

**The Highland Council**  
**Pensions Committee – 18 February 2016**

Agenda Item	<b>4</b>
Report No	<b>PC/02/16</b>

**Pension Fund Contributions and Administration**

**Report by Director of Finance**

**Summary**

The purpose of this periodic report is to update Members on matters relating to the administration of the Highland Council Pension Fund.

**1. Introduction**

- 1.1 The Highland Council is the Administering Authority for the Highland Council Pension Fund.
- 1.2 In addition to the Highland Council, 32 employers participate as Admitted Bodies in the Fund.
- 1.3 Participating employers are required to calculate and deduct the appropriate rate of pension contributions from salaries in addition to an employer's contribution in accordance with guidance issued by the Highland Council Pension Section.
- 1.4 These contributions are remitted monthly to the Highland Council Pension Fund. The statutory deadline for payment to be made is the 19<sup>th</sup> of each month.

**2. Pension Contributions from Scheme Employers**

- 2.1 Pension contributions received from employers are checked for accuracy against known parameters and the dates received are recorded and monitored.
- 2.2 Contact is made with an employer in instances where payments are received late or not to the expected value.

**3. Administration Costs**

- 3.1 The administrative, governance and investment costs for the pension fund for the 2015/16 financial year to date are as follows:

Cumulative costs as at 31 December 2015

£000

Direct employees	502,440
Actuarial Fees	65,000
Investment Advisor Fees	31,000
Legal Services	10,000
Custodian Fees	22,000
External Fund Management Fees	1,670,000
	<u>2,300,440</u>

3.2 The cost of direct employees is employer cost of for the pension's administration team. Costs of other employees who support the pension fund investments are charged at the year-end following an annual central support allocation calculation by Highland Council. In 2014/15 there was an allocated cost of £108.8k to cover this.

3.3 The annual staffing budget for Pensions Administration is currently £13k underspent.

#### **4. Actuarial Fees**

4.1 Actuarial fees for specific tasks are agreed as part of the actuarial contract between the Council and Hymans Roberson.

4.2 Actuaries' fees for pre-arranged work for the period to December 2015 were £65k. These were checked and approved against the scale charge in the contract.

#### **5. Auto Enrolment**

5.1 Auto enrolment legislation introduced in 2012 requires employers to enrol all eligible employees into a workforce pension scheme.

5.2 Highland Council implemented Auto enrolment in April 2013, bringing all eligible employees into the appropriate schemes.

5.3 The legislation requires employers to re-enrol any eligible employees who subsequently opted out of the scheme every 3 years.

5.4 The Council will re-enrol employees in April 2016.

#### **6. Contracted out Insurance**

6.1 Current legislations allows for a reduced rate of National Insurance to be deduced from employees who are contributing members of occupational pension schemes. Employers are also allowed to pay a reduced rate of National Insurance in respect of scheme members.

6.2 This "Contracted out rate " of National Insurance has been discontinued by the Government with effect from April 2016, increasing the amount of National Insurance paid by both employee and employer.

6.3 The Pension Administration team have issued a communication to scheme members informing them of this change but also reminding scheme members that the many benefits of scheme membership remain unchanged.

#### **7. Voluntary Redundancy**

7.1 The Pension Team continue to support the Council in the current voluntary redundancy process.

7.2 Initial discussions have also been held with the Fund Actuaries to enable them to assess the impact of Voluntary Redundancy on the fund.

## **8. Implications**

8.1 There are no additional implications other than those highlighted in the report.

## **9. Recommendation**

The Committee is asked to consider the details of the report.

Designation: Director of Finance

Date: 4 February 2016

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