Pension Fund Committee

2 June 2026

Pension Fund Budget 2026-27

For Decision

Local Councillor(s): All

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

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Statutory Authority: Dorset Council

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

Executive summary (maximum of 500 words)

In their audit findings report for the year ended 31 March 2025, Dorset Council's independent auditor, Grant Thornton recommended that a budget for fund account items is developed and reported against throughout the year.

The budget for 2026-27 is summarised below for approval. In future years budgets will come forward for approval in the last quarterly meeting of the preceding year - for example, approval for the budget for 2027-28 will be sought at the meeting of the Committee in March 2027.

Forecast outturn against the budget will be reported at subsequent meetings.

	FUND ACCOUNT	2024/25 Actual £000s	2025/26 Forecast £000s	2026/27 Budget £000s	2026/27 Forecast £000s
	Dealings with members, employers and others directly involved in the Fund				
1	Employer contributions	138,248	136,925	139,000	139,000
2	Member contributions	36,372	38,106	40,000	40,000
	Total contributions	**174,620**	**175,031**	**179,000**	**179,000**
3	Transfers in from other pension funds	22,951	18,485	20,000	20,000
	Total additions from dealing with members etc	**197,571**	**193,516**	**199,000**	**199,000**
4	Pensions	-147,340	-155,195	-161,000	-161,000
3	Commutation and lump sum retirement benefits	-31,218	-29,550	-30,000	-30,000
3	Lump sum death benefits	-3,272	-4,774	-5,000	-5,000
	Total benefits	**-181,830**	**-189,519**	**-196,000**	**-196,000**
3	Refunds of contributions	-508	-620	-1,000	-1,000
3	Transfers to other pension funds	-27,123	-18,693	-20,000	-20,000
	Total payments to and on account of leavers	**-27,631**	**-19,313**	**-21,000**	**-21,000**
	Net additions/(withdrawals) from dealings with members and others	**-11,890**	**-15,316**	**-18,000**	**-18,000**
5	Management expenses	-22,204	-26,785	-28,000	-28,000
5	Investment income	21,937	23,153	24,000	24,000
	Net additions/(withdrawals) from the Fund	**-12,157**	**-18,948**	**-22,000**	**-22,000**

	Key assumptions from 2025 actuarial valuation	
a	Salary increases p.a.	3.7%
b	Employer contribution rate increase/(decrease) p.a.	-1.9%
c	Discount rate (expected return on investments) p.a.	5.1%

Explanatory Notes

1 Increased by expected salary increases (a) and reduced by contribution rate reductions (b).
2 Increased by expected salary increases (a).
3 Assumed to be broadly unchanged from previous years.
4 Increased by expected salary increases (a).
5 Increased by discount rate (c) as expected to increase in line with asset values.

Recommendation(s):

That the Committee approve the Pension Fund budget for 2026-27.

Reason for the recommendation(s):

To meet the recommendation of the independent auditor that a budget for fund account items is developed and reported against throughout the year.

1. Legal considerations

1.1 None identified.

2. Financial implications

2.1 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.

2.2 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.

2.3 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.

2.4 Expected net withdrawals from the pension fund in 2026/27 are £22m, approximately 0.5% of the value of the pension fund as at 31 March 2026.

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 If net withdrawals from the pension fund exceed budget there will be less money in the pension fund to pay benefits, which would require higher investment returns and/or contributions than otherwise needed.

7. Equalities

7.1 There are no equalities implications arising from this report.

8. Appendices

None.

9. Background papers

Audit Findings Report for Dorset County Pension Fund The Audit Findings