI ACWI	+3%	6.58	N/M	N/M	13.4%	-1.0%	-	-	-	-15.6%	30 May 2024
Infrastructure Cycle 3	n/a - absolute return target	net 8% IRR	44.92	N/M	N/M	10.1%	6.8%	6.1%	2.8%	5.8%	1.9%	13 Oct 2022
Secured Income Cycle 1	CPI	+2%	54.62	N/M	N/M	3.8%	0.5%	0.6%	-2.7%	0.6%	-3.4%	15 Jan 2019
Secured Income Cycle 3	CPI	+2%	30.86	N/M	N/M	3.0%	-0.3%	-	-	-	-2.5%	01 Jun 2023
Other (6.32%)			**285.74**									
Diversifying Returns Fund	SONIA +3%	0% to +2.0%	285.74	1.0%	-0.7%	9.2%	1.8%	6.5%	-1.3%	4.5%	-1.4%	31 Jul 2020
Total Brunel assets (excl. cash) (85.71%)			**3,873.64**									

*Since initial investment

+ Excess to benchmark, may not include outperformance

Private Markets 3 month performance is not material. Private Markets interim period performance is calculated using NAVs provided on business day 8. Later revisions to these NAVs are not captured in the calculations so please use caution when using this data.

Portfolio overview

Non-pooled assets

Portfolio	AUM (GBPm)	Perf. 3 month	Excess+ 3 month	Perf. 1 year	Excess+ 1 year	Perf. 3 year	Excess+ 3 year	Perf. SII*	Excess+ SII*	Initial investment
Private markets (incl. property) (12.17%)			**550.21**							
Aberdeen Standard	3.02	0.1%	-6.3%	-10.0%	-34.0%	-1.7%	-15.3%	3.9%	-3.0%	01 Jun 2006
Brunel PM Cash (DPDLCASH)	4.89	0.4%	0.4%	2.3%	2.3%	263.0%	263.0%	94.7%	-	01 Jun 2020
CBRE	228.51	1.5%	0.1%	4.8%	-1.5%	4.5%	6.1%	6.4%	0.2%	01 Jan 2000
Harbourvest	51.52	0.8%	-5.6%	1.8%	-22.2%	0.3%	-13.3%	12.1%	5.5%	01 May 2006
Hermes	78.15	2.0%	-0.5%	4.7%	-5.3%	-3.1%	-13.1%	4.4%	-5.6%	01 Feb 2015
IFM	184.12	3.3%	0.9%	9.0%	-1.0%	6.4%	-3.6%	12.0%	2.0%	01 Apr 2016
Other (2.01%)			**91.01**							
Cash	90.84	0.4%	0.4%	0.2%	0.2%	0.9%	0.9%	0.5%	-	01 Jan 2009
Insight	0.17	0.1%	-	0.5%	-	72.8%	-	16.7%	0.4%	01 Jul 2012
Total non-pooled assets (excl. cash) (14.19%)	**641.21**									

*Since initial investment
+ Excess to benchmark, may not include outperformance

Chief Investment Officer commentary

Over the fourth quarter of 2025, global equity markets delivered modest but steady gains, with several equity indices finishing the year near record or multi-year highs, capping a strong period for risk assets overall. Global markets overall outperformed US equities, with a broad-based advance across regions.

In the US, the S&P 500 Index returned 2.8% over the quarter in sterling terms. That quarterly gain contributed to the S&P returning 17.9% for the year. However, the weakness of the dollar in 2025 saw the S&P rise by 9.8% in sterling terms and only 3.9% in euro terms. Market leadership during the quarter remained concentrated in the Communication Services and Information Technology sectors, but there were some signs of market broadening. Several cyclical and defensive sectors—including Industrials, Financials, Health Care and Utilities—posted strong, double-digit gains for the year. The market reacted positively to the Fed's decision to continue the interest rate-cutting cycle in December, with indications that more cuts could be coming in 2026, especially if inflation continues to fall.

The FTSE Developed Europe ex UK index returned 6.5%, Major benchmarks finished the period near multi-year highs, supported by broad-based equity strength across the region. Investor confidence was bolstered by the continued Fed rate cuts. Financials performed particularly well, benefiting from lower interest rates that improved lending prospects and asset quality, while the relatively stable cash flows and dependable dividends of Health Care and Utilities stocks attracted interest from more cautious investors. At the same time, enthusiasm for Growth and technology stocks waned somewhat amid concerns about elevated valuations and sector-specific risks.

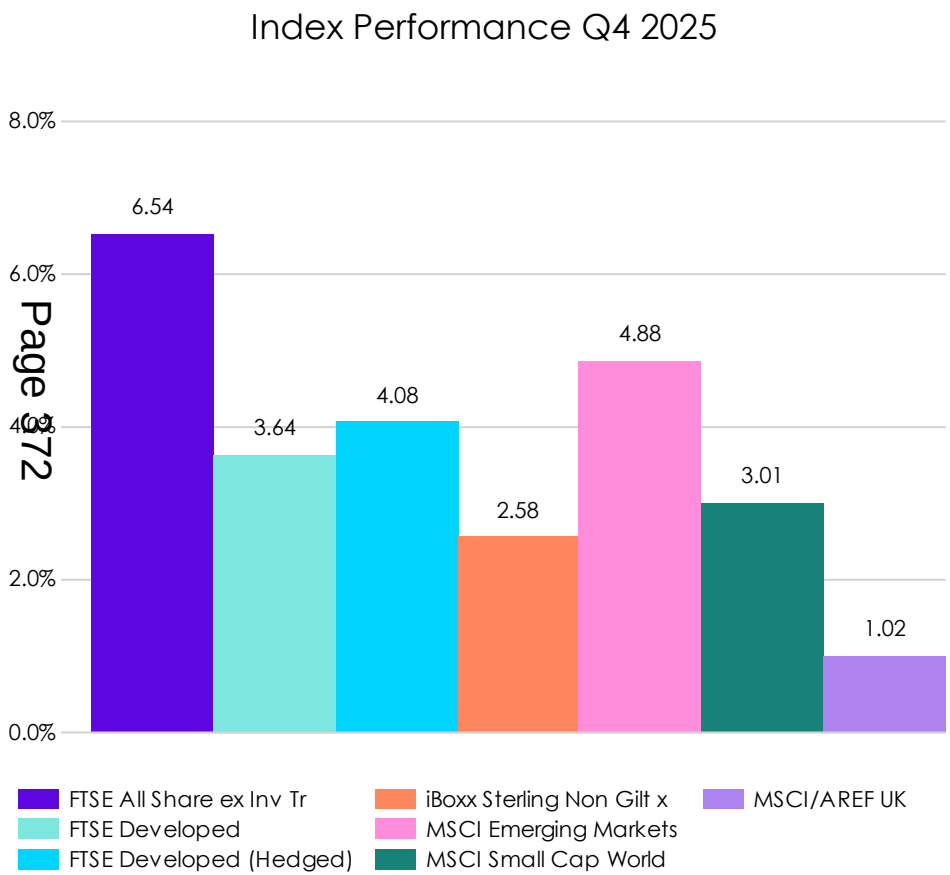
UK equities rose, with the FTSE All-Share up 6.4%, ending 2025 at close to multi-year highs. Performance was led by large, internationally-focused companies, particularly in financial, mining, defence and other commodity-linked sectors. These areas benefited from strong global demand, elevated commodity prices, and a slightly weaker pound. In contrast, companies more exposed to the domestic UK economy lagged, as consumer spending remained under pressure and cost challenges persisted.

Japanese, Asian, and broader Emerging Markets all enjoyed steady gains over the quarter in sterling terms. In Japan, The Bank of Japan raised rates in December and signalled possible further hikes in 2026. That added to optimism about domestic growth and supported share prices. Asian markets and Emerging Markets both returned over 4% in sterling terms. South Korea was a standout contributor, supported by its heavy concentration in globally competitive chipmakers, while performance across Chinese and broader regional technology stocks was more mixed, but remained influential in shaping overall sentiment.

There was marked divergence across global government bond markets during the final quarter of 2025. Despite volatility, UK gilts were the notable outperformer. November's Budget was well received by markets and the Bank of England cut the base rate by 25 basis points at its December meeting. Returns were more muted in US Treasuries. The Federal Open Market Committee cut interest rates by 25 basis points when they met in October and again in December, taking the federal funds rate to 3.5-3.75%. Total returns were positive across Investment Grade credit markets. and Investment Grade outperformed government bonds. After initially widening on concerns about US regional bank exposures to non-bank financial institutions (NBFI), US credit spreads later compressed on improved market sentiment, leaving excess returns over government bonds flat over the period. Euro- and sterling-denominated Investment Grade outperformed government bonds.

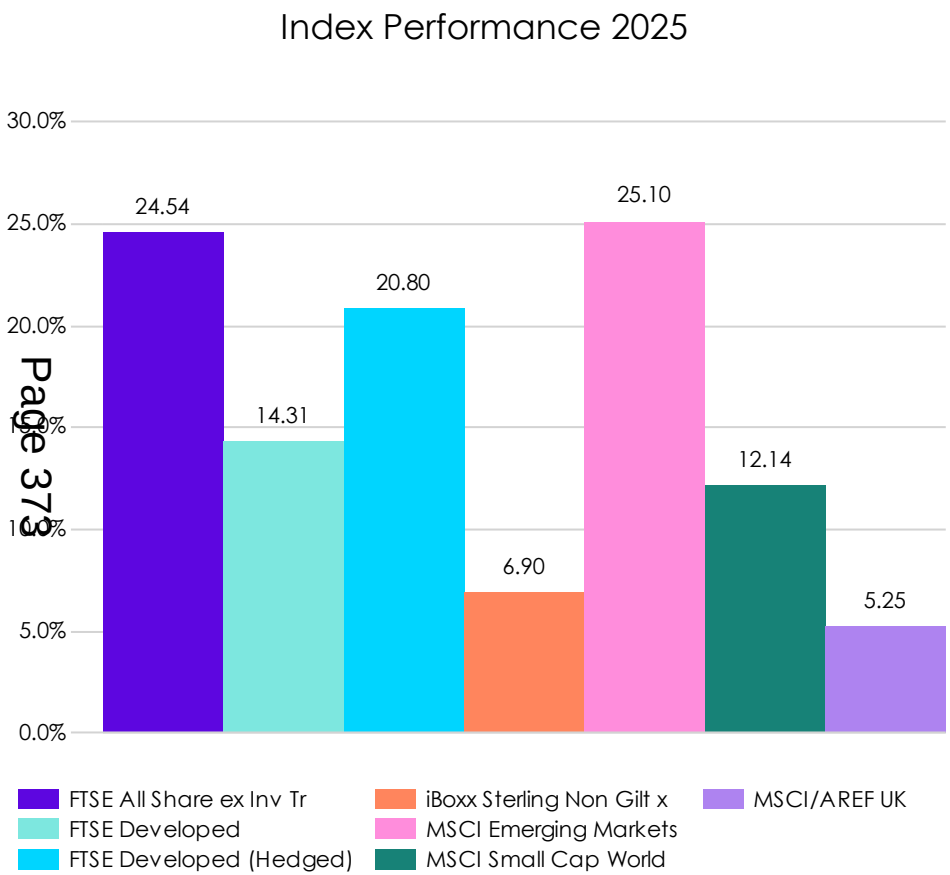
Global mergers and acquisitions (M&A) exceeded $4 trillion in 2025, the second-best year ever for transactions (bettered only by 2021), driven by the highest ever number of mega-deals (those >$10bn). Deal value increased 50% from 2024. In total, 68 mega deals were announced, potentially reshaping entire sectors, from Industrials to Communication Services. The resurgence in markets and animal spirits was marked, given the political and economic backdrop. It was accompanied by a resurgence in fundraising activity, making 2025 the leading year for secondary private market transactions and for the number of private continuation vehicle transactions. There were, however, some signs of credit stress increasing, with two high profile examples in First Brands and Tricolor, both of which appear to have involved cases of fraud. The US administration continued its attack on renewable energy, particularly offshore wind. A renewed broadside just before Christmas affected projects in the very late stages of construction, and fully permitted.

Chief Investment Officer commentary



Source: State Street

Chief Investment Officer commentary



Source: State Street

Global High Alpha Equities

Launch date
6 December 2019

Investment strategy & key drivers
High conviction, unconstrained global equity portfolio

Liquidity
Managed

Benchmark
MSCI World

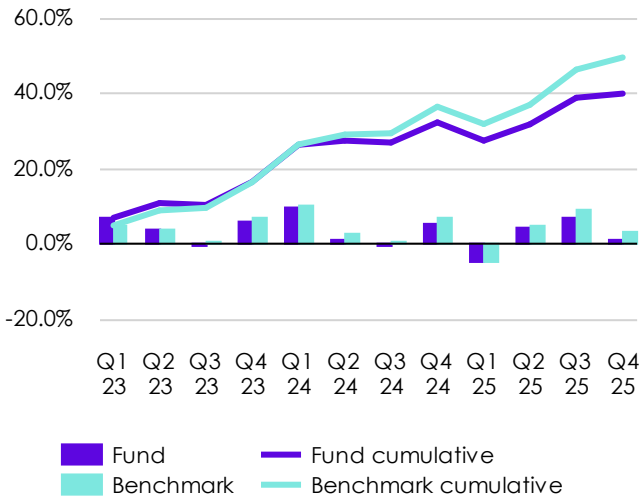
Outperformance target
+2.8%

Total fund value
£4,870m

Risk profile
High

Dorset's Holding:
GBP306m

Rolling 3yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	1.1	7.4	13.7	12.5
MSCI World	3.3	13.2	17.3	13.4
Excess	-2.2	-5.8	-3.6	-0.9

Source: State Street Global Services
*per annum. Net of all fees.

Performance commentary

Global developed equities (proxied by the MSCI World Index) rose 3.3% in GBP terms in Q4, extending strong risk asset performance as major indices approached record highs.

Sentiment was buoyed by easing inflation, resilient earnings, and expectations of dovish policy in 2026. Leadership broadened modestly beyond mega-cap tech, with Europe and Asia outperforming the US, although concentration risk persisted. Health Care rebounded, Materials benefited from precious metals strength, while Technology and Communication Services saw selective gains favouring cash-funded AI capex, with Alphabet rewarded for AI monetisation, while Meta, Microsoft, and Oracle faced margin pressure from heavy AI infrastructure spending. Consumer Discretionary lagged amid cautious consumer trends and Value outperformed Growth as investors rotated to cyclicals and defensives.

The portfolio returned 1.1%, underperforming the index by 2.2%. Sector attribution showed stock selection as the main detractor, notably in Financials and Industrials. Within Industrials, Automatic Data Processing and Wolters Kluwer weighed on relative returns; ADP faced margin contraction and lowered its 2026 revenue outlook, while Wolters Kluwer cited currency headwinds and restructuring costs. In Financials, Mastercard and 3i Group were significant negative contributors. Selection was strongest in the Materials sector, supported by Steel Dynamics, which benefitted from anticipated US onshoring demand. Alphabet and TSMC were the largest positive contributors, with Alphabet boosted by AI integration and a chip supply deal with Anthropic. Conversely, AutoZone, Oracle and Microsoft were the weakest performers; AutoZone's sharp decline followed an earnings and margin miss after trading at record highs earlier in the year.

Harris outperformed the market, benefitting from exposure to Value as a style, while other managers underperformed the benchmark index to varying degrees. Baillie Gifford suffered a weak relative performance over the quarter, as large positions in Roblox and Sea Limited performed poorly.

During the quarter, Alliance Bernstein exited the portfolio and was replaced by PineBridge.

Global High Alpha Equities

Top 5 holdings

	Weight %	B'mark weight %	Client value (GBP)*
ALPHABET INC	5.48	4.05	16,766,549
MICROSOFT CORP	4.94	4.12	15,101,626
TAIWAN SEMICONDUCTOR	4.07	-	12,461,875
NVIDIA CORP	4.00	5.47	12,240,911
AMAZON.COM INC	2.51	2.67	7,686,173

*Estimated client value

Top 5 active overweights

	Weight %	Benchmark weight %
TAIWAN SEMICONDUCTOR	4.07	-
MOODY'S CORP	1.60	0.10
ALPHABET INC	5.48	4.05
CME GROUP INC	1.39	0.12
STEEL DYNAMICS INC	1.20	0.03

Top 5 active underweights

	Weight %	Benchmark weight %
APPLE INC	1.01	4.87
TESLA INC	-	1.53
NVIDIA CORP	4.00	5.47
META PLATFORMS INC	0.61	1.73
JPMORGAN CHASE & CO	-	1.07

Largest contributors to ESG risk

	ESG risk score* Q3 2025	Q4 2025
ALPHABET INC-CL A	20.10	19.99
MICROSOFT CORP	13.43	14.36
NVIDIA CORP	12.45	12.45
TAIWAN SEMICONDUCTOR-SP	13.16	13.33
AMAZON.COM INC	18.37	16.64

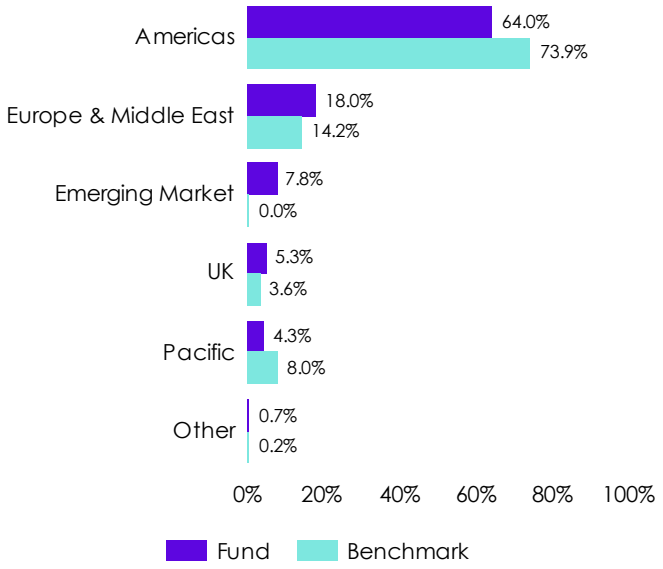
*Source: Sustainanalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

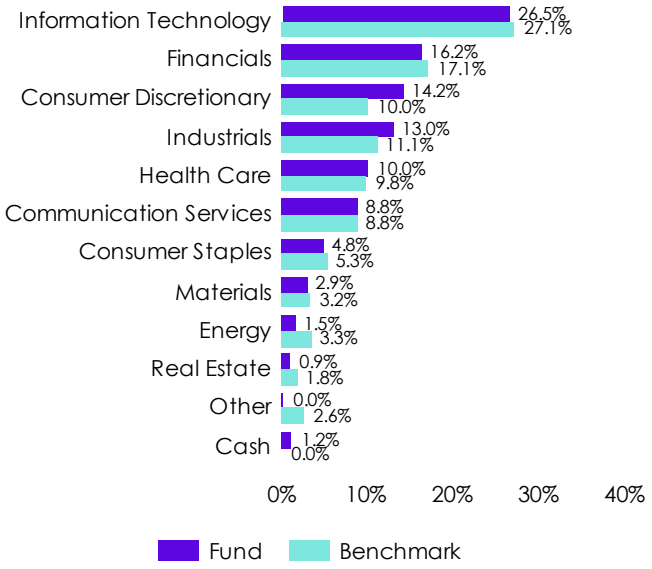
Portfolio	WACI		Total Extractive Exposure[1]		Extractive Industries (VOH)[2]	
	2023 Q4	2024 Q4	2025 Q3	2025 Q4	2025 Q3	2025 Q4
Global High Alpha	**107**	**91**	1.22	1.10	1.05	1.65
MSCI World*	**176**	**161**	3.09	2.98	7.26	7.14

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: S&P. Changes between periods may reflect improved data quality and coverage.

Regional exposure



Sector exposure



Global Sustainable Equities

Launch date
20 October 2020

Investment strategy & key drivers
Global equity exposure concentrating on ESG factors

Liquidity
Managed

Benchmark
MSCI ACWI

Outperformance target
+2%

Total fund value
£4,050m

Risk profile
High

Dorset's Holding:
GBP424m

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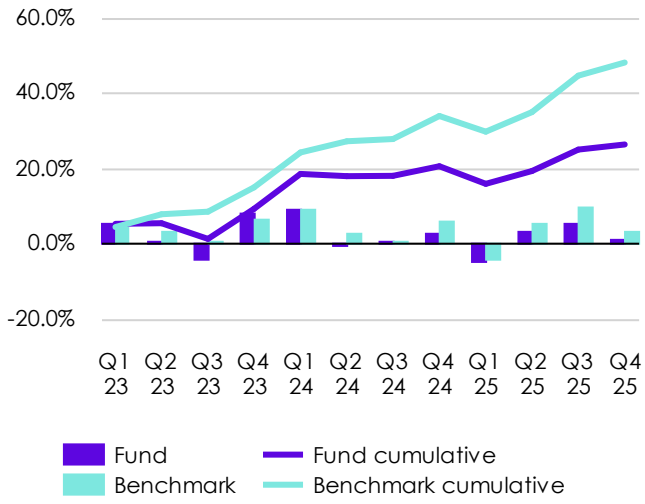
Rolling 3yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	**1.4**	**5.6**	**8.8**	**6.7**
MSCI ACWI	**3.5**	**14.4**	**16.8**	**12.9**
Excess	**-2.1**	**-8.8**	**-8.0**	**-6.3**

Source: State Street Global Services
*per annum. Net of all fees.

Performance commentary

The Sustainable Equities portfolio returned 1.4% during Q4 2025 as equities ended the year on a positive note; the MSCI ACWI returned 3.5% during the last quarter of 2025. The portfolio returned 5.6% for the year on a net-of-fees basis, however, this can be viewed as a relatively difficult year for sustainable and Quality investing, as the MSCI ACWI returned 14.4% over the same time period. As in previous quarters, we should stress that the MSCI ACWI does not look to achieve the same exposures as the Sustainable Equity portfolio and there is a philosophical mismatch between fund and benchmark.

We can evidence that philosophical mismatch when we look at the main drivers of market performance over 2025. The best performing sub-sector over the year was metals and mining, largely driven by the price of gold. It returned 61%. Whilst we do have a very small exposure to copper within the sub-sector, it is a part of the market that doesn't necessarily align itself to sustainable investing, or at least not in an overweight context. Other top-performing sub-sectors this year included aerospace and defence (42%) and banks (37%). There have been growing arguments around how the aerospace and defence sector aligns itself to sustainable investing, as the capacity of a country to defend itself involves an element of sustainability. However, it is rare to find a company that is purely focussed on defence. We acknowledge that rising defence spending will likely continue into the future as geopolitical tensions grow - and we do have exposure to companies that will benefit from this spending, albeit not to pure-play defence companies. Likewise, we also have some exposure to banks. However, banks as a sector is likewise difficult to overweight in a sustainability context.

We also saw the continued AI boom throughout 2025, where the usual big tech names contributed heavily to market return. Notably, Nvidia and Alphabet returned 29% and 55% respectively. As we have discussed in previous quarters, we do have exposure to these names, and some underlying managers have notable overweight positions. However, it is difficult to overweight in a multi-manager portfolio when we have a strong focus on risk management and diversification of our underlying managers. At the end of the year, the top ten names represent 25% of the MSCI ACWI, which contains 3,000 stocks. Such a level of concentration represents a significant challenge for multi-manager funds.

However, as we head into 2026, we see areas of opportunity for sustainable investing. Health Care has been a notable underperformer over the past few years and is a staple of the sustainable investment universe. It had a difficult start to the year due to US policy uncertainty. However, we started to see more clarity for the sector in the early parts of Q4 and it became the best-performing sector for the quarter, returning 10%. The fund has overweight positioning to the sector, and we hope that this momentum continues into 2026.

We have also started to see a little more divergence in the larger US tech companies and in how the market is assessing their approach to AI. Notably, Meta and Oracle, both of which showed a stronger focus on debt funding for data centres, fell 10% and 30% respectively. We will likely see continued volatility from this part of the market as competition expands.

Relative to peers, the portfolio falls close to the 60th percentile across all time periods. Whilst this remains behind the median, the lag is largely due to the more Quality/Defensive exposures within the portfolio, relative to peers. During periods of increased market volatility and risk, when investors seek stability, we should see this trend reverse. The MSCI ACWI sits in the top quartile across all time periods, notably on the 9th and 5th percentile for 3- and 5-year periods, making it a difficult benchmark for all sustainable strategies.

Global Sustainable Equities

Top 5 holdings

	Weight %	B'mark weight %	Client value (GBP)*
TAIWAN SEMICONDUCTOR	**3.52**	**1.31**	**14,952,664**
NVIDIA CORP	**3.21**	**4.87**	**13,637,711**
BROADCOM INC	**2.51**	**1.67**	**10,658,310**
MICROSOFT CORP	**2.48**	**3.67**	**10,531,460**
WASTE MANAGEMENT INC	**1.80**	**0.10**	**7,628,424**

*Estimated client value

Top 5 active overweights

	Weight %	Benchmark weight %
TAIWAN SEMICONDUCTOR	**3.52**	**1.31**
WASTE MANAGEMENT INC	**1.80**	**0.10**
ECOLAB INC	**1.59**	**0.07**
AGILENT TECHNOLOGIES INC	**1.35**	**0.04**
AMERICAN WATER WORKS CO INC	**1.24**	**0.03**

Top 5 active underweights

	Weight %	Benchmark weight %
APPLE INC	**1.35**	**4.33**
AMAZON.COM INC	**-**	**2.38**
ALPHABET INC	**1.51**	**3.60**
NVIDIA CORP	**3.21**	**4.87**
META PLATFORMS INC	**-**	**1.54**

Largest contributors to ESG risk

	ESG risk score* Q3 2025	ESG risk score* Q4 2025
BROADCOM INC	**-**	**19.98**
NVIDIA CORP	**12.45**	**12.45**
MICROSOFT CORP	**13.43**	**14.36**
SHOPIFY INC - CLASS A	**24.40**	**24.40**
ECOLAB INC	**19.41**	**19.41**

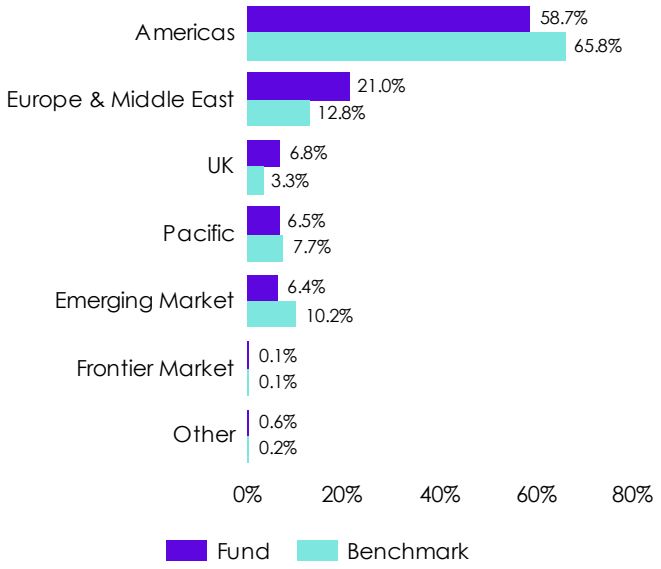
*Source: Sustainanalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

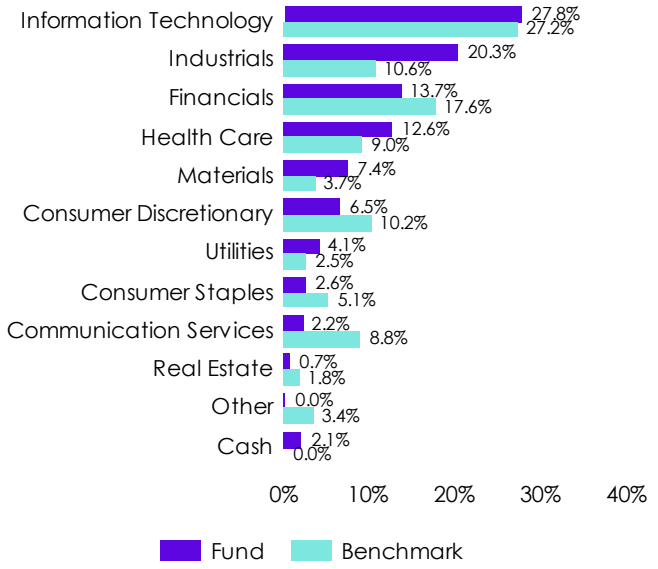
Portfolio	WACI 2023 Q4	WACI 2024 Q4	Total Extractive Exposure[1] 2025 Q3	Total Extractive Exposure[1] 2025 Q4	Extractive Industries (VOH)[2] 2025 Q3	Extractive Industries (VOH)[2] 2025 Q4
Global Sustainable	**196**	**200**	1.21	1.26	6.28	6.15
MSCI ACWI*	**211**	**190**	3.14	3.03	7.15	7.06

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: S&P. Changes between periods may reflect improved data quality and coverage.

Regional exposure



Sector exposure



Emerging Markets Equities

Launch date
8 November 2019

Investment strategy & key drivers
Equity exposure to emerging markets

Liquidity
Managed

Benchmark
MSCI Emerging Markets

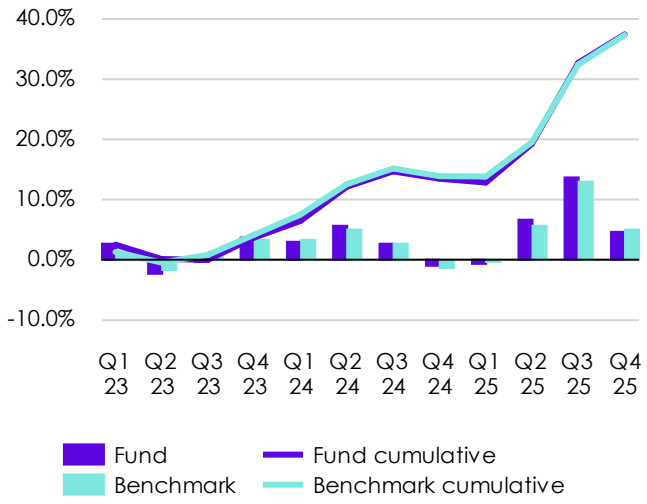
Outperformance target
+2-3%

Total fund value
£1,384m

Risk profile
High

Dorset's Holding:
GBP199m

Rolling 3yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	**4.7**	**25.6**	**12.7**	**5.4**
MSCI Emerging Markets	**4.9**	**25.1**	**12.7**	**6.6**
Excess	**-0.2**	**0.5**	**-0.0**	**-1.2**

Source: State Street Global Services
*per annum. Net of all fees.

Performance commentary

Emerging Markets (EM) experienced another positive quarter to round off a strong year, returning +4.9% when measured by MSCI Emerging Markets. Year-to-date returns were +25.1% for the same index in GBP terms. A shift from US equities to international equities supported the rally, alongside the continuation of investment into the AI supply chain. The Brunel Emerging Markets portfolio was narrowly behind the benchmark over the quarter and outperformed by +0.5% in 2025 net of fees and taxes. There was a significant portfolio change in November when First State Investors (FSI) – the parent of Stewart Investors - announced the closure of the Stewart business. Control of the Brunel mandate was given to another subsidiary of FSI, FSSA Investors.

At a stock level, overweight positions in the AI supply chain were offset by large falls in other high conviction names. SK Square and Samsung – two held Korean names exposed to the AI supply chain – rose by +78% and +38% respectively. The positive impacts from these names were offset by a 29% fall in Sea Ltd, which sold off due to a slight earnings miss and subsequent valuation concerns. Country allocation proved favourable over the quarter. The 4% underweight to Chinese stocks added to relative performance after the region underperformed broader Emerging Markets by almost 12%. At quarter-end, the portfolio was approximately 2% overweight Korean stocks, which outperformed broader Emerging Markets by 22%.

Styles continued to exhibit the same trends that have dominated 2025. Over the quarter, the most successful styles were deep value, commodity producers and quality value. These styles outperformed broader emerging markets by +10.7%, +6.0% and +3.7%, respectively. The success of Value helped Robeco. The weakest style was once again defensives, where Stewart had a bias - it underperformed by 4.6%. On a forward-looking basis, sentiment remains positive across EM with many market commentators sharing a positive outlook for 2026. AI exposure, reasonable valuations (13x 12m forward P/E), weaker US dollar tailwinds, and robust earnings growth are key themes highlighted in outlooks. Investors should be cautiously optimistic, given the cyclical nature of the AI trade accompanied by heightened geopolitical risks

Emerging Markets Equities

Top 5 holdings

	Weight %	B'mark weight %	Client value (GBP)*
TAIWAN SEMICONDUCTOR	11.84	11.88	23,542,884
SAMSUNG ELECTRONICS CO LTD	6.44	4.35	12,808,452
TENCENT HOLDINGS LTD	4.09	4.82	8,130,223
ALIBABA GROUP HOLDING LTD	3.30	3.08	6,566,127
SK HYNIX INC	2.80	2.41	5,565,331

*Estimated client value

Top 5 active overweights

	Weight %	Benchmark weight %
SAMSUNG ELECTRONICS CO LTD	6.44	4.35
CONTEMPORARY AMPEREX	1.73	0.19
HDFC BANK LTD	2.73	1.23
ERSTE GROUP BANK AG	1.20	-
WUXI APPTEC CO LTD	1.16	0.07

Top 5 active underweights

	Weight %	Benchmark weight %
HON HAI PRECISION INDUSTRY CO	-	0.90
XIAOMI CORP	-	0.85
PDD HOLDINGS INC	-	0.79
TENCENT HOLDINGS LTD	4.09	4.82
MEITUAN	-	0.65

Largest contributors to ESG risk

	ESG risk score*	
	Q3 2025	Q4 2025
TAIWAN SEMICONDUCTOR	13.16	13.33
SAMSUNG ELECTRONICS CO LTD	11.24	12.73
TENCENT HOLDINGS LTD	17.19	17.25
ALIBABA GROUP HOLDING LTD	15.48	15.48
SK HYNIX INC	17.50	17.88

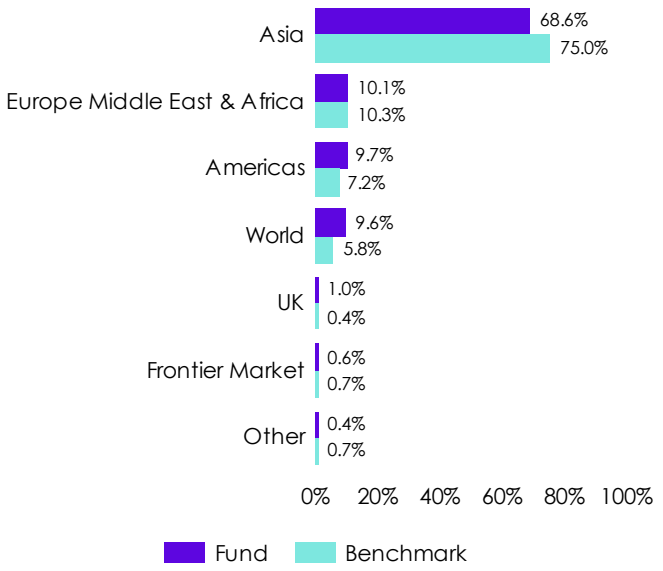
*Source: Sustainanalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

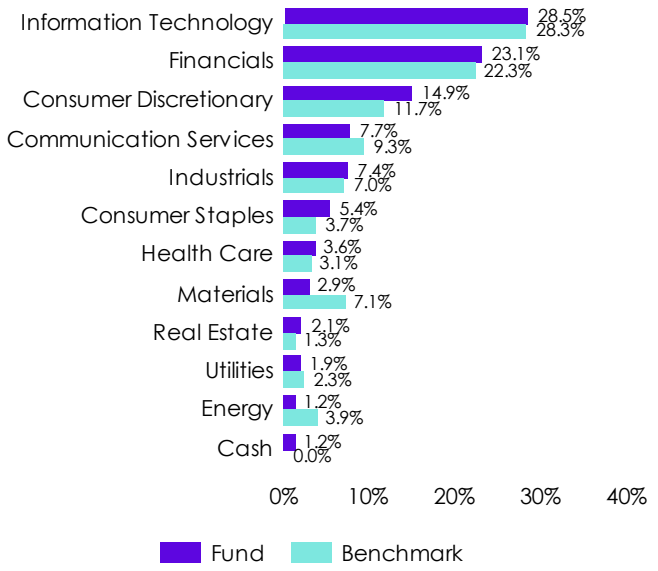
Portfolio	WACI		Total Extractive Exposure[1]		Extractive Industries (VOH)[2]	
	2023 Q4	2024 Q4	2025 Q3	2025 Q4	2025 Q3	2025 Q4
Emerging Markets	**244**	**164**	0.12	0.10	1.77	2.73
MSCI Emerging	**513**	**459**	5.59	5.20	6.19	6.43

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: S&P. Changes between periods may reflect improved data quality and coverage.

Regional exposure



Sector exposure



Global Small Cap Equities

Launch date
2 October 2020

Investment strategy & key drivers
Global equity exposure to smaller capitalisation companies

Liquidity
Managed

Benchmark
MSCI Small Cap World

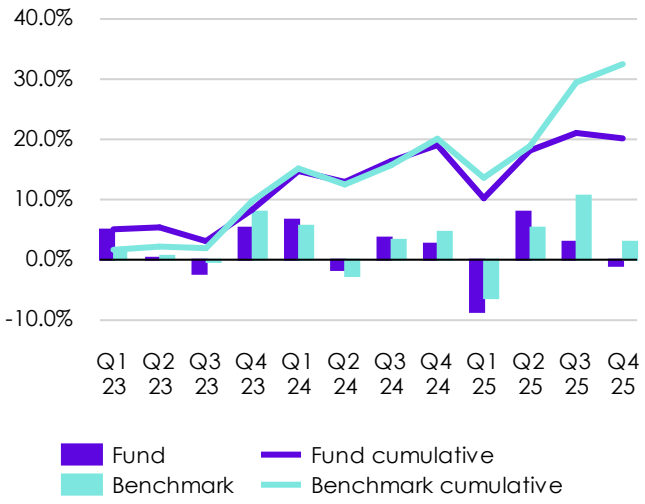
Outperformance target
+2%

Total fund value
£1,045m

Risk profile
High

Dorset's Holding:
GBP289m

Rolling 3yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	**-0.9**	**0.4**	**6.4**	**6.6**
MSCI Small Cap World	**3.0**	**12.1**	**10.8**	**10.6**
Excess	**-4.0**	**-11.8**	**-4.4**	**-4.0**

Source: State Street Global Services
*per annum. Net of all fees.

Performance commentary

Global small cap equity markets returned 3.0% over the quarter, broadly in line with large caps. Strong performance continued to be concentrated in certain areas of the market, including biotechnology and metals and mining, whilst other sectors delivered more muted returns.

In a continuation of the challenging environment over the previous quarter, performance was led by the least profitable companies across the small cap market. Despite more attractive fundamentals, higher quality small caps continued to underperform in an environment where investors abandoned high quality holdings in favour of stocks that have suffered deep valuation discounts.

The Global Small Cap Equities portfolio returned -0.9% over the period, underperforming the benchmark by 4.0%.

The portfolio's significant bias towards Quality detracted, whilst the portfolio's bias towards Growth also detracted. The lack of exposure to the strongest areas of the market, such as biotechnology, metals and mining, hindered relative returns. At the stock level, the largest detractor was Stride, whilst Lumentum was the most notable contributor for the second consecutive quarter.

American Century returned -1.6%. Stock selection in Health Care, Information Technology and Consumer Staples detracted. American Century's bias towards Growth was a headwind, as Value outperformed Growth over the quarter.

Kempen returned 2.9%, broadly in line with the benchmark. Stock selection in Health Care, Materials and Industrials detracted, while stock selection in the Information Technology, Financials and Consumer Discretionary sectors contributed to relative returns. Across Kempen's style biases, Quality was a headwind and Value was a tailwind over the period.

Montanaro returned -5.0%, significantly underperforming the benchmark. Montanaro's strong focus on Quality particularly harmed performance, whilst the bias towards Growth was also a headwind. Stock selection in Industrials and the lack of exposure to Biotechnology detracted. Montanaro avoid the subsector due to the high binary risk associated with the companies. The lack of any exposure to metals and mining also continued to be detrimental. Montanaro excludes metals and mining due to the cyclical, low quality nature of the subsector, as well as the high prevalence of ESG risk.

Global Small Cap Equities

Top 5 holdings

	Weight %	B'mark weight %	Client value (GBP)*
WINTRUST FINANCIAL CORP	1.39	0.10	4,010,936
ERSTE GROUP BANK AG	1.36	-	3,934,501
BRUNSWICK CORP/DE	1.31	0.05	3,799,764
GAMES WORKSHOP GROUP PLC	1.27	0.09	3,665,923
ULVAC INC	1.23	0.02	3,563,374

*Estimated client value

Top 5 active overweights

	Weight %	Benchmark weight %
ERSTE GROUP BANK AG	1.36	-
WINTRUST FINANCIAL CORP	1.39	0.10
BRUNSWICK CORP/DE	1.31	0.05
NOVA LTD	1.22	-
ULVAC INC	1.23	0.02

Top 5 active underweights

	Weight %	Benchmark weight %
SANDISK CORP/DE	-	0.35
COHERENT CORP	-	0.30
CURTISS-WRIGHT CORP	-	0.22
CASEY'S GENERAL STORES INC	-	0.21
FTAI AVIATION LTD	-	0.21

Largest contributors to ESG risk

	ESG risk score*	
	Q3 2025	Q4 2025
WINTRUST FINANCIAL CORP	26.85	26.85
SITIME CORP	29.95	32.00
NOVA LTD	27.79	27.79
STIFEL FINANCIAL CORP	28.61	29.82
BRUNSWICK CORP	-	22.42

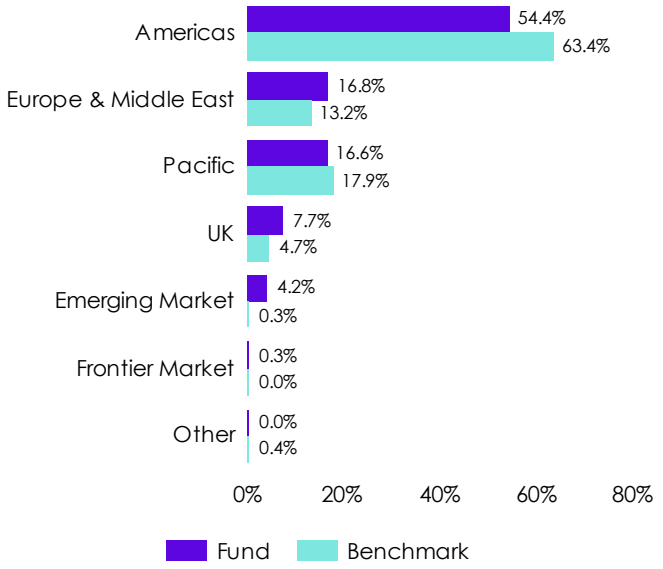
*Source: Sustainanalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

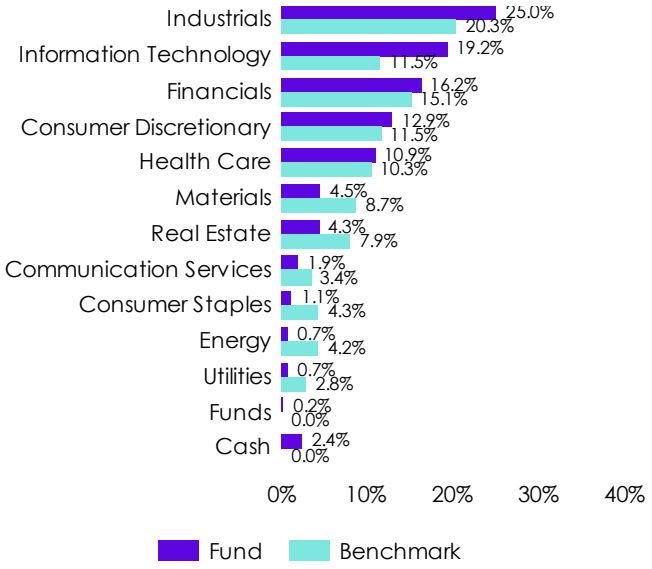
Portfolio	WACI		Total Extractive Exposure[1]		Extractive Industries (VOH)[2]	
	2023 Q4	2024 Q4	2025 Q3	2025 Q4	2025 Q3	2025 Q4
Global Small Cap	**140**	**154**	1.38	0.86	1.47	1.08
MSCI Small Cap	**225**	**239**	3.18	3.04	5.17	5.35

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: S&P. Changes between periods may reflect improved data quality and coverage.

Regional exposure



Sector exposure



Diversifying Returns Fund

Launch date
12 August 2020

Investment strategy & key drivers
Strategy utilising currencies, credit, rates and equities

Liquidity
Managed

Benchmark
SONIA +3%

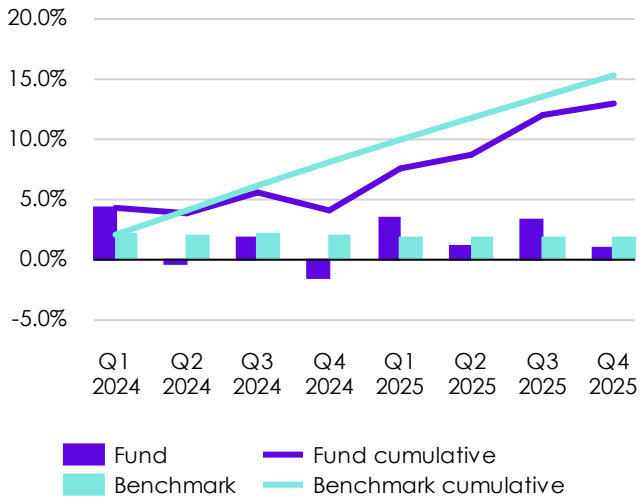
Outperformance target
0% to +2.0%

Total fund value
£[illegible]4m

Risk profile
Moderate

Dorset's Holding:
GBP286m

Rolling 2yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	**1.0**	**9.1**	**6.5**	**4.5**
SONIA +3%	**1.7**	**7.4**	**7.8**	**6.0**
Excess	**-0.8**	**1.7**	**-1.3**	**-1.5**

Source: State Street Global Services
*per annum. Net of all fees.

Performance commentary

The Diversifying Returns Fund returned 0.9% over the fourth quarter of 2025. SONIA + 3% returned 1.7%. The sterling-hedged 50/50 equity/bond index we monitor returned 2.3% over the quarter.

The fourth quarter of 2025 marked a continuation of the risk-on environment seen throughout the year, as global monetary policy shifted decisively toward easing, inflation cooled further, and corporate earnings stayed resilient. Equities performed well, though persistent geopolitical tensions and elevated valuations continued to present risks. Gold again delivered strong returns, supported by falling real yields and heavy central bank demand.

The portfolio captured attractive returns from allocations to equities and commodities, but fixed income detracted. Within alternative premia, JPM generated strong performance, but UBS had a weaker period. Overall, Q4 contributed positively to what was a strong year for the portfolio.

Fulcrum returned 1.1%, continuing to benefit from positive returns to equities and commodities within the Dynamic Asset Allocation sleeve. The Discretionary Macro sleeve made a small negative contribution, with thematic equities and fixed income soft over the period. Systematic macro added around 60bps to returns.

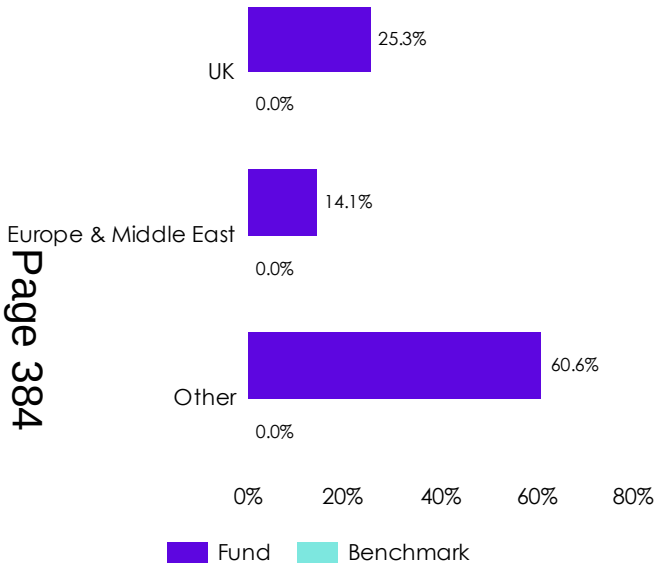
JPM returned 2.3%. The equity Value signal produced another strong quarter, though this was almost exactly offset by weak performance from the equity Quality signal, the weakest signal over the period. Strong positive contributions also came from FX carry and equity Relative Value Momentum, closing out a strong six-month period for the manager.

Lombard Odier returned 1.9%. Positive returns were generated across credit, equities and commodities, supported in particular by strong gold prices. The trend signal made a small positive contribution, while the carry signal detracted around 35bps.

UBS returned –3.9% for the period. The long position in JPY was responsible for the poor performance over the quarter as markets reacted to prime minister Sanae Takaichi taking office. Takaichi seeks to promote an agenda of loose fiscal policy and is an advocate for low interest rates. Short positions in NZD and GBP and a long position in CLP contributed positively to portfolio performance.

Diversifying Returns Fund

Regional exposure



Low Volatility Global Equities

Launch date
14 March 2019

Investment strategy & key drivers
Active global equity exposure with reduced risk and return volatility

Liquidity
Reasonable

Benchmark
MSCI ACWI

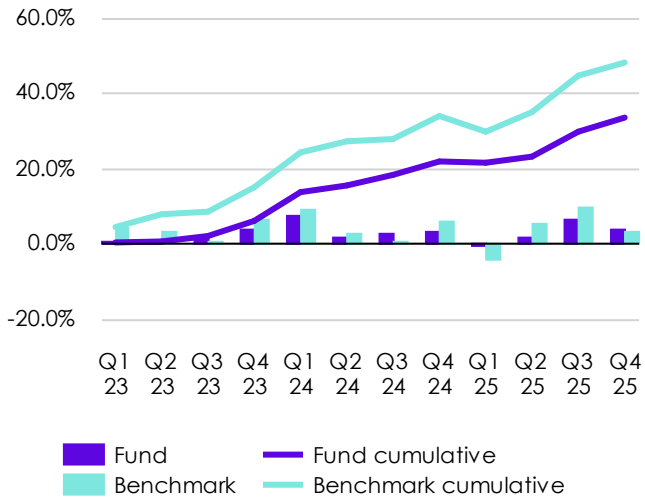
Outperformance target
> Benchmark

Total fund value
£[illegible]4m

Risk profile
High

Dorset's Holding:
GBP341m

Rolling 3yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	**3.7**	**12.0**	**11.6**	**9.4**
MSCI ACWI	**3.5**	**14.4**	**16.8**	**12.9**
Excess	**0.2**	**-2.4**	**-5.2**	**-3.5**
MSCI ACWI Min Vol	**1.2**	**6.7**	**7.6**	**7.4**

Source: State Street Global Services
*per annum. Net of all fees.

Performance commentary

During Q4, the portfolio returned 3.7% on a net-of-fees basis, outperforming the strategy level MSCI Min Vol index, which returned 1.2%, and outperforming the broader MSCI ACWI universe, which returned 3.5%.

2025 was a positive year for the Low Volatility portfolio. It provided downside protection when required early in the year and saw a significant reduction in volatility relative to the MSCI ACWI index. On an absolute basis, the portfolio has returned 12% over the 1-year period, underperforming the 14.4% return of the MSCI ACWI. However, it significantly outperformed the 6.7% return of its strategy-level benchmark, the MSCI ACWI Minimum Volatility index.

Over the quarter, we continued to see strong performance from the semiconductor sector, as the AI boom fed into other geographies. Notably, SK Hynix on the Korean market returned 83% in the last 3 months of the year. This was a major theme throughout 2025, as the semiconductor sector returned close to 40% and contributed to ~30% of the market's 14.4% return. The Low Volatility portfolio naturally has an underweight exposure to this high-growth sector, a positioning which drove the majority of the fund's relative underperformance over the year.

However, during Q4, we did finally see a turn in fortunes for parts of the Health Care sector. The sector has faced several challenges over the past few years, including policy uncertainty. At the start of this quarter, we saw some clarity in the direction of government policy and the pharmaceuticals sector subsequently returned 18% on an absolute basis. The portfolio has an overweight positioning to the sector, which drove its quarterly outperformance.

We should also comment on the best performing sector of 2025, the metals and mining sector. The portfolio's marginal underweight to the sector means it had little effect on relative performance. However, the sector itself returned 61% over 2025; gold companies returned 135% and silver companies returned 92%. Gold and commodities are often seen as a safe haven assets and the volatile political backdrop of 2025 dove prices to all-time highs.

Relative to peers, the Low Volatility fund sits in the 1st Quartile over 1 and 3 years. It sits in the second quartile over 5 years and also since inception.

Low Volatility Global Equities

Top 5 holdings

	Weight %	B'mark weight %	Client value (GBP)*
ROBECO CAPITAL GROWTH	**5.73**	**-**	**19,552,580**
QUONIAM FUNDS SELECTION	**5.60**	**-**	**19,078,975**
ALPHABET INC	**3.74**	**3.60**	**12,748,165**
MICROSOFT CORP	**2.84**	**3.67**	**9,686,524**
APPLE INC	**2.19**	**4.33**	**7,471,466**

*Estimated client value

Top 5 active overweights

	Weight %	Benchmark weight %
ROBECO CAPITAL GROWTH FUNDS -	**5.73**	**-**
QUONIAM FUNDS SELECTION SICAV	**5.60**	**-**
NOVARTIS AG	**1.50**	**0.28**
JOHNSON & JOHNSON	**1.74**	**0.54**
BRISTOL-MYERS SQUIBB CO	**1.20**	**0.12**

Top 5 active underweights

	Weight %	Benchmark weight %
NVIDIA CORP	**1.83**	**4.87**
AMAZON.COM INC	**0.12**	**2.38**
APPLE INC	**2.19**	**4.33**
META PLATFORMS INC	**0.09**	**1.54**
TESLA INC	**-**	**1.36**

Largest contributors to ESG risk

	ESG risk score* Q3 2025	ESG risk score* Q4 2025
ALPHABET INC-CL A	**20.10**	**19.99**
MICROSOFT CORP	**13.43**	**14.36**
APPLE INC	**14.19**	**15.22**
JOHNSON & JOHNSON	**18.80**	**18.80**
PROCTER & GAMBLE CO/THE	**23.94**	**23.94**

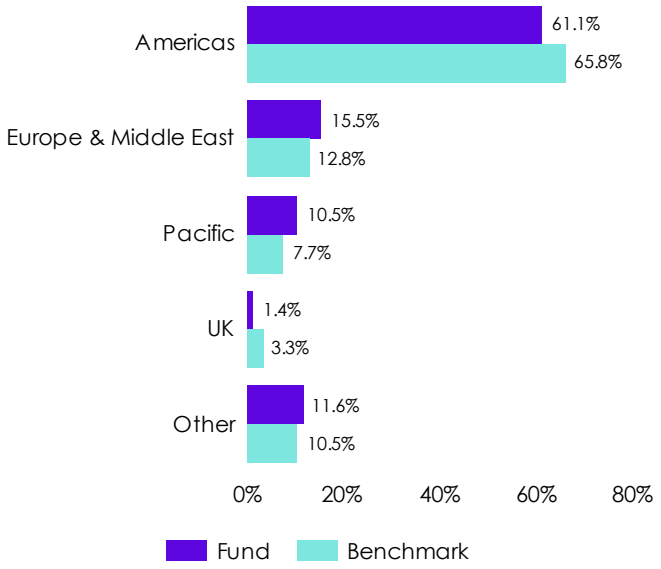
*Source: Sustainanalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

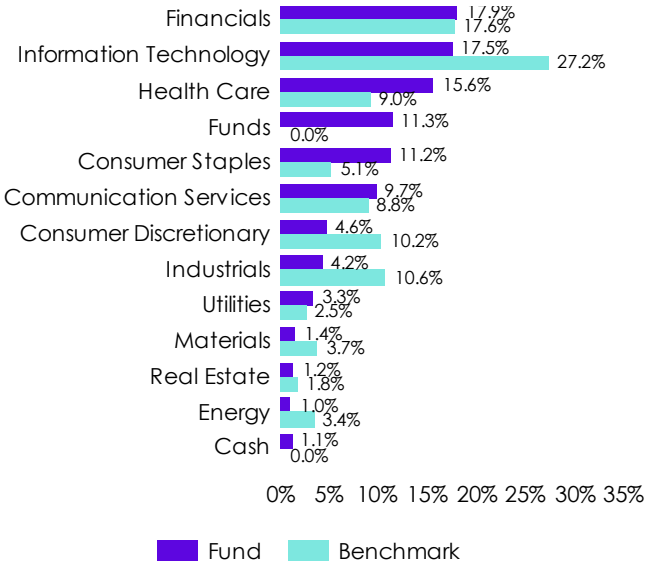
Portfolio	WACI 2023 Q4	WACI 2024 Q4	Total Extractive Exposure[1] 2025 Q3	Total Extractive Exposure[1] 2025 Q4	Extractive Industries (VOH)[2] 2025 Q3	Extractive Industries (VOH)[2] 2025 Q4
Low Volatility	**126**	**107**	0.88	0.53	3.01	2.76
MSCI ACWI*	**211**	**190**	3.14	3.03	7.15	7.06

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: S&P. Changes between periods may reflect improved data quality and coverage.

Regional exposure



Sector exposure



Multi-Asset Credit

Launch date
7 July 2021

Investment strategy & key drivers
Exposure to higher yield bonds with moderate credit risk

Liquidity
Managed

Benchmark
SONIA +4%

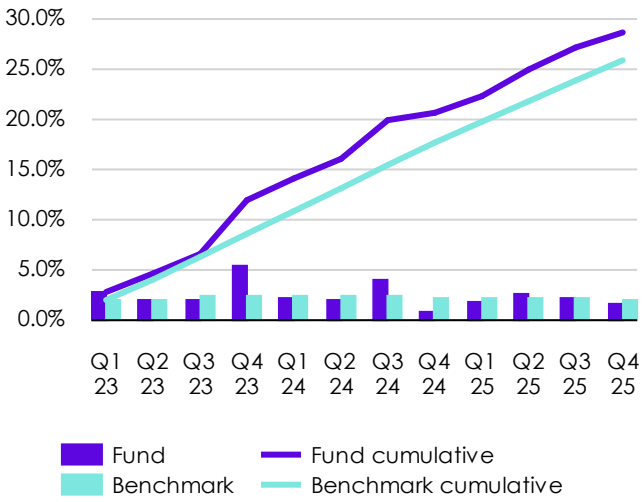
Outperformance target
0% to +1.0%

Total fund value
£[illegible]67m

Risk profile
Moderate

Dorset's Holding:
GBP311m

Rolling 3yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	1.5	8.3	9.9	4.6
SONIA +4%	2.0	8.4	8.9	7.6
Excess	-0.5	-0.2	1.0	-3.0
Bloomberg Global High Yield Index	2.3	10.0	11.0	4.0
Morningstar LSTA US Leveraged Loan Index	1.2	5.9	9.0	6.0

Source: State Street Global Services
*per annum. Net of all fees.

Performance commentary

Leveraged finance made another positive return over the quarter to cap a strong 2025. Returns were driven by a combination of carry and minor spread compression. Interest rates were fairly stable across the maturity curve over the quarter. Some volatility was observed during the period. News around Artificial Intelligence and a US government shutdown were among the primary drivers.

With limited US government data available during the shutdown, key indicators for inflation and employment were either delayed or, in some cases, never reported. This proved to be a challenge for investors trying to predict the path for interest rates, creating market volatility. Ultimately, the Fed delivered interest rate cuts at both of this quarter's meetings and indicated one additional cut in 2026. US 2yr and 10yr yields ended the period at 3.5% and 4.2% respectively, little changed on the previous quarter.

Credit spreads fell over Q4 2025 but showed some signs of volatility. High yield spreads ended the period below 290bps, when measured by Bloomberg Global High Yield. The change in spreads was a modest -20bps.

Stable interest rates and modestly lower spreads resulted in a positive return for most asset classes. The only exception was convertible bonds, which were narrowly down on the quarter. The best-performing asset class in the quarter was Emerging Market sovereigns, which returned +3.6% in local currency terms.

The Multi-Asset Credit portfolio returned +1.5%; this was behind the primary target (SONIA+4%) and composite secondary benchmark, which returned +2.0% and +2.1%, respectively. The 2025 return for the portfolio was +8.3%, narrowly behind the primary target of +8.4%.

Spreads remained tight, moving near to all-time lows following more compression over the quarter. Investors should be mindful of the mark-to-market impact from widening, but should also take comfort with a yield-to-worst around 7%.

Sterling Corporate Bonds

Launch date
2 July 2021

Investment strategy & key drivers
Managed credit selection to generate excess sterling yield returns

Liquidity
Managed

Benchmark
iBoxx Sterling Non Gilt x

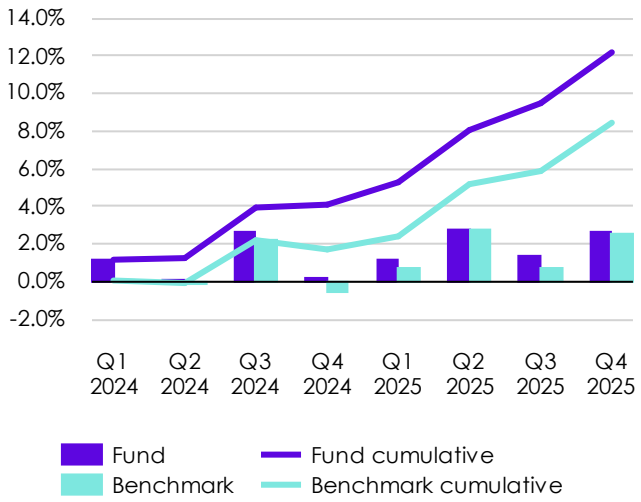
Outperformance target
+0%

Total fund value
£2,617m

Risk profile
Moderate

Dorset's Holding:
GBP286m

Rolling 2yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	**2.7**	**8.3**	**7.6**	**0.4**
iBoxx Sterling Non Gilt x	**2.6**	**6.9**	**5.7**	**-0.8**
Excess	**0.1**	**1.4**	**1.9**	**1.2**

Source: State Street Global Services
*per annum. Net of all fees.

Performance commentary

Markets were focused on the US during the fourth quarter, as rate cuts by the Federal Reserve bookended the longest US federal government shutdown in history.

The Bank of England (BoE) cut rates from 4% to 3.75%, the sixth cut since mid-2024 - when the BoE rate was 5.25%. The Bank noted that inflation was still a concern; worries over downside risks include unemployment edging to its highest rate since the Covid pandemic.

UK government bond yields moved lower on hopes that the November budget announcement would be gilt-friendly. Gilts rallied as Budget news broke, but the initial volatility was absorbed over the course of the day. Across the quarter, benchmark 10-year gilt yields fell from 4.70% to end at 4.55%. UK 30-year gilt yields, meanwhile, took a step back from their highest levels in almost 30 years - which were reached over summer 2025.

The sterling Investment Grade credit market (iBoxx non-gilt index) returned 2.6% over the quarter. Gilts outperformed credit, helped by the longer duration of this market. The average sterling Investment Grade credit spread was relatively unchanged over the period. Spreads began and ended the quarter at 0.77% (iBoxx). Sector returns were generally positive, led by banks, insurance and structured bonds.

The Sterling Corporate Bond portfolio returned 2.7% net of fees, outperforming the benchmark by 0.1%. Performance was comfortably ahead of the benchmark for 2025 as a whole - outperformance was 1.4%.

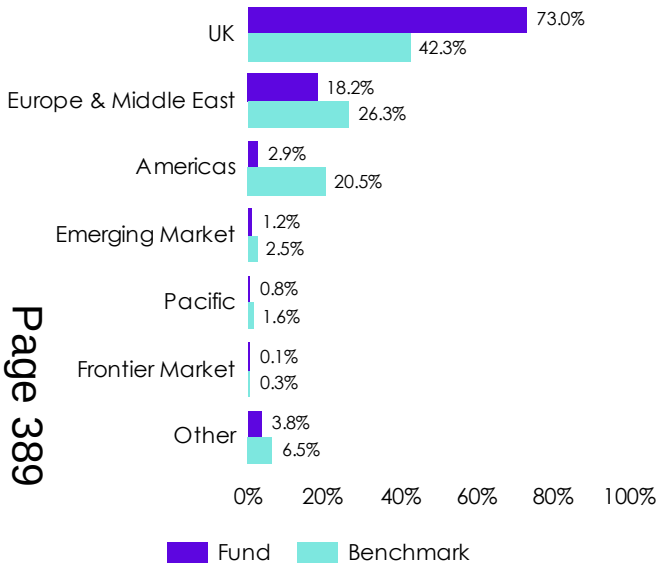
Sector positioning was positive over the quarter. The portfolio's bias towards insurance bonds was helpful as the sector performed strongly. So, too, was exposure to the structured sector. The portfolio's longstanding underweight to supranational bonds also helped performance as the lower perceived risk of the supranational sector contributed to it lagging the wider market.

Stock selection effects were positive during the quarter, particularly within the insurance and social housing sectors.

Duration was a small negative over the quarter. Positioning is primarily a function of bottom-up credit selection, and in some sectors attractive opportunities were predominantly shorter duration relative to the benchmark. As yields fell, these positions were unhelpful from a duration perspective.

Sterling Corporate Bonds

Regional exposure



Passive Developed Equities

Launch date
11 July 2018

Investment strategy & key drivers
Passive global equity exposure

Liquidity
High

Benchmark
FTSE Developed

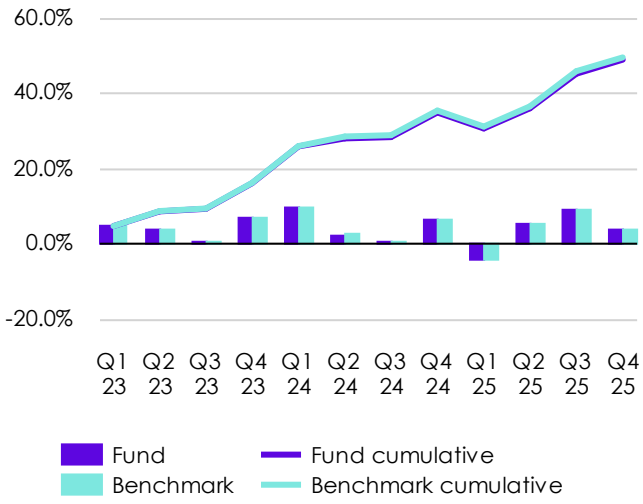
Outperformance target
Match

Total fund value
£873m

Risk profile
High

Dorset's Holding:
GBP133m

Rolling 3yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	**3.6**	**14.2**	**17.0**	**12.1**
FTSE Developed	**3.6**	**14.3**	**17.3**	**12.2**
Excess	**-0.0**	**-0.1**	**-0.2**	**-0.1**

Source: State Street Global Services
*per annum. Net of all fees.

Performance commentary

Passive Developed Equities returned 3.6% in the fourth quarter of 2025, tracking the benchmark index in line with expectations. Over the 12 months to quarter-end, the portfolio returned 14.2%.

Developed equity markets continued to advance over the final quarter of the year, overcoming early volatility linked to policy uncertainty in the US. As the period progressed, sentiment improved, supported by resilient corporate results and a more accommodative tone from the US central bank, as inflation indicators softened and labour-market signals moderated. Broader geopolitical tensions and uneven economic data from China added intermittent caution but did not derail the overall upward trend.

In the US, equities benefited from the resolution of the government shutdown and signs of steady economic momentum. Health Care, Communication Services and parts of the financial sector led performance, while enthusiasm for innovative technology themes persisted, even as those shares lagged wider market gains. Expectations for a more supportive policy backdrop strengthened towards year-end.

In the UK, large companies with international exposure delivered firm gains. Basic materials and healthcare performed well, helped by a more supportive policy environment and easing domestic inflation, which bolstered investor confidence.

Apple and Alphabet were the largest contributors to index returns. Apple earnings beat investor expectations on the back of strong demand for the new iPhone range and calendar year estimates of double-digit sales growth. Alphabet performance was driven by a victory in an antitrust suit and an emerging consensus that Gemini is positioned as a leading AI tool. Microsoft and Meta were the leading detractors from performance. Both stocks suffered from investor scepticism over the high costs of investment in AI and the danger of overspending, coupled with the danger of being left as an AI laggard.

Passive Developed Equities

Top 5 holdings

	Weight %	Client value (GBP)*
NVIDIA CORP	**5.10**	**6,766,493**
APPLE INC	**4.63**	**6,144,087**
MICROSOFT CORP	**4.19**	**5,560,213**
ALPHABET INC	**3.86**	**5,122,808**
AMAZON.COM INC	**2.59**	**3,432,366**

*Estimated client value

Largest contributors to ESG risk

	ESG risk score*	
	Q3 2025	Q4 2025
APPLE INC	**14.19**	**15.22**
NVIDIA CORP	**12.45**	**12.45**
MICROSOFT CORP	**13.43**	**14.36**
AMAZON.COM INC	**18.37**	**16.64**
ALPHABET INC-CL A	**20.10**	**19.99**

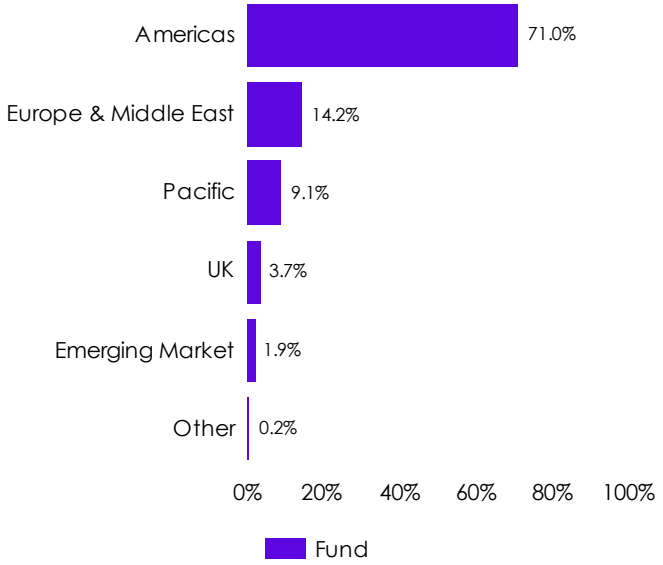
*Source: Sustainanalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

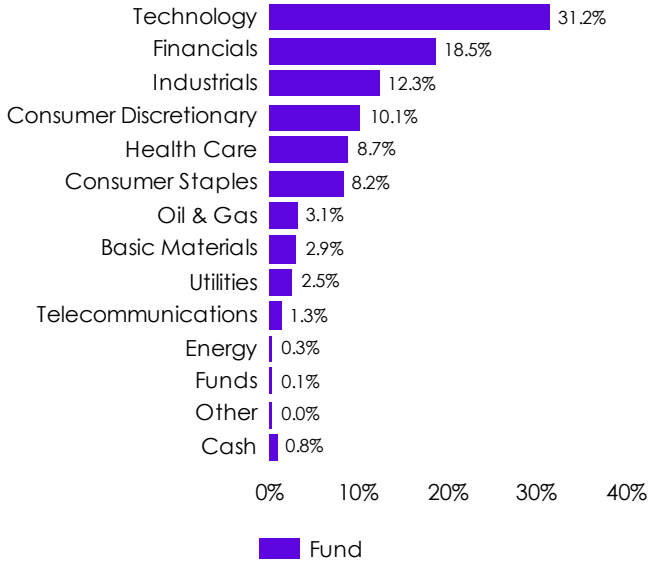
Portfolio	WACI		Total Extractive Exposure[1]		Extractive Industries (VOH)[2]	
	2023 Q4	2024 Q4	2025 Q3	2025 Q4	2025 Q3	2025 Q4
Passive Developed	**182**	**165**	2.94	2.80	7.44	7.33

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: S&P. Changes between periods may reflect improved data quality and coverage.

Regional exposure



Sector exposure



Passive Developed Equities (Hedged)

Launch date
11 July 2018

Investment strategy & key drivers
Passive global equity exposure - hedged

Liquidity
High

Benchmark
FTSE Developed

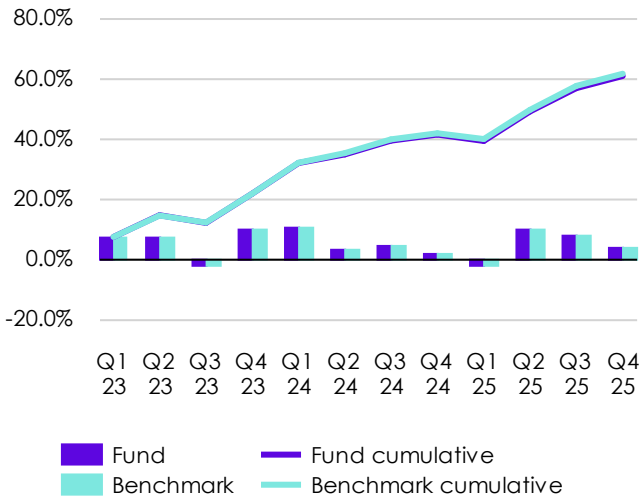
Outperformance target
Match

Total fund value
£145m

Risk profile
High

Dorset's Holding:
GBP145m

Rolling 3yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	**4.1**	**20.5**	**21.5**	**12.0**
FTSE Developed	**4.1**	**20.8**	**21.8**	**12.1**
Excess	**-0.0**	**-0.3**	**-0.3**	**-0.2**

Source: State Street Global Services
*per annum. Net of all fees.

Performance commentary

Passive Developed Equities (GBP Hedged) returned 4.1% in the fourth quarter of 2025, tracking the benchmark index in line with expectations. The portfolio returned 20.5% over the 12 months to quarter-end.

Developed equity markets continued to advance over the final quarter of the year, overcoming early volatility linked to policy uncertainty in the US. As the period progressed, sentiment improved, supported by resilient corporate results and a more accommodative tone from the US central bank as inflation indicators softened and labour-market signals moderated. Broader geopolitical tensions and uneven economic data from China sparked intermittent caution but did not derail the overall upward trend.

In the US, equities benefited from the resolution of the government shutdown and signs of steady economic momentum. Health Care, Communication Services and some Financials led performance, while enthusiasm for innovative technology themes persisted, even as those shares lagged wider market gains. Expectations of a more supportive policy backdrop strengthened toward year-end.

In the UK, large companies with international exposure delivered firm gains. Materials and Healthcare performed well, helped by a more supportive policy environment and easing domestic inflation, which bolstered investor confidence.

Apple and Alphabet were the largest contributors to index returns. Apple earnings beat investor expectations on the back of strong demand for the new iPhone range and estimates of double-digit sales growth for 2025. Alphabet's performance was driven by a victory in an antitrust suit and an emerging consensus that Gemini is positioned as a leading AI tool. Microsoft and Meta were the leading detractors from performance. Both stocks suffered from investor scepticism over the high costs of investment in AI and the danger of overspending, coupled with the danger of being left as an AI laggard.

Passive Developed Equities (Hedged)

Top 5 holdings

	Weight %	Client value (GBP)*
NVIDIA CORP	**5.10**	**7,392,582**
APPLE INC	**4.63**	**6,712,587**
MICROSOFT CORP	**4.19**	**6,074,688**
ALPHABET INC	**3.86**	**5,596,811**
AMAZON.COM INC	**2.59**	**3,749,956**

*Estimated client value

Largest contributors to ESG risk

	ESG risk score*	
	Q3 2025	Q4 2025
APPLE INC	**14.19**	**15.22**
NVIDIA CORP	**12.45**	**12.45**
MICROSOFT CORP	**13.43**	**14.36**
AMAZON.COM INC	**18.37**	**16.64**
ALPHABET INC-CL A	**20.10**	**19.99**

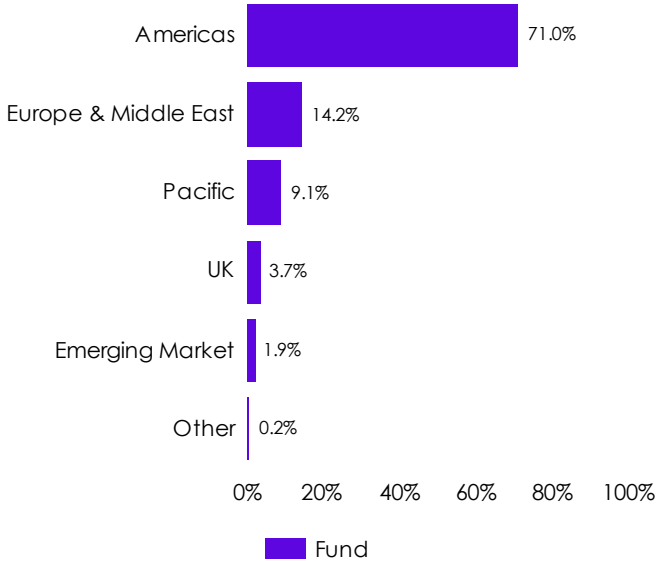
*Source: Sustainanalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

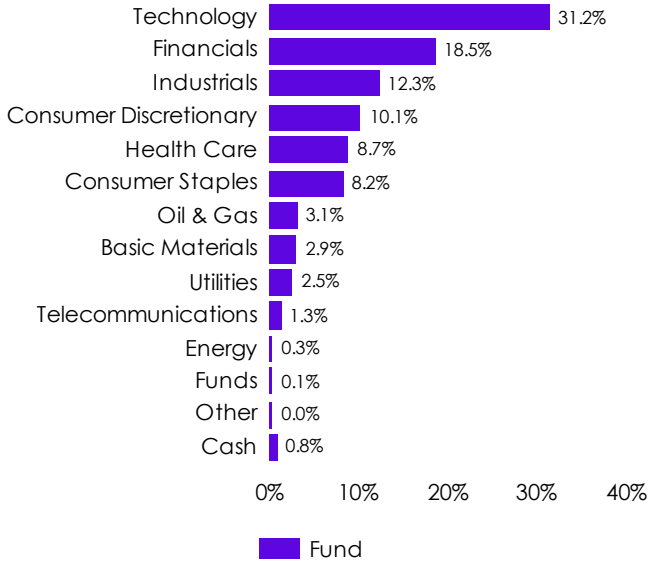
Portfolio	WACI		Total Extractive Exposure[1]		Extractive Industries (VOH)[2]	
	2023 Q4	2024 Q4	2025 Q3	2025 Q4	2025 Q3	2025 Q4
Passive Developed	**182**	**165**	2.94	2.80	7.44	7.33

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: S&P. Changes between periods may reflect improved data quality and coverage.

Regional exposure



Sector exposure



Passive UK Equities

Launch date
11 July 2018

Investment strategy & key drivers
Passive UK equity exposure

Liquidity
High

Benchmark
FTSE All Share

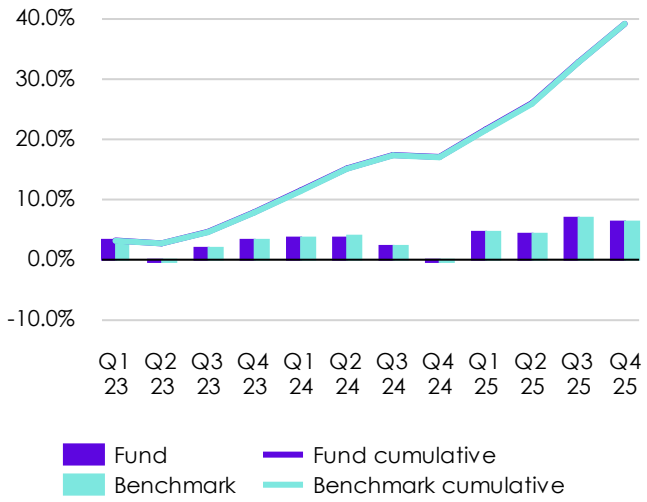
Outperformance target
Match

Total fund value
£520m

Risk profile
High

Dorset's Holding:
GBP520m

Rolling 3yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	**6.3**	**24.0**	**13.6**	**7.0**
FTSE All Share	**6.4**	**24.0**	**13.6**	**7.0**
Excess	**-0.0**	**-0.1**	**0.0**	**0.1**

Source: State Street Global Services
*per annum. Net of all fees.

Performance commentary

Passive UK Equities returned 6.3% in the fourth quarter and 24.0% over the 12 months to quarter-end. The product tracked the FTSE-All Share Index in line with expectations.

During the quarter, the Bank of England judged CPI inflation to have peaked with some easing. This is supported by slowing pay growth and inflation in services, resulting in the collective view of the MPC that CPI should approach the 2% target in the medium term; gradual rate reductions are still expected, based on current economic circumstances. The UK stock market performed well, outperforming global indices due to high commodity prices and some weakness in the pound, as well as dividend-seeking.

The UK market benefited from exposure to the Financials and Health Care sectors both of which performed well. Information Technology and Industrials were the weakest-performing in the UK - the scale of the Industrials sector ensured it had the largest impact. BAE Systems and Rolls Royce were large detractors to UK market performance versus global indices, both of which fell due to technical corrections, following price rallies earlier in the year.

AstraZeneca was the largest contributor to UK equity performance over the quarter, following very strong Q3 results. These included strong reporting earnings to date as well as a strong 2026 outlook, which was diversified across geographies and product lines, as well as promising R&D and pipeline news. The worst performing stock in the index was Videndum Plc, a small index constituent, following a refinancing plan involving a significant dilution of shareholder equity.

Passive UK Equities

Top 5 holdings

	Weight %	Client value (GBP)*
ASTRAZENECA PLC	**7.50**	**38,985,256**
HSBC HOLDINGS PLC	**7.31**	**38,020,855**
SHELL PLC	**5.76**	**29,930,423**
UNILEVER PLC	**3.78**	**19,644,679**
ROLLS-ROYCE HOLDINGS PLC	**3.54**	**18,399,833**

*Estimated client value

Largest contributors to ESG risk

	ESG risk score*	
	Q3 2025	Q4 2025
SHELL PLC	**31.11**	**31.38**
ASTRAZENECA PLC	**18.27**	**18.27**
HSBC HOLDINGS PLC	**13.50**	**13.50**
ROLLS-ROYCE HOLDINGS PLC	**25.78**	**25.78**
BP PLC	**30.44**	**30.64**

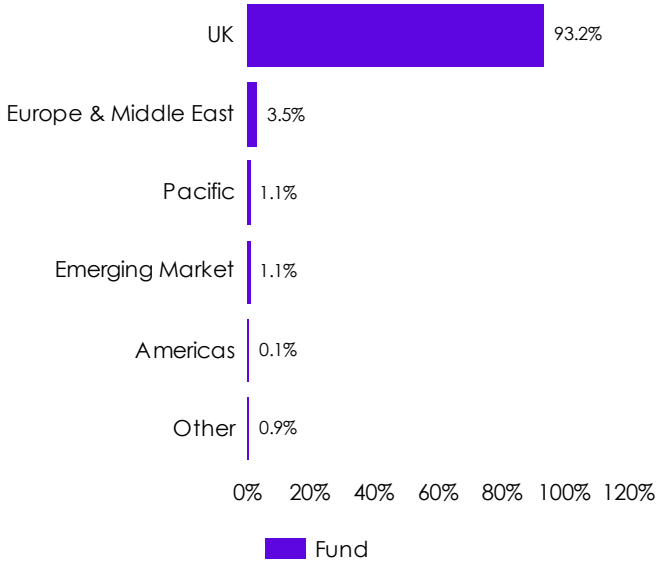
*Source: Sustainanalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

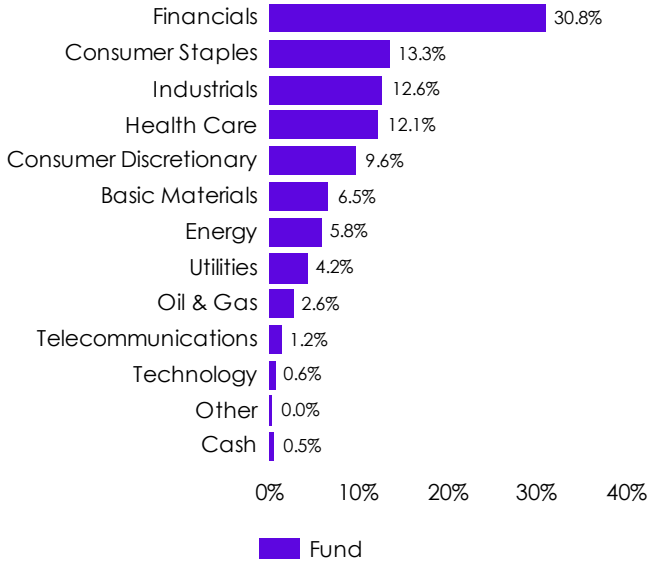
Portfolio	WACI		Total Extractive Exposure[1]		Extractive Industries (VOH)[2]	
	2023 Q4	2024 Q4	2025 Q3	2025 Q4	2025 Q3	2025 Q4
Passive UK Equities	**184**	**156**	5.90	5.06	15.35	15.48

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: S&P. Changes between periods may reflect improved data quality and coverage.

Regional exposure



Sector exposure



Passive Smart Beta

Launch date
18 July 2018

Investment strategy & key drivers
Passive equity exposure utilising alternative smart beta indices

Liquidity
Reasonable

Benchmark
SciBeta Multifactor Composite

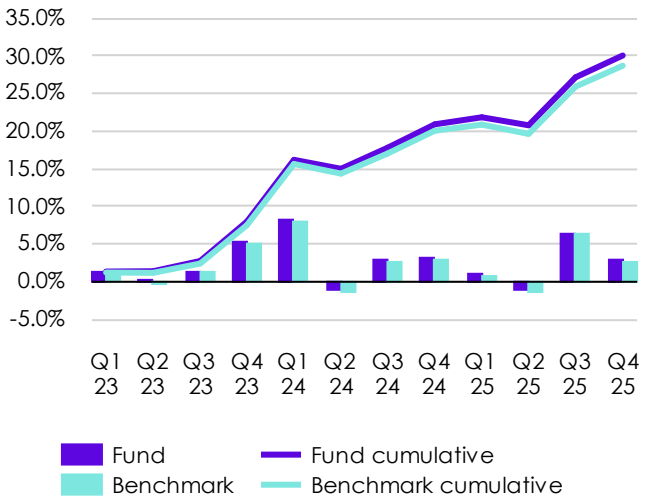
Outperformance target
+0.5-1%

Total fund value
£199m

Risk profile
High

Dorset's Holding:
GBP199m

Rolling 3yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	**2.9**	**9.3**	**10.2**	**9.1**
SciBeta Multifactor Composite	**2.7**	**8.8**	**9.8**	**8.7**
Excess	**0.1**	**0.5**	**0.5**	**0.4**

Source: State Street Global Services
*per annum. Net of all fees.

Performance commentary

In the fourth quarter of 2025, Passive Smart Beta Equities returned 2.9%, underperforming the MSCI World index, which returned 3.3%. The portfolio tracked the Scientific Beta index in line with expectations. Over the 12 months to quarter-end, the product returned 9.3%. For the same period, the MSCI World Index returned 13.2%.

Developed equity markets strengthened through the fourth quarter. In the US, shares advanced despite political gridlock, corporate layoffs, weak consumer sentiment and debate over stretched optimism in emerging technologies. Outside the US, improved confidence and looser global financial conditions supported stronger performance, particularly in Europe, where Energy, Utilities and Financials led gains. In the UK, large multinational firms in Financials outperformed as did those in commodities and defence. Japan also saw solid momentum, helped by political change and renewed focus on strategic sectors, including energy and technology.

While the average contribution of the target factors was flat, there was considerable variation in the contribution of each factor. Low Volatility detracted significantly. Indeed, it suffered one of the worst quarters in over two decades. This was driven by underexposure to Health Care and overexposure to Utilities and Consumer Staples. On the other hand, Value had one its strongest quarters due to overexposure to Health Care and Energy, and underexposure to Industrials and Consumer Discretionary. The high Momentum and High Profitability factors also underperformed. The net result of this combination of factor-by-factor performance indicates that the factors remain well-diversified.

The product's diversification scheme aims to avoid concentration in single positions. As a result, the product is differentiated from others that have high exposure to US tech companies. While there is exposure to these companies, they are held at much lower weights than in the market cap index. This positioning was a contributor to performance this quarter. At the stock level, the three largest contributors to outperformance were the underweight positions in Microsoft and Meta, and the zero weight in Oracle.

Passive Smart Beta

Top 5 holdings

	Weight %	Client value (GBP)*
ALPHABET INC	**1.03**	**2,041,952**
JOHNSON & JOHNSON	**0.96**	**1,911,587**
MERCK & CO INC	**0.87**	**1,723,963**
TJX COS INC/THE	**0.85**	**1,700,846**
CUMMINS INC	**0.78**	**1,559,849**

*Estimated client value

Largest contributors to ESG risk

	ESG risk score*	
	Q3 2025	Q4 2025
CHEVRON CORP	**41.26**	**41.26**
EXXON MOBIL CORP	**39.97**	**37.27**
SOUTHERN CO/THE	**25.77**	**38.70**
ALPHABET INC-CL A	**20.10**	**19.99**
JOHNSON & JOHNSON	**18.80**	**18.80**

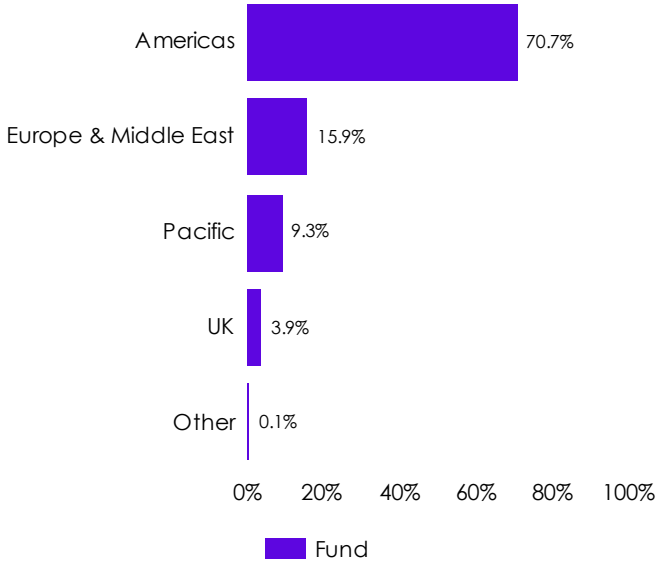
*Source: Sustainanalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

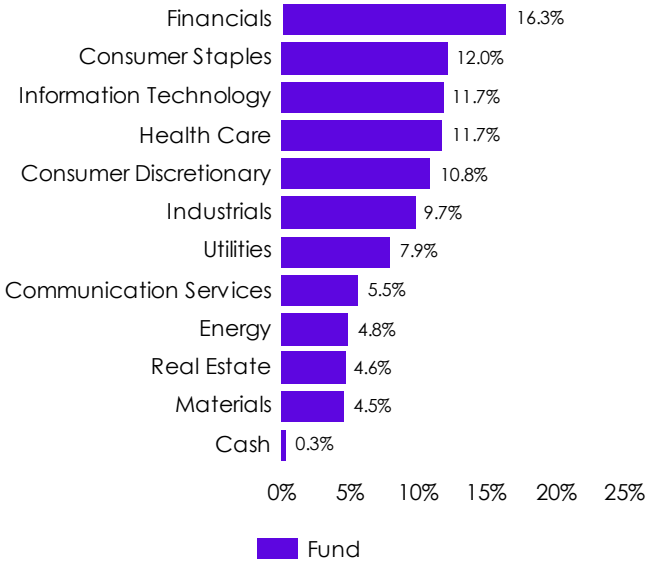
Portfolio	WACI		Total Extractive Exposure[1]		Extractive Industries (VOH)[2]	
	2023 Q4	2024 Q4	2025 Q3	2025 Q4	2025 Q3	2025 Q4
Passive Smart Beta	**316**	**316**	2.92	2.99	12.12	11.92

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: S&P. Changes between periods may reflect improved data quality and coverage.

Regional exposure



Sector exposure



Passive Smart Beta (Hedged)

Launch date
25 July 2018

Investment strategy & key drivers
Passive equity exposure utilising alternative smart beta indices - hedged

Liquidity
Reasonable

Benchmark
SciBeta Multifactor Hedged Composite

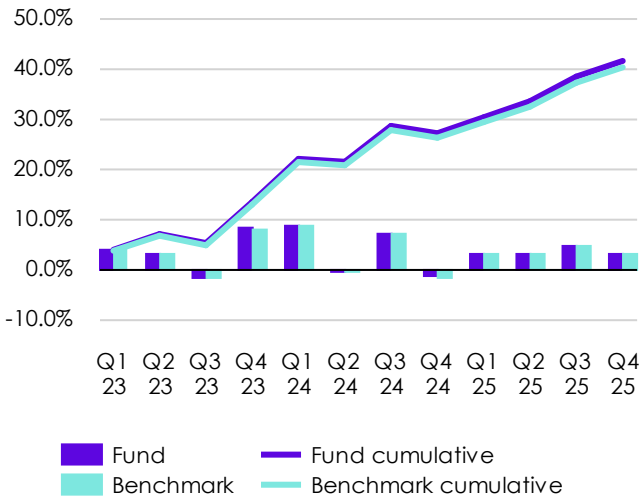
Outperformance target
+0.5-1%

Total fund value
£[illegible]m

Risk profile
High

Dorset's Holding:
GBP212m

Rolling 3yr performance



Performance to quarter end

Performance	3 month	1 year	3 year*	Since inception*
Fund	**3.2**	**15.2**	**14.3**	**9.2**
SciBeta Multifactor Hedged Composite	**3.1**	**14.8**	**13.9**	**9.0**
Excess	**0.1**	**0.4**	**0.5**	**0.3**

Source: State Street Global Services
*per annum. Net of all fees.

Performance commentary

In the fourth quarter of 2025, Passive Smart Beta Equities GBP Hedged returned 3.2%, outperforming the unhedged Smart Beta product. While the pound weakened versus the dollar over the middle of the quarter, the shift had almost fully reversed by quarter-end.

The product tracked the Scientific Beta index in line with expectations but underperformed the market cap-based Passive Developed Equities GBP-hedged product, which returned 4.1%. Over the prior 12 months, the Smart Beta product returned 15.2%. Over the same period, the Passive Developed Equities GBP-hedged product returned 20.5%.

Developed equity markets strengthened through the fourth quarter. In the US, shares advanced despite political gridlock, corporate layoffs, weak consumer sentiment and debate over stretched optimism in emerging technologies. Outside the US, improved confidence and looser global financial conditions supported stronger performance, particularly in Europe, where Energy, Utilities and Financials led gains. In the UK, large multinational firms in finance, commodities and defence outperformed. Japan also saw solid momentum, helped by political change and renewed focus on strategic sectors, including Energy and Information Technology.

While the average contribution of the target factors was flat, there was considerable variation in the contribution of each factor. Low Volatility detracted significantly, and indeed experienced one of the worst quarters in over two decades. This trend was driven by underexposure to Health Care and overexposure to Utilities and Consumer Staples. On the other hand, Value had one its strongest quarters due to overexposure to Health Care and Energy and underexposure to Industrials and Consumer Discretionary. The high Momentum and High Profitability factors also underperformed. The net result of these factor performances highlights that the factors remain well diversified.

The product's diversification scheme aims to avoid concentration in single positions and, as a result the product is differentiated from others that have high exposure to US tech companies. Lower positioning here was a contributor to performance. At the stock level, the three largest contributors to outperformance were the underweight positions in Microsoft and Meta, and the zero weight in Oracle.

Passive Smart Beta (Hedged)

Top 5 holdings

	Weight %	Client value (GBP)*
ALPHABET INC	**1.03**	**2,169,406**
JOHNSON & JOHNSON	**0.96**	**2,030,904**
MERCK & CO INC	**0.87**	**1,831,569**
TJX COS INC/THE	**0.85**	**1,807,008**
CUMMINS INC	**0.78**	**1,657,211**

*Estimated client value

Largest contributors to ESG risk

	ESG risk score*	
	Q3 2025	Q4 2025
CHEVRON CORP	**41.26**	**41.26**
EXXON MOBIL CORP	**39.97**	**37.27**
SOUTHERN CO/THE	**25.77**	**38.70**
ALPHABET INC-CL A	**20.10**	**19.99**
JOHNSON & JOHNSON	**18.80**	**18.80**

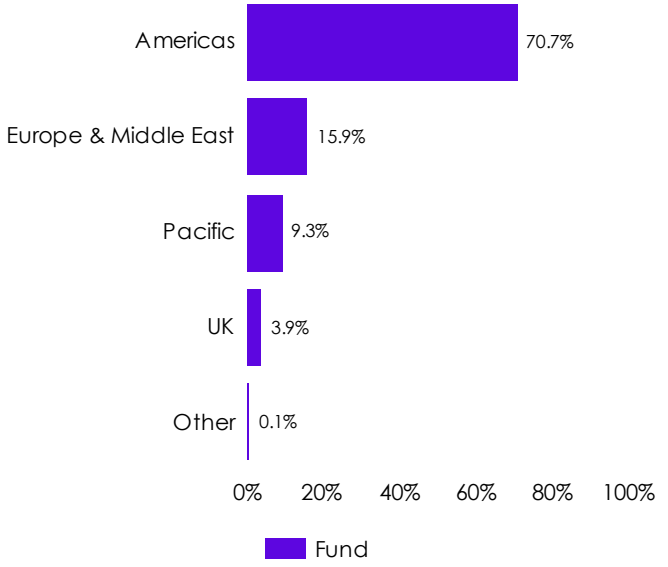
*Source: Sustainanalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

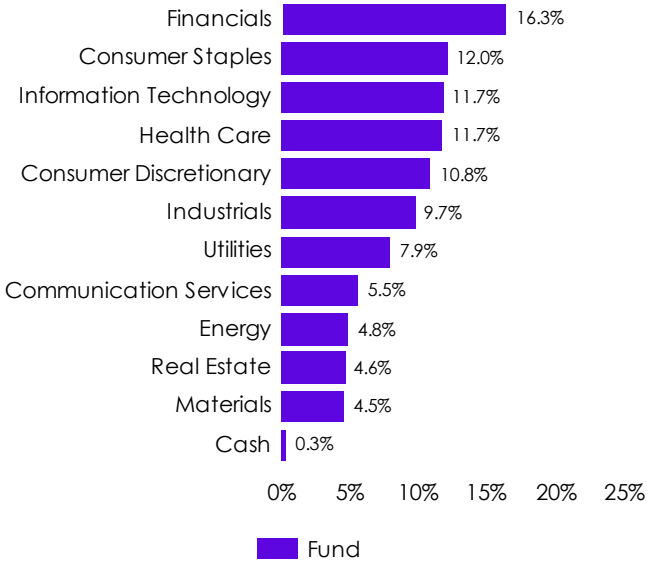
Portfolio	WACI		Total Extractive Exposure[1]		Extractive Industries (VOH)[2]	
	2023 Q4	2024 Q4	2025 Q3	2025 Q4	2025 Q3	2025 Q4
Passive Smart Beta	**316**	**316**	2.92	2.99	12.12	11.92

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: S&P. Changes between periods may reflect improved data quality and coverage.

Regional exposure



Sector exposure



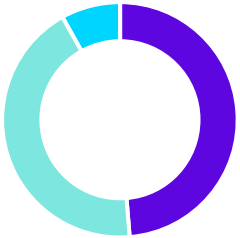
Private Equity Cycle 1

Investment objective
Global portfolio of private equity investments
Benchmark
MSCI ACWI
Outperformance target
+3%
Launch date
1 October 2018
Commitment to portfolio
£60.00m
The fund is denominated in GBP

Commitment to Investment
£61.56m
Amount Called
£50.92m
% called to date
82.72
Number of underlying funds
7
Dorset's Holding:
GBP63.44m

Country

Invested in underlying investments



Europe	48.7%
North America	43.2%
Rest of the World	8.1%
Other	-

Source: Asset Metrix
Country data is lagged by one quarter

Sector

GICs level 1

Information Technology	28.3%
Health Care	21.6%
Industrials	15.9%
Consumer Discretionary	9.6%
Financials	5.8%
Other	18.8%

Source: Asset Metrix
Sector data is lagged by one quarter

Performance commentary

Portfolio development stood at ~84% invested and is fully committed across 3 primary funds, 2 secondaries funds, 1 co-investment fund, and an impact fund of funds (60% coinvest, 40% primaries) at end-Q4 2025. Portfolio performance was expected to remain largely flat vs the prior quarter, but was trending positively in terms of TVPI and DPI from the end of Q1 2025, demonstrating pleasing performance relative to the target, which is very demanding. On a go-forward basis, we believe the portfolio has reached max net peak exposure, suggesting that distributions will outweigh contributions. There still may be additional capital calls made for follow-on investments, but it is likely that these will be netted off by distributions made by managers.

During the quarter, portfolio DPI increased to 0.24x, an increase of 0.04x on the prior quarter. This was driven by liquidity events across the whole portfolio. As with prior quarters, the secondaries funds (AlpInvest and Capital Dynamics) continued to be a constant source of liquidity, distributing 3-5%, which we expect to continue beyond 2026. In addition, both the Neuberger Berman Impact and co-investment funds saw an increase in DPI by 0.05x.

As reported in previous quarters, the overall performance of Vespa was positive, and valuations continued to trend upwards. At quarter-end the portfolio was valued at 2.1x cost, up from 1.9x in June. A key contributor to the valuation uplift over the quarter was the step-up in the valuation of Origo, a UK fintech provider to the pensions and lifetime savings industry that was flagged at the Client Assurance Day in November.

Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows latest quarter	Outflows latest quarter	Net cash flow latest quarter	Value added latest quarter	TVPI	Contribution to return: 1 year	Contribution to return: since inception
63.4	5.5%	11.8%	880,871	1,793,027	-912,156	1,355,510	1.49	0.1%	0.0%

Private Equity Cycle 1

Private equity closed 2025 with renewed momentum. Deal flow and exit activity improved meaningfully, with Q3 marking the strongest quarter since late 2021, though distributions remained below long-term norms. Transaction momentum was returning steadily rather than swiftly, with buyouts leading distributions and mid-market opportunities offering attractive entry points. Valuations continued to trade at a discount to public markets, though they trended upward across geographies; many argue any price uptick reflects quality rather than a broad re-rating. With increased volatility in US markets earlier in 2025, American exceptionalism came into question. Investors began to look at other regions as an alternative source of delivering stable returns. Asian regions such as Japan saw a large influx of capital in the final months of the year. Some firms raised more in their most recent vintage than they had raised in the region historically. Investing in Asia presents a unique opportunity to diversify your asset base and to benefit from returns that are somewhat uncorrelated with the US. Looking ahead to 2026, the backdrop is mixed; geopolitical uncertainty and uneven consumer dynamics persist, but anticipated rate cuts, policy support, and recovering M&A and IPO markets point to a constructive environment. Nevertheless, elevated valuations in certain sectors, particularly AI, warrant caution.

Secondaries remained the standout theme as volumes were on track to exceed $200bn for the year, driven by LP portfolio sales and GP-led continuation vehicles. Roughly one fifth of all private equity exits in 2025 involved GP-led continuation vehicles, a record level. On the LP-led side, pricing firmed, with average discounts narrowing to ~87% of NAV and high-quality buyout stakes often trading near par or even at small premiums. Strong buyer demand from dedicated secondary funds and retail-driven evergreen vehicles helped secondaries evolve from a diversification and J-curve mitigation tool into a core portfolio management strategy.

Although the dollar stabilised during Q4, it did not recover meaningfully, prolonging FX pressure on sterling-based NAVs. With the dollar still subdued and UK/US rate expectations diverging, FX drag is likely to persist in the near-term, impacting GBP performance.

Pipeline

The Cycle 1 portfolio is now fully committed, so no new investments are required.

*Money weighted return. Net of all fees. Private Markets interim period performance is calculated using NAVs provided on business day 8. Later revisions to these NAVs are not captured in the calculations so please use caution when using this data.

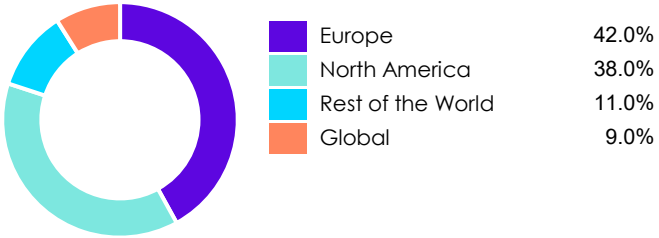
Private Equity Cycle 3

Investment objective
Global portfolio of private equity investments
Benchmark
MSCI ACWI
Outperformance target
+3%
Launch date
1 April 2022
Commitment to portfolio
£70.00m
The fund is denominated in GBP

Commitment to Investment
£70.00m
Amount Called
£22.45m
% called to date
32.07
Number of underlying funds
1
Dorset's Holding:
GBP22.68m

Country

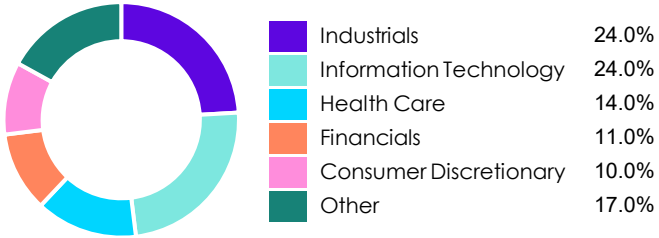
Invested in underlying investments



Source: Neuberger Berman
Country data is lagged by two quarters

Sector

GICs level 1



Source: Neuberger Berman
Sector data is lagged by two quarters

Performance commentary

The portfolio is now approximately 35% invested (including the NB credit line) as at end-Q4 2025. Performance will become more meaningful over time, and the portfolio is showing early signs of emerging from the J-curve period. The portfolio is fully committed across 13 primary funds, 1 secondary fund, 1 co-investment fund (NB CIP 5), and 1 impact fund of funds (70%+ coinvest, 30% primary funds – NB PE Impact Fund 2).

The trend of increased activity during H2 2025 was reflected in the portfolio. Roughly 50% of the underlying managers made a call of greater than 10% of fund size during Q4 2025; the capital calls were used to fund new investments or pay down credit lines where investments had been funded. The Brunel team met with several Cycle 3 managers during H2 2025; many are optimistic about the outlook and have active pipelines of deals going into 2026.

Private equity closed 2025 with renewed momentum. Deal flow and exit activity improved meaningfully, with Q3 marking the strongest quarter since late 2021, though distributions remain below long-term norms. Transaction momentum is returning steadily rather than swiftly, with buyouts leading distributions and mid-market opportunities offering attractive entry points. Valuations continue to trade at a discount to public markets, though they have trended upward across geographies; many argue any price uptick reflects quality rather than a broad re-rating. With increased volatility in US markets earlier in 2025, American exceptionalism came into question. Investors have begun to look at other regions as an alternative source of delivering stable returns. Asian regions such as Japan saw a large influx of capital in recent months. Some firms raised more in their most recent vintage than they

Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows latest quarter	Outflows latest quarter	Net cash flow latest quarter	Value added latest quarter	TVPI	Contribution to return: 1 year	Contribution to return: since inception
22.7	10.3%	4.6%	5,255,591	0	5,255,591	969,570	1.04	0.0%	0.0%

Private Equity Cycle 3

had raised in the region historically. Investing in Asia presents a unique opportunity to diversify your asset base and to benefit from returns somewhat uncorrelated with the US. Looking ahead to 2026, the backdrop is mixed: geopolitical uncertainty and uneven consumer dynamics persist, but anticipated rate cuts, policy support, and recovering M&A and IPO markets point to a constructive environment. Nevertheless, elevated valuations in certain sectors, particularly AI, warrant caution.

Secondaries remained the standout theme as volumes were on track to exceed $200bn for the year, driven by LP portfolio sales and GP-led continuation vehicles. Roughly one-fifth of all private equity exits in 2025 involved GP-led continuation vehicles, a record level. On the LP-led side, pricing has firmed, with average discounts narrowing to ~87% of NAV and high-quality buyout stakes often trading near par or even at small premiums. Strong buyer demand from dedicated secondary funds and retail-driven evergreen vehicles has helped secondaries evolve from a diversification and J-curve mitigation tool into a core portfolio management strategy.

Although the dollar stabilised during Q4, it did not recover meaningfully, prolonging FX pressure on sterling-based NAVs. With the dollar still subdued and UK/US rate expectations diverging, FX drag is likely to persist in the near term, impacting GBP performance.

Pipeline

The Cycle 3 PE portfolio is now fully committed, so no new investments are required.

*Money weighted return. Net of all fees. Private Markets interim period performance is calculated using NAVs provided on business day 8. Later revisions to these NAVs are not captured in the calculations so please use caution when using this data.

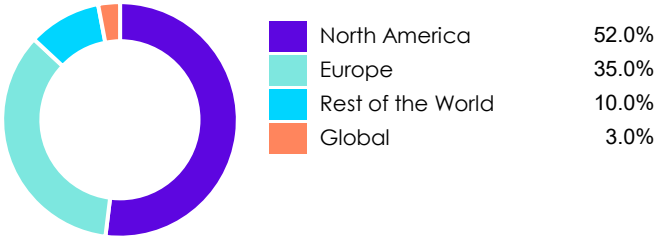
Private Equity Cycle 4

Investment objective
Global portfolio of private equity investments
Benchmark
MSCI ACWI
Outperformance target
+3%
Launch date
1 April 2024
Commitment to portfolio
£30.00m
The fund is denominated in GBP

Commitment to Investment
£30.00m
Amount Called
£6.21m
% called to date
20.69
Number of underlying funds
1
Dorset's Holding:
GBP6.58m

Country

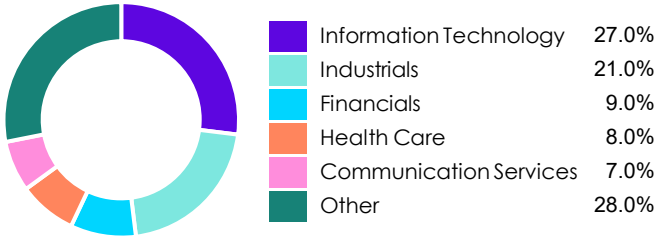
Invested in underlying investments



Source: Neuberger Berman
Country data is lagged by two quarters

Sector

GICs level 1



Source: Neuberger Berman
Sector data is lagged by two quarters

Performance commentary

Since NB Clifton IV's inception in April 2024, seven primary commitments have been made: (i) three European funds; (ii) two North American funds; (iii) one pan-Asian fund; and (iv) one global large-cap fund. Additional approved commitments include a global impact fund of funds (70% co-investments, 30% primaries), a global GP-led secondaries fund, and a global secondaries fund focused on selective LP-led and GP-led transactions. At quarter-end, the portfolio was approximately 75% committed and around 23% invested (including amounts on the NB credit line). While it is still early to assess overall performance, initial commitments to seeded portfolios, such as Truelink, TPG Growth, and NB Strategic Capital, were showing encouraging signs. These commitments helped mitigate the typical J-curve effect, providing a strong foundation for the portfolio.

In addition to primary commitments, Cycle IV includes a dedicated co-investment sleeve, enabling NB to selectively source and execute co-investments on Brunel's behalf. Deployment in this area is progressing well, with eleven investments closed by quarter-end. During Q4, we engaged with the lead partner at Inflexion Enterprise, a UK-focused lower mid-market fund. Inflexion noted that the UK market had experienced a quieter period, largely driven by elevated pricing levels, which explains their measured pace of deployment. Despite this, the partner expressed confidence in the near-term pipeline, highlighting three UK transactions currently in exclusivity.

Private equity closed 2025 with renewed momentum. Deal flow and exit activity improved meaningfully, with Q3 marking the strongest quarter since late 2021, though distributions remain below long-term norms. Transaction momentum is

Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows latest quarter	Outflows latest quarter	Net cash flow latest quarter	Value added latest quarter	TVPI	Contribution to return: 1 year	Contribution to return: since inception
6.6	13.4%	-	2,178,041	0	2,178,041	66,379	1.06	0.0%	0.0%

Private Equity Cycle 4

returning steadily rather than swiftly, with buyouts leading distributions and mid-market opportunities offering attractive entry points. Valuations continued to trade at a discount to public markets, though they trended upward across geographies; many argue any price uptick reflects quality rather than a broad re-rating. With increased volatility in US markets earlier in 2025, American exceptionalism came into question. Investors began to look at other regions as an alternative source of delivering stable returns. Asian regions such as Japan have seen a large influx of capital in recent months. Some firms raised more in their most recent vintage than they had raised in the region historically. Investing in Asia presents a unique opportunity to diversify your asset base and to benefit from somewhat uncorrelated returns with the US. Looking ahead to 2026, the backdrop is mixed: geopolitical uncertainty and uneven consumer dynamics persist, but anticipated rate cuts, policy support, and recovering M&A and IPO markets point to a constructive environment. Nevertheless, elevated valuations in certain sectors, particularly AI, warrant caution.

Secondaries remained the standout theme as volumes were on track to exceed $200bn for the year, driven by LP portfolio sales and GP-led continuation vehicles. Roughly one-fifth of all private equity exits in 2025 involved GP-led continuation vehicles, a record level. On the LP-led side, pricing firmed, with average discounts narrowing to ~87% of NAV and high-quality buyout stakes often trading near par or even at small premiums. Strong buyer demand from dedicated secondary funds and retail-driven evergreen vehicles helped secondaries evolve from a diversification and J-curve mitigation tool into a core portfolio management strategy.

Pipeline

NB and Brunel continue to review the market for investment opportunities, as we look to allocate the remaining 25% of Cycle 4. The Brunel and NB team are reviewing the high-interest short-term pipeline in early January. Due to the ongoing changes in the LGPS landscape, we continue to review opportunities but will be conservative with deployment, only making commitments where it is in the best interest of the portfolio. Areas of focus include a potential UK small/mid-cap allocation, as well as focusing on potential options in Asia. Over the medium term, market mapping will focus on Venture/Growth allocations, as well as a European mid-market ticket to finalise the portfolio. In total, we expect to underwrite ~6 more commitments.

*Money weighted return. Net of all fees. Private Markets interim period performance is calculated using NAVs provided on business day 8. Later revisions to these NAVs are not captured in the calculations so please use caution when using this data.

Infrastructure Cycle 3

Investment objective
Global portfolio of infrastructure assets, mainly focussed on climate solutions, energy transition and efficiency

Benchmark
n/a - absolute return target

Outperformance target
net 8% IRR

Launch date
1 April 2022

Commitment to portfolio
£80.00m

The fund is denominated in GBP

Commitment to Investment
£80.00m

Amount Called
£45.22m

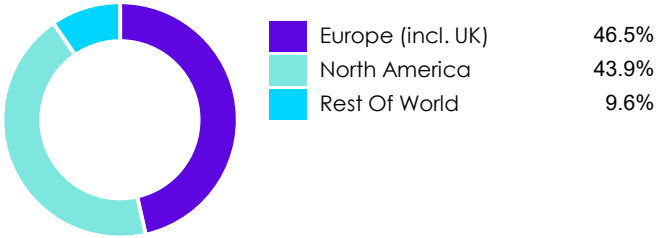
% called to date
56.52

Number of underlying funds
1

Dorset's Holding:
GBP44.92m

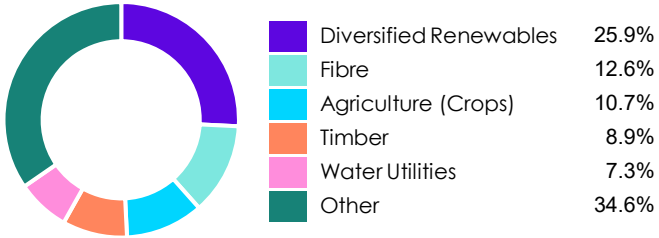
Country

Commitment in underlying investments



Source: Stepstone
Country data is lagged by one quarter

Sector



Source: Stepstone.
Sector data is lagged by one quarter

Performance commentary

Cycle 3 is ~80% committed and ~51% invested across eleven primary funds, one secondary fund, 8 tactical coinvests and a tactical, mini-secondaries portfolio of 7 investments.

Q4 2025 was marked by policy uncertainty, supply chain constraints, and accelerating digitalisation and decarbonisation trends. In the US, the federal government issued further stop-work orders to five major offshore wind projects - Vineyard Wind 1, Revolution Wind, Coastal Virginia Offshore Wind, Sunrise Wind, and Empire Wind 1 - citing national security concerns related to radar interference and grid reliability. These actions are causing managers to cancel or delay billions in investment and new renewable capacity, impacting grid planning and the energy transition. The suspension is affecting projects already under construction and, in some cases, projects already delivering power. The move has drawn criticism from developers and utilities, who warn of risks to grid reliability, increased energy costs, and job losses.

Power demand remained near decade-high levels, underpinned by structural demand drivers from industry, electrification of transport, and data centres. This sustained momentum highlights the urgent need for investment in generation capacity and grid resilience, driven by the widening gap between electricity demand and available supply.

The rapid expansion of AI and data centres amplified these pressures. Co-locating renewable energy sources with data centres presents a potential solution to the grid interconnection bottleneck, covering up to 70% of energy needs through on-site generation, but grid dependency

Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows latest quarter	Outflows latest quarter	Net cash flow latest quarter	Value added latest quarter	TVPI	Contribution to return: 1 year	Contribution to return: since inception
44.9	10.1%	5.8%	6,343,452	91,100	6,252,352	1,390,140	1.10	0.1%	0.0%

Infrastructure Cycle 3

persists for the remaining amount. The boom also exposed supply-side constraints, with legacy grid limitations, power supply availability, energy efficiency, and water efficiency proving to be pressing concerns in new data centre development.

Supply chain bottlenecks compound the challenge. US data centre electricity consumption is expected to at least double by 2030, potentially absorbing up to 76GW of new capacity and accounting for as much as 15% of US power generation. Yet, gas turbine supply chains face material, labour, and capacity bottlenecks, pushing lead times to 3-4 years and tripling plant costs since 2022. Developers are increasingly turning to utility-scale solar and battery storage, which can be deployed faster and cheaper, further accelerating the shift toward renewables and flexible grid solutions.

Capital flows reflect this trend. Fundraising hit a record $1T+ in Q1-Q3 2025, with momentum expected to continue through year-end. Renewables (~66%) and data centres (~20%) dominated sector-specific strategies. Mega funds capable of deploying into large-scale deals in these sectors are expected to drive elevated activity. North America leads the fundraising activity and, despite Europe being more subdued, it is on track to trend higher than in the past, with UK demand buoyed by the Mansion House Accord, committing DC schemes to allocate at least 5% of AUM to UK private markets by 2030. Global deal activity continued to trend positively as we approached year-end, with dealmaking up 20% year-over-year, fuelled by a resurgence in greenfield financing, which regained momentum following a brief slowdown in Q3 2024. Europe led M&A activity by deal count, while North America dominated by deal value. UK airports saw a particularly active M&A year with the sale of ownership stakes in Birmingham Airport, Bristol Airport, and London City Airport. Investment in the UK turned a corner and now accounts for 10% of global volumes, with a more favourable perception following on the heels of recent regulatory clarity and clean energy commitments – though November's ROC/FiT consultations sparked industry backlash over valuation, confidence, and unintended consequences. Past precedents like REMA suggest it is not impossible the government may listen to the industry and ultimately de-risk the sector.

While still in its early stages, we are happy with the diversified nature of this portfolio across sponsors, geographies, technologies, and risk profiles.

Pipeline

Two co-investments have been approved and are pending closure: a North American renewables platform and a UK train rolling stock platform. Efforts are ongoing to identify the final two co-investments needed to complete Cycle 3.

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Secured Income Cycle 1

Investment objective
Portfolio of long-dated income streams, a majority of which are UK inflation-linked

Benchmark
CPI

Outperformance target
+2%

Launch date
1 October 2018

Commitment to portfolio
£60.00m

The fund is denominated in GBP

Commitment to Investment
£60.00m

Amount Called
£59.89m

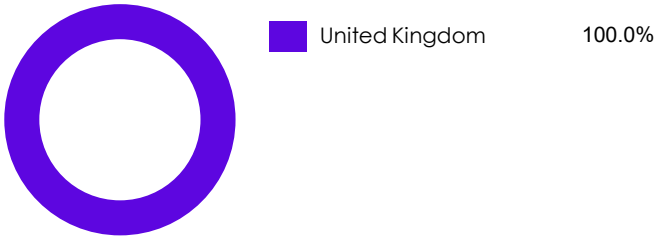
% called to date
99.82

Number of underlying funds
3

Dorset's Holding:
GBP54.62m

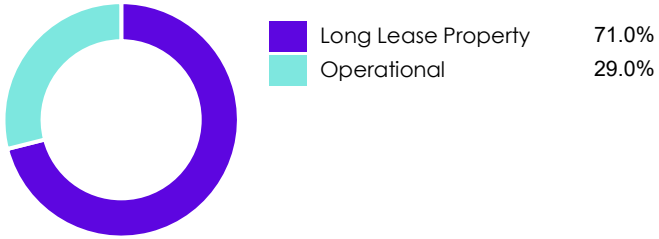
Country

Invested in underlying investments



Source: Asset Metrix
Country data is lagged by one quarter

Strategy



Source: Asset Metrix
Strategy data is lagged by one quarter

Performance commentary

For UK long lease property funds, performance continued to be driven by income, with more positive valuation evidence. Both long lease property funds outperformed the MSCI Long Income Index over 12 months to September, with M&G Secured Property Income Fund (SPIF) outperforming over all time periods. The fund is forecasting net 7-9% p.a. While Aberdeen Long Lease Property (LLP) is still lagging over longer time periods, the fund is showing marked improvement over recent quarters.

The long lease property redemption queues have stabilised, and the managers continue work to clear these. LLP completed eight sales totalling £185 million in Q3 to meet outstanding requests, helping to clear a significant proportion of the queue. No further sales were planned for Q4, with expectations of further disposals planned for early 2026. SPIF settled its deferred redemption queue in full by November 2025, supported by £266 million in new investor inflows during the year and further commitments expected in 2026. The fund's liquidity position has been significantly strengthened, enabling a return to normal redemption operations and the potential to commence acquisitions in future quarters.

2025's GRESB scores were released in October. M&G SPIF continued to score well, improving on its strong 2024 score by 2 points to reach 90/100, achieving 5 stars and 4th in the peer group of 75. Aberdeen also improved on its score, reaching 77.

On the infrastructure side, Schroders Greencoat UK (GRI) had called 96% of total investor commitments as of Q3 2025. During Q3, the fund deployed additional capital into Greencoat Solar II and the Green Hydrogen Energy

Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows latest quarter	Outflows latest quarter	Net cash flow latest quarter	Value added latest quarter	TVPI	Contribution to return: 1 year	Contribution to return: since inception
54.6	3.8%	0.6%	278,620	549,983	-271,363	995,738	1.03	0.1%	0.0%

Secured Income Cycle 1

Company (GHECO). The income from GRI remains strong, with the annualised cash yield for the fund at 6.7% (Q3) and a forward-looking 12-month yield of 7.2%. NAV decreased marginally due to updates to power prices across all assets and updates to generation assumptions in Speyside, which was offline for major repairs but has since returned to service.

The Fund's technologies had a mixed quarter, emphasising the benefits of diverse generation within the portfolio. Wind generation was impacted by low wind resource, while solar experienced above-average irradiance. Solar II and Toucan remain resilient despite challenges related to DNO (distribution network operator) outages, curtailment, and technical issues. Speyside returned to service, while Margam and Templeborough were operating reliably following operational issues. District Heating and Battery Storage both performed well over the quarter.

On 1 October, the UK Depertment of Energy launched a consultation process on proposals to change the inflation indexation for the Renewables Obligation Certificates (ROCs) and Feed-in-Tariff (FiT) schemes, which compensate renewable energy generators; the move would have a material impact on GRI cashflow and valuations. These proposals sparked an industry backlash over valuation, future investor confidence, and unintended consequences. We are currently waiting to hear the outcome from the consultation.

Pipeline

There is no fund pipeline, with the portfolio fully committed and invested.

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Secured Income Cycle 3

Investment objective
Portfolio of long-dated income streams, a majority of which are UK inflation-linked

Benchmark
CPI

Outperformance target
+2%

Launch date
1 April 2022

Commitment to portfolio
£30.00m

The fund is denominated in GBP

Commitment to Investment
£30.00m

Amount Called
£29.64m

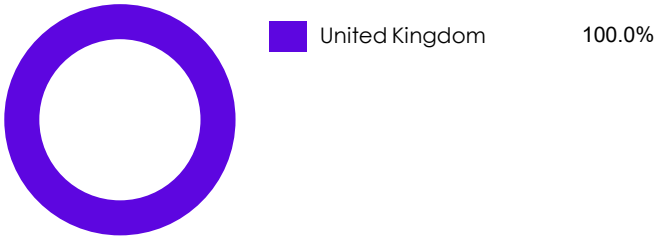
% called to date
98.79

Number of underlying funds
3

Dorset's Holding:
GBP30.86m

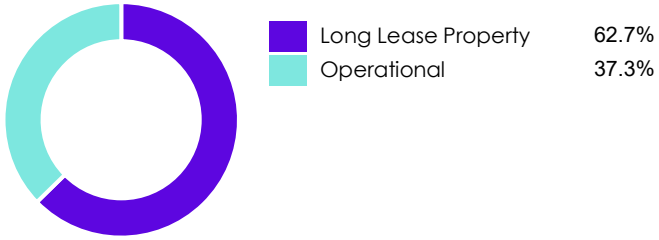
Country

Invested in underlying investments



Source: Asset Metrix
Country data is lagged by one quarter

Strategy



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Portfolio summary

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30.9	3.0%	-	138,111	326,109	-187,998	508,059	1.10	0.0%	0.0%

Secured Income Cycle 3

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Pipeline

There is no fund pipeline, with the portfolio fully committed and invested.

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Glossary

Term	Comment
absolute risk	Overall assessment of the volatility that an investment will have
ACS	Authorised Contractual Scheme - a collective investment arrangement that holds and manages assets on behalf of a number of investors
active risk/weight	A measure of the percentage of a holding that differs from the benchmark index; can relate to an equity, a sector or a country/region
amount called	In private investments, this reflects the actual investment amount that has been drawn down
amount committed	In private investments, this is the amount that a client has committed to an investment - it will be drawn down (called) during the investment period
annualised return	Returns are quoted on an annualised basis, net of fees
asset allocation	Performance driven by selecting specific country, sector positions or asset classes as applicable
basis points (BP)	A basis point is 0.01% - so 100bps is 1.0%. Often used for fund performance and management fees
CTB	Climate Transition Benchmark - targets 30% lower carbon exposure from 2020 and then a 7% annual reduction
DLUHC	Department for Levelling Up, Housing & Communities; the government body with oversight of pooling
DPI	Distributed to Paid In; ratio of money distributed to Limited Partners by the Fund, relative to contributions. Used for private markets investments
duration	A measure of bond price sensitivity to changes in interest rates. A high duration suggests a bond's price will fall by relatively more if interest rates increase than a bond with a low duration

Term	Comment
EBITDA margin	An EBITDA margin is a profitability ratio that measures how much in Earnings a company is generating Before Interest, Taxes, Depreciation, and Amortization, as a percentage of revenue.
ESG	ESG is an umbrella term to capture the various environmental, social and governance risks investors factor into their assessment of a company's sustainability profile. Brunel views assessing ESG factors as a central part of our fiduciary duty
ESG Score	The Morningstar Sustainalytics ESG Risk Ratings are based on an assessment of a company's exposure to risk and how well it manages those risks, resulting in a single score that indicates the company's overall ESG risk level. The rating is comprised of three central building blocks: corporate governance, Material ESG Issues (MEIs), and idiosyncratic issues. The scores are categorized across five risk levels: negligible, low, medium, high, and severe.
extractive exposures VOH	Value of Holdings of invested companies which derive revenues from extractive industries
GP or general partner	In Private Equity, the GP is usually the firm that manages the fund
gross performance	Performance before deduction of fees
Growth	Growth stocks typically exhibit faster long term growth prospects and are often valued at higher price multiples
IRR	Internal Rate of Return - a return that takes account of actual money invested
legacy assets	Client assets not managed via the Brunel Pension Partnership
Low Volatility	Low Volatility is a strategy that attempts to minimise the return volatility.
LP or limited partner	In private equity, an LP is usually a third party investor in the fund

Glossary

Term	Comment
LP or limited partner	In private equity, an LP is usually a third party investor in the fund
M&A	Mergers and acquisitions
Momentum	An investment strategy that aims to capitalize on the continuance of existing trends in the market
Money-weighted return	A performance measure that takes into account the timing and size of cash flows, including contributions and withdrawals.
MWR	Money weighted return - similar to an IRR - it reflects the actual investment return taking into account cashflows
NAV	Net asset value
net performance	Performance after deduction of all fees
PAB	Paris-Aligned Benchmark - targets a 50% lower carbon exposure from 2020 and then a 7% annual reduction
Quality	Quality stocks typically have a high Return on Equity, a very consistent profit outcome and exhibit higher and stable margins
relative risk	Relative volatility when compared with a benchmark
sector/stock selection	Performance driven by the selection of individual investments within a country or sector
since inception	Period since the portfolio was formed
since initial investment	Period since the client made its first investment in the fund
SONIA	Sterling Overnight Index Average - Overnight interbank interest rate - replacement for LIBOR
source of performance data	Source of performance data is provided net of fees by State Street Global Services unless otherwise indicated

Term	Comment
standard deviation	Standard deviation is a measure of volatility for an investment using historical data. Volatility is used as a measure of investment risk. A higher number may indicate a more volatile (or riskier) investment but should be taken in context with other measures of risk
time-weighted return	A performance measure that eliminates the impact of cash flows, focussing solely on the investment's rate of return over a specific time period. It does not account for the timing and size of contributions and withdrawals.
total extractive exposure	Revenue derived from extractive operations as a % of total corporate revenue
total return (TR)	Total Return - including price change and accumulated dividends
tracking error	A measure of relative volatility around a benchmark. A fund which differs greatly from the benchmark is likely to have a high tracking error
transitioned assets	Client assets that have been transferred to the Brunel Pension Partnership
TVPI	Total Value to Paid In; ratio of the current value of remaining investments within a fund, plus the total value of all distributions to date, relative to the total amount of capital paid in
Value	Value stocks typically have a low valuation when measured on a Price to Book or Price to earnings ratio
WACI	WACI should read Weighted Average Carbon Intensity = Weight of Portfolio * (Carbon Emissions / Revenue)
yield to worst	Lowest possible yield on a bond portfolio assuming no defaults

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Investments in private markets are not as transparent as publicly-traded securities, and valuing private assets can be complex. Unlike publicly-traded stocks with daily market prices, private assets rely on periodic appraisals. Investment performance in this report is calculated using cash-adjusted market values provided on business day 8 after month end and may, therefore, not reflect current market sentiment.

Nothing in this report should be interpreted to state or imply that past performance is an indicator of future performance. References to benchmark or indices are provided for information only and do not imply that your portfolio will achieve similar results.

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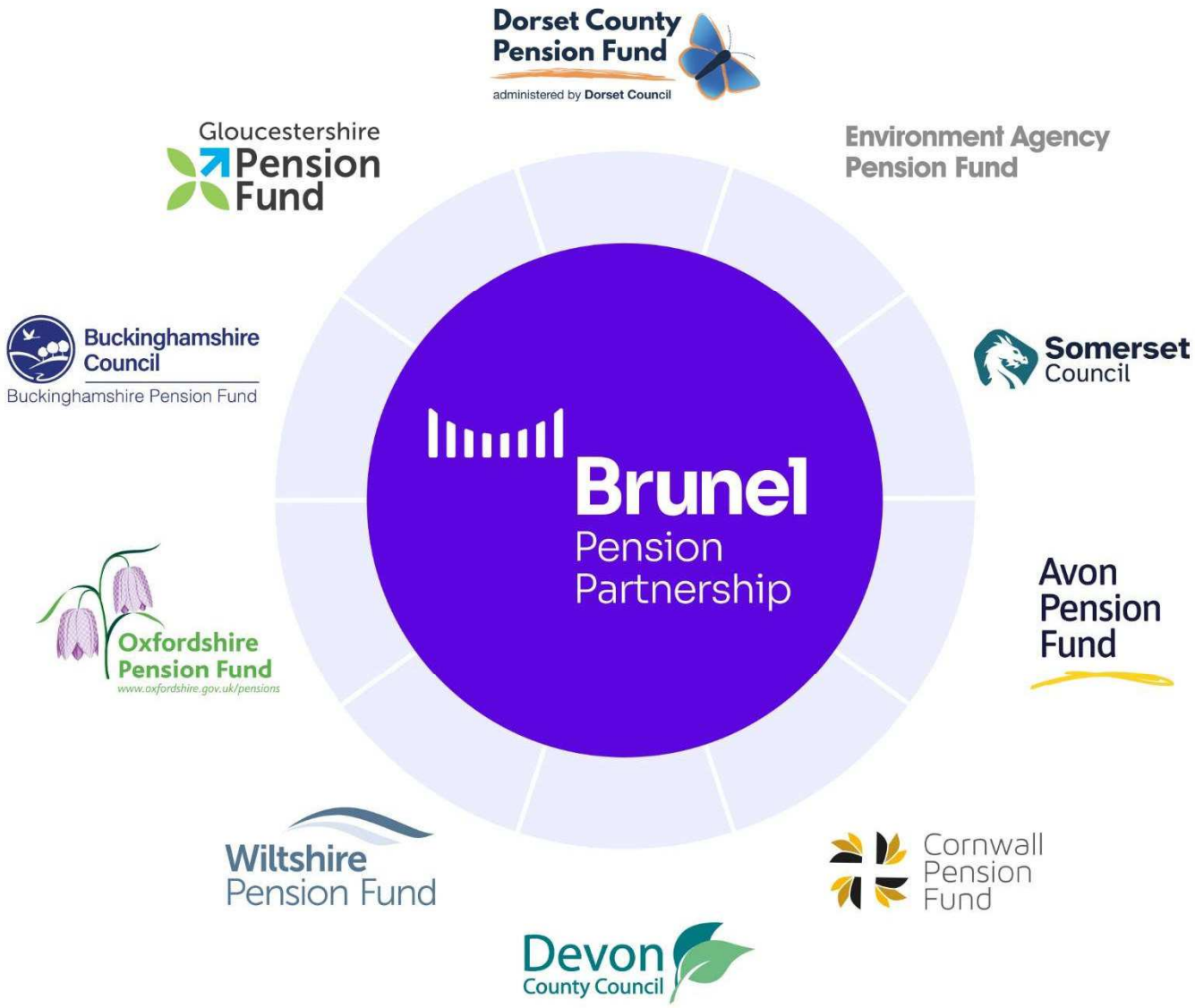
Dorset County Pension Fund
administered by Dorset Council
Gloucestershire Pension Fund
Environment Agency Pension Fund
Buckinghamshire Council
Buckinghamshire Pension Fund
Somerset Council
Brunel Pension Partnership
Oxfordshire Pension Fund
www.oxfordshire.gov.uk/pensions
Avon Pension Fund
Wiltshire Pension Fund
Cornwall Pension Fund
Devon County Council

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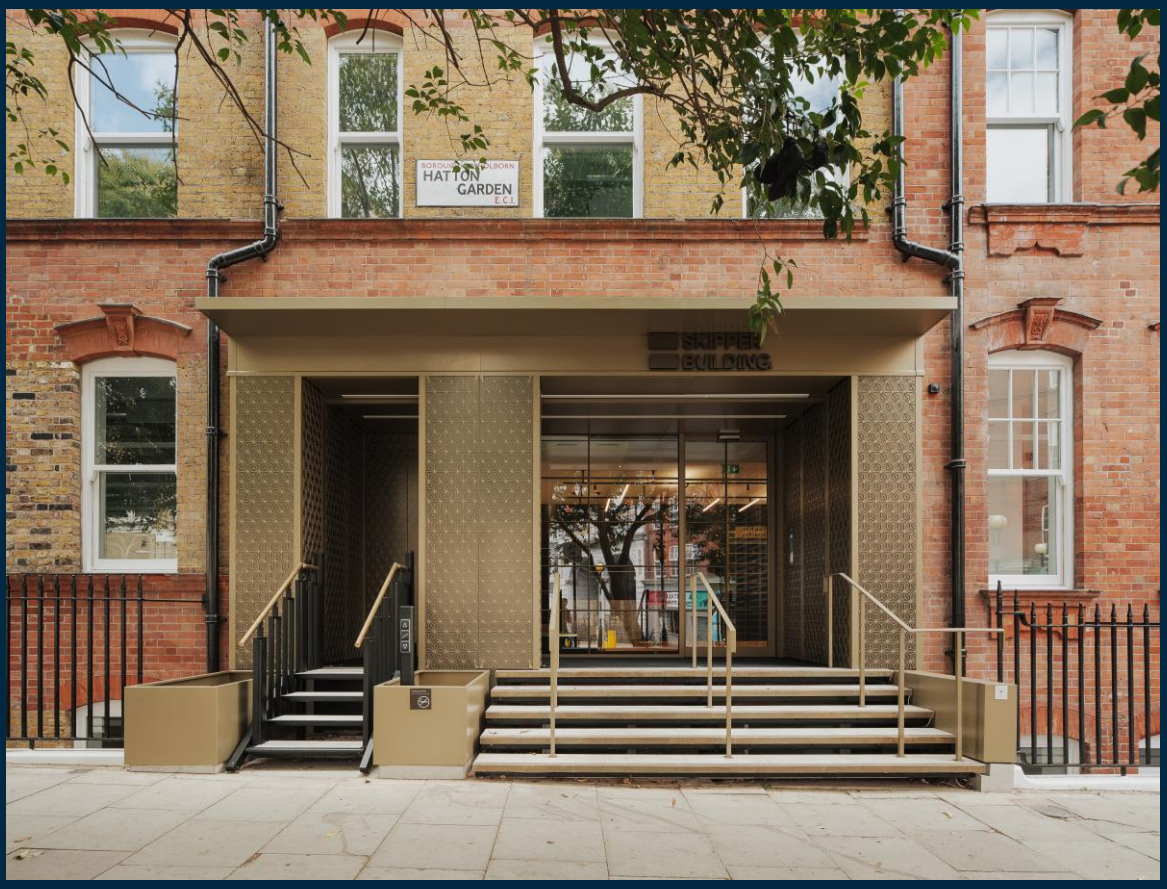
CBRE Investment Management



The Skipper Building, London

Q4 Report

Dorset County Pension Fund

2025

Executive summary

Dorset County Pension Fund ('DCPF') provides diversified exposure to good quality real estate located throughout the UK, across a range of sectors including offices, industrial, retail, and other. The allocation to property reflects 5.6% of DCPF's total assets,[1] which currently represents approximately £228.5m.

OVERVIEW

£228.5m

Capital value (Combined DCPF portfolio)

27

Assets

	Conventional	SLI
Mandate	Commenced 1993	Commenced 2017
Performance objective	MSCI Quarterly Universe over five years	LPI +2.0% per annum
Capital Value (Q4 2025)	£186.2m (81%)	£42.3m (19%)
Number of assets	17	10
Purchases during quarter	-	-
Value of sales during quarter	£0.1m	-
Direct net initial yield (p.a.)	5.2%	5.4%
Average unexpired lease term (to break)	9.0 years (7.5 years)	59.0 years (16.2 years)

Combined Valuation[2]	
Direct Property (Q4 2025)	£215.3m
Indirect Assets (Q4 2025)[3]	£13.3m
TOTAL PORTFOLIO VALUATION	**£228.5m**

CONVENTIONAL PORTFOLIO PERFORMANCE

	Q4 2025	12 months (%) p.a.	3 years (%) p.a.	5 years (%) p.a.	7 years (%) p.a.	10 years (%) p.a.
Capital return	0.1	0.0	0.5	-0.1	-1.3	-0.2
Income return	1.6	5.1	4.5	3.9	4.0	4.2
Total return	1.7	5.1	5.0	3.8	2.6	4.0
MSCI Quarterly Property Index	1.4	5.8	3.1	3.1	2.1	3.5
Relative	0.3	-0.6	1.8	0.6	0.5	0.5

[1] Based on Dorset County Pension Fund's total asset value as at the end of March 2025 (£4.1bn).
[2] See Appendix 2 for full property list and performance over the quarter by asset.
[3] See Appendix 1 for more information on the indirect holdings.

SLI PORTFOLIO PERFORMANCE

	Q4 2025	12 months (%) p.a.	3 years (%) p.a.	5 years (%) p.a.	7 years (%) p.a.	10 years (%) p.a.
Capital return	0.0	1.7	-2.4	-2.8	-1.8	1.3
Income return	1.5	5.9	5.5	5.0	4.7	4.5
Total return	1.5	7.7	2.9	2.0	2.9	5.9
Target (LPI + 2.0% p.a.)	1.1	6.2	6.2	6.5	5.7	5.5
Relative	0.4	1.5	-3.3	-4.5	-2.8	0.4

Economic and property update

- UK economic activity showed tentative improvement into year-end, with GDP growth of 0.1% q/q in Q3 and a stronger monthly reading of 0.3% in November. Post-Budget uncertainty has eased, helping stabilise gilt markets and reduce yields. Business investment accelerated (+2.7% y/y), supporting medium-term productivity, although labour market conditions softened further, with rising unemployment (5.1%) and moderating wage growth (4.7%). Inflation continued to slow to 3.2% in November, reinforcing expectations for further BoE rate cuts in 2026.
- Bond markets responded positively following the November Budget, with calmer gilt market conditions and a modest decline in yields. Falling inflation expectations have strengthened the case for two further rate cuts in 2026, potentially reducing financing costs and improving sentiment across real assets, though heightened geopolitical risk remains a material downside risk to growth.
- UK property capital values ended 2025 modestly higher, with the MSCI All-Property Index up 1.3% over the year. Performance was driven by industrial, residential, and retail gains, partially offset by ongoing office declines. Pricing remains fragile, with limited yield compression amid subdued transaction volumes, reflecting continued investor caution. In contrast, occupier markets remained resilient, with rents up 3.4% y/y, led by the industrial and office sectors.
- Sector performance remained divergent, with prime logistics yields stable at 5.25% and steady investment volumes, while Big six regional office yields remained weak at 6.5%. Central London offices showed signs of stabilisation, supported by constrained development pipelines and improving investor activity, with annual investment volumes up 25% y/y. Retail continued to stabilise, with prime yields firming across high streets, retail parks, and shopping centres, underpinned by stronger rental growth and improving occupancy. Hotel investment activity rebounded sharply in Q3, led by Central London, supported by improving operational performance metrics. In PRS, rental growth remained elevated but moderated, amid persistent supply shortages despite an uptick in construction starts.
- Despite a challenging macroeconomic backdrop, UK property return prospects remain attractive, with total returns forecast to average 7.5% p.a. over the next five years, driven primarily by rental growth rather than yield compression. Logistics, residential (particularly single-family housing), and prime City offices are expected to outperform, while legacy offices and much of retail lag on a risk-adjusted basis.
- Property is expected to resume outperformance in real terms, with 2025 total returns forecast at 9.8%, comfortably ahead of expected CPI (2.7%) and RPI (3.8%). As inflation moderates and income growth drives returns, the headwinds faced by inflation-linked strategies are expected to ease.

Conventional portfolio

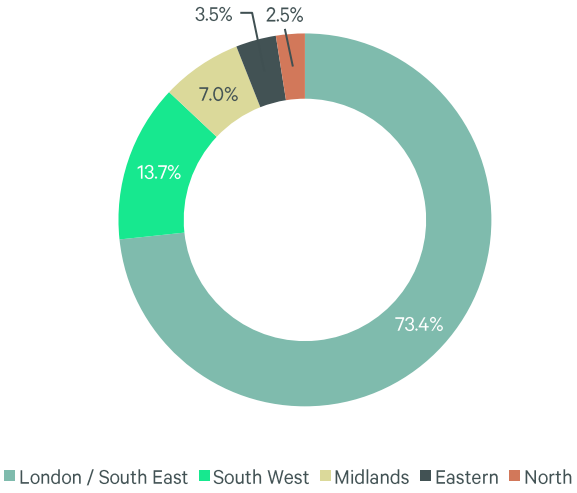
Portfolio information

KEY STATISTICS

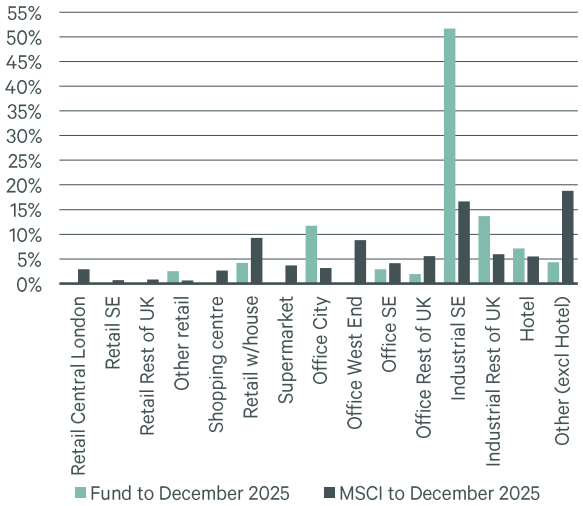
£173.0m Direct market value	**£13.3m** Indirect market value	**£186.2m** Total Conventional portfolio market value
16 (£11.6m) No. of direct assets (avg. value)	**69 (£2.5m)** No. of direct lettable units (avg. value)	**1** No. of indirect holdings
3.4% (8.8%) Vacancy rate (MSCI Quarterly Universe)	**9.0 yrs (7.5 yrs)** Avg. unexpired direct lease term (to break)	**5.2% / 6.5%** Direct net initial yield / reversionary yield (p.a.)
13.9% % of income direct RPI / index linked	**22.2%** Rent with +10 years remaining (% of direct rent)	**10.2%** Rent with +15 years remaining (% of direct rent)

GEOGRAPHICAL AND SECTOR EXPOSURE

Geographical breakdown



Sector breakdown



Secure long income portfolio (SLI)

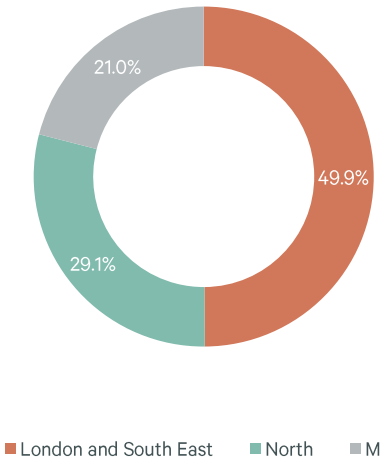
Portfolio information

KEY STATISTICS

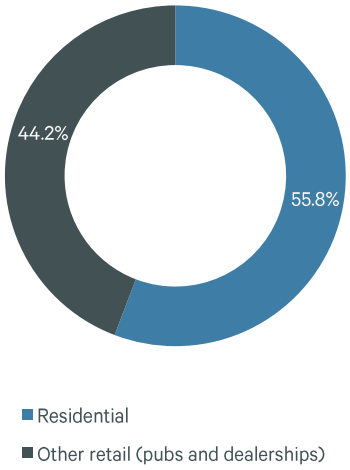
£42.3m Direct market value	**£0.0m** Indirect market value	**£42.3m** Total SLI portfolio market value
10 (£4.2m) No. of assets (avg. value)	**14 (£3.0m)** No. of lettable units (avg. value)[4]	**0%** Vacancy rate (% ERV)
59.0 yrs (16.2 yrs) Avg. unexpired lease term (to break)	**5.4% / 6.2%** Direct net initial yield / reversionary yield (p.a.)	**81.3%** % of income index linked
32.9% Rent with >15 years remaining (% of contracted rent)		

GEOGRAPHICAL AND SECTOR EXPOSURE

Geographical breakdown (% of total value)



Sector breakdown (% of total value)



Environmental, social, governance

DCPF's ESG performance

Sustainability is fundamental to CBRE Investment Management's (the "Firm") value proposition where we seek to deliver sustainable investment solutions across real asset investing so that our clients, people and communities thrive.

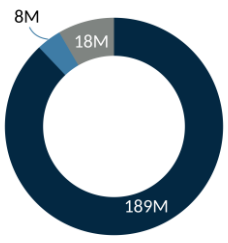
Key actions completed in Q4 2025

Action	Outcome	Climate	People	Influence
PropTech Data Collection	The enhanced PropTech enabled data collection process targeting increased energy data coverage in 2026 began, with unit level meter matching and subsequent MPAN/MPRN meter numbers being requested from Property Managers.	x		
Tenant Satisfaction Survey	The portfolio successfully issued a GRESB aligned tenant satisfaction survey to all applicable tenanted units (vacant and units sold within 2025 reporting year prior to the survey being issued not contacted).		x	x
Certification Strategy 2025	The portfolio successfully submitted one BREEAM In-Use assessment in 2025, which will be eligible for inclusion in the GRESB 2026 submission.	x	x	
Data Management System Transfer	The portfolio's data management system transfer from Measurabl to Scaler is currently underway and due to be completed in early Q1 2026.	x		

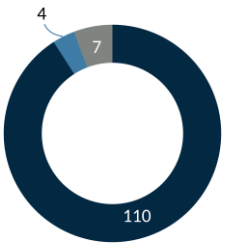
1 COMPLIANCE

A key part of the ESG strategy is the Energy Performance Risk Mitigation Program, where we seek to improve the sustainability performance of assets through improving the Energy Performance Certificate ratings. Units are included in the 'High Risk' category if the 'F' or 'G' rating is draft, expired or lodged. The status of the EPC is explained in the EPC appendix at the end of this ESG update. We will further update the definitions to respond to the EPC B MEES policy in England & Wales, once confirmed pending the final UK government consultation expected in 2026.

EPC risk by value (M)



EPC risk by unit



MEES Risk Rating	Key	Criteria
High		F or G rated valid EPC
Medium		E rated valid EPC
Low		A+ to D rated valid EPC
Exempt		MEES regulation exempt
Unknown		Inaccurate or missing EPC

Action	Medium risk	High risk
High Quality or Modelled EPC	2	0
Action at Lease End	2	0
Refurbishment	0	0
Planned Redevelopment or Considering sale	0	0
Review Tenant Fit-out	0	0

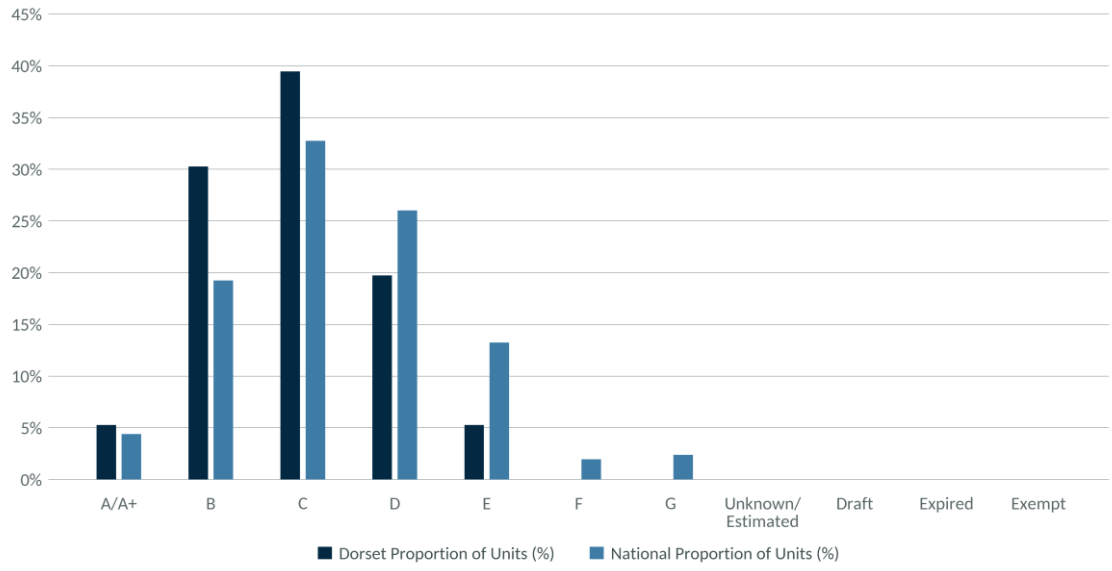
EPC Profiles

The charts below display the portfolio's current EPC rating profile in comparison with the National EPC rating profile over the past decade. This shows the relative benefits of the portfolio's EPC risk management over the preceding years, and contextualises the action required to achieve the EPC 'B' target rating for non-domestic properties. The National EPC rating profile consists of assets located in England and Wales only, as Scottish EPC profile data is currently unavailable, and is therefore excluded from the datasets.

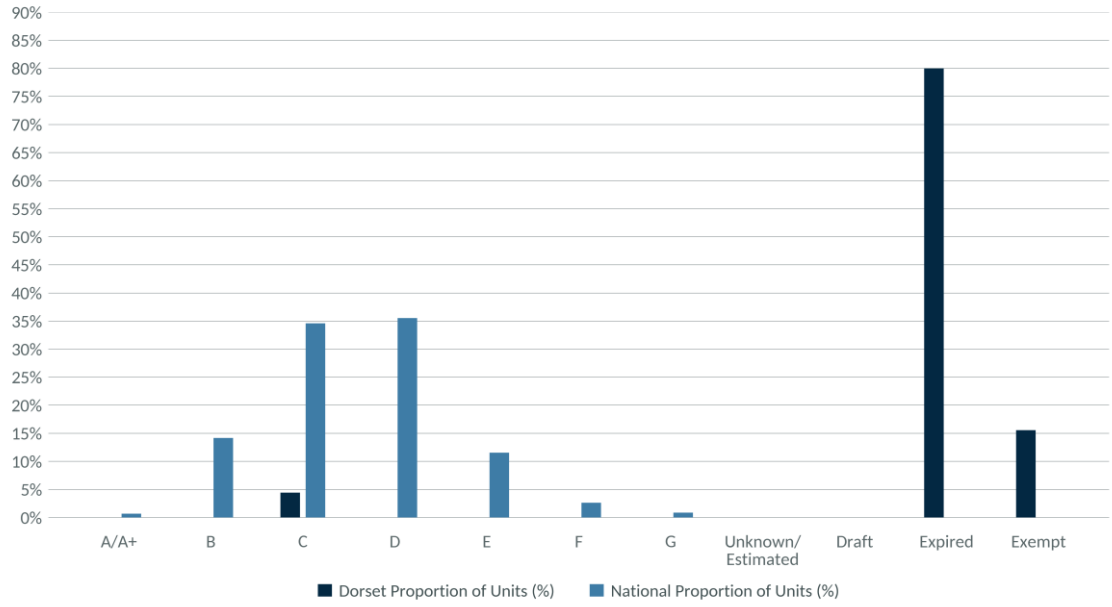
The portfolio has a lower proportion of 'high risk' non-domestic rated units and higher proportion of A/A+ rated non-domestic units than the National EPC profile. The portfolio has a lower proportion of 'high risk' domestic rated units and lower proportion of A/A+ rated domestic units than the National EPC profile.

Dorset Q4 2025 EPC Rating Profile vs National EPC Rating Profile

Q4 Non-Domestic Performance



Q4 Domestic Performance

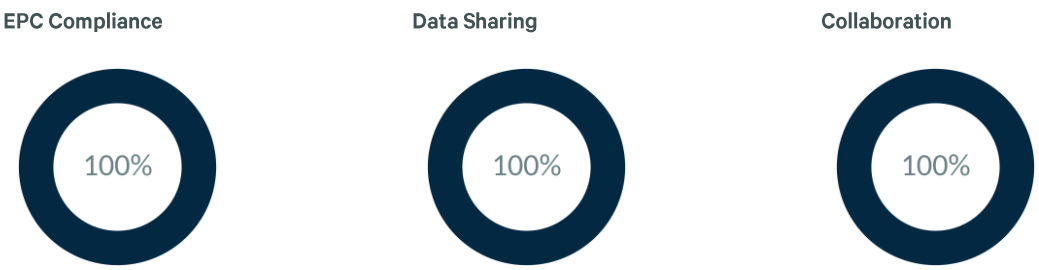


Green leases

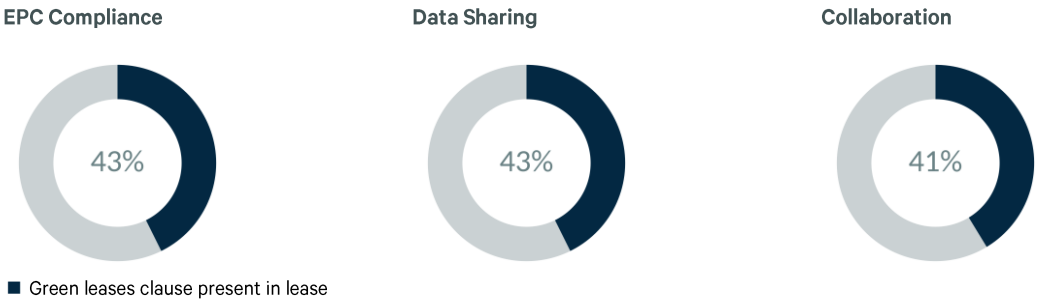
Green leases support us in protecting the portfolio from future environmental risks, reflecting market practice and improving the sustainability credentials of the portfolios. We group our green lease clauses into three categories:

- **EPC compliance**: clauses which support our compliance pillar, particularly regarding EPCs.
- **Data sharing**: clauses which support the sharing of ESG data for reporting and facilitate performance improvement.
- **Collaboration**: clauses in which we agree with the tenant to collaborate to improve a building's ESG performance.

% of leases completed since January 2019 incorporating green lease clauses



% of all portfolio leases which incorporate green lease clauses



Green lease tracking	
% of portfolio with a green lease tracker (excluding vacant units)	99%
Number of leases with green lease trackers since Q1 2019	30
New trackers received in Q4 2025	0

2 TRANSPARENCY

Building certification strategy

CBRE Investment Management aim to acquire or forward fund buildings with certifications. Green Building Certifications are important for the portfolios GRESB performance in the short term and achievement of its ESG Vision in the long term. Specifically, Green Building Certifications account for 10.5% of the GRESB Standing Investment score and by instructing new or renewing certifications, the portfolio aims to outperform the peer group in this category. The 'In progress & submitted certifications' table below includes any certifications that are currently ongoing and/or awaiting receipt of a final completion certificate. The 'Completed certifications' table below covers any certifications completed in the previous reporting year (2024) and in the current reporting year (2025).

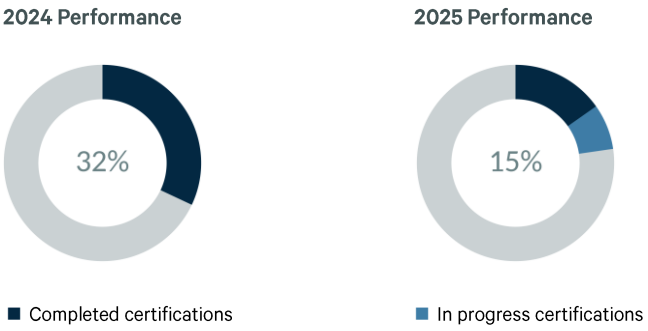
In progress & submitted certifications

Property	Certification type	Rating	Status
Euroway Industrial Estate, Swindon - (Units 6-8)	BREEAM In Use: Part 1	TBC	Submitted
Woolborough Lane Industrial Estate, Crawley - (Unit A)	BREEAM In Use: Part 1	TBC	Approved

Completed certifications

Property	Certification type	Rating	Status	Year Awarded
Oldfield Lane, London - (Unit 1)	BREEAM In Use: Part 1	Pass	Complete	2024

% Portfolio with a building certification (by value)



3 REFURBISHMENTS

The Investment Committee process and Zero Emission Buildings roadmap informs CBRE Investment Management's approach to assessing each asset held in EMEA. Assets are redeveloped to improve their operational performance, meet portfolio and house level targets, and improve GRESB reporting potential. The 'Ongoing Refurbishments' and 'Completed Refurbishments' tables below cover any refurbishments completed in the previous reporting year (2024) and in the current reporting year (2025), alongside any that remain ongoing.

Ongoing Refurbishments

Asset	Certification Target	Estimated completion date	Project Notes
75-81 Summer Road, Croydon - (Unit 2)	EPC B	TBC	EPC improvement works targeting an 'A' rating completed.
Euroway Industrial Estate - (Unit 9)	EPC B	TBC	EPC improvement works targeting a 'B' rating to be completed.
Oldfield Lane, London – (Unit 4)	EPC B	TBC	The unit is due to be returned in June 2026 and a full refurbishment targeting EPC B will take place.

Completed Refurbishments

Asset	Certification Achieved	Date of Practical Completion	Project Notes
75- 81 Summer Road, Croydon - (Unit 4)	EPC B	Sep 2025	Refurbishment works completed, EPC B(45) achieved.

4 CARBON

2025 calendar year data collection via NLC (formerly CRM) data requests and enhanced Proptech enabled data collection methods is in progress. Landlord energy data is being reviewed and inputted into the portfolio's data management system, Scaler. This data will be assured and submitted as part of the annual GRESB submission in June 2026 as per normal practice. 2025 calendar performance data will be classified as final, once the final GRESB results are released 1st October 2026.

The 2025 utility data uploaded to the Scaler platform will undergo a comprehensive audit to ensure data quality. Each assigned utility meter will be error-free, and all outliers investigated and addressed. Where applicable, issues will be raised directly with the utility provider and data platform manager. The resolution of each issue will be documented for full transparency. Furthermore, the audit of the Scaler platform includes the portfolio's Projects, Audits, Ratings and Certifications (PARC) data, as well as valuations data and property-type assignment.

5 EPC RATINGS BY BAND

If a unit does not hold any EPC information, it will be counted as 'Unknown/Estimated'. If a unit holds a more recent draft EPC than lodged EPC, it will be counted as 'Draft'. If a unit holds an expired EPC, it will be counted as 'Expired'. All expired EPCs are reviewed by the CBRE Investment Management team with support from their ESG Consultants and replacement EPCs are instructed prior to lease events. If a unit is MEES regulation exempt, it will be counted as 'Exempt'. Exemptions can be applied in the event of a lease length being 99 years or more, as per UK government non-domestic private rented property regulations.

England, Wales and Northern Ireland

EPC ratings	A/A+	B	C	D	E	F	G	Unknown/ Estimated	Draft	Expired	Exemption Applied
No of units	4	23	32	15	4	0	0	0	0	36	7
Proportion of units %	3.3%	19.0%	26.4%	12.4%	3.3%	0.0%	0.0%	0.0%	0.0%	29.8%	5.8%

EPC risks and actions

Sites / units	Lease End/ Break Date	EPC Band	EPC Expiry Date	EPC Status	Risk Rating	Building Upgrade Report	Action
The Apsley Centre, London - (Unit E)	Jun 2028	E	Mar 2030	Valid	Medium	BUR Received	This unit has an E rated EPC that expires in 2030. A 2022 MEES Asset Builder Report has been received outlining improvement works, however this lease has been renewed by 5 years, so there will not be an opportunity to implement these until lease end in 2028. At lease end these recommendations should be incorporated into any planned refurbishments to improve the EPC rating to a B.
Oldfield Lane, London - (Unit 4)	Jun 2026	E	Jun 2032	Valid	Medium	BUR Received	This unit holds a valid E rated EPC that expires in 2032. A 2023 MEES Asset Builder Report recommends removing the existing gas heating systems and replacing all non-LED light fittings with LEDs. These recommendations targeting EPC B should be incorporated into the upcoming planned full refurbishment in June 2026 once the tenant vacates the unit.
Euroway Industrial Estate, Swindon - (Unit A4)	Dec 2030	E	Mar 2031	Valid	Medium	BUR Received	This unit holds an E rated EPC that expires in 2031. A 2022 MEES Asset Builder Report recommends removing the existing heating system from the warehouse area and installing a destratification fan to improve the EPC rating to a B. It is recommended that these MEES Asset Builder recommended works are undertaken at the next lease break date in 2030.
Euroway Industrial Estate, Swindon - (Units 6-7)	Feb 2030	E	May 2031	Valid	Medium	BUR Received	This unit holds an E rated EPC that expires in 2031. A 2023 MEES Asset Builder Report recommends ensuring the existing LEDs achieve a minimum luminaire efficiency of 100 Lm/W. These recommendations should be incorporated into any refurbishments to improve the rating to a B.
Derwent Housing Association Scheme - (Various Properties), Step Forward Portfolio - Tranche 1 & 2 - Affordable Rented Housing - (Various Properties)	Vacant	-	-	Exempt	Exempt	-	These units have no EPCs in place and are classified as Exempt due to being social housing, as instructed by the portfolio managers following advice from their appointed lawyers.

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