

The Highland Council

Pensions Committee - 22 September 2016

Agenda Item	6
Report No	PC/06/16

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 19th of each month.

2. Scheme Employers Pension Contributions

- 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.
- 2.3 Contributions from scheme employers are all being received on time and all contributions are up to date.

3. Employers Leaving the Fund

- 3.1 Highland Opportunities Ltd ceased to be a scheme employer with effect from 30th June 2016.
- 3.2 In line with the Local Government Pension Scheme regulations a termination value calculation was requested from the Fund Actuaries and negotiations have commenced to agree a recovery period.

4. Pension Fund Costs

- 4.1 The year to date pension costs for 2016/17, are presented in the table below. The actual costs for 2015/16 are provided for context.

	1 April 2016 to 30 June 2016 £000	Full year actuals 2015/16 £000
Medical Exams (Staff)	1	4
Investment Consultant Fees	4	53
Actuarial Fees	22	25
Audit Fees	*(49)	49
Legal Expenses	1	12
Custodian Fees	0	68
Performance Management Fees	0	21
ICT Charges	1	1
Conference & Seminar Expenses	0	0
Subsistence	(1)	1
Bank Charges	2	2
Pensions Administration staff	132	742
Total	113	978

* As at 9 September 2016 the 2015/16 audit fees for the Pension Fund have not been invoiced.

5. Actuarial Fees

- 5.1 Actuarial fees for specific tasks are agreed as part of the actuarial contract between the Council and Hymans Roberson.
- 5.2 Actuaries' fees for pre-arranged work for the period to July 2016 were £21k. These were checked and approved against the scale charge in the contract.

6. Auto Re-enrolment

- 6.1 The Highland Council was required to re-enrol eligible employees into the Pension scheme under Auto Enrolment legislation between 1st January 2016 and 30th June 2016.
- 6.2 The exercise was completed on 1st June 2016 resulting in 233 employees being re-enrolled.

7. Annual Benefit Statements

- 7.1 A statement of accrued pension benefits is required by regulation to be issued annually.
- 7.2 The 2016 statements were made available on line to scheme members at the end of August 2016.
- 7.3 This new initiative will provide ease of access to information for scheme members and reduce printing and postage costs to the fund of around £30k per annum.

8. Additional Voluntary Contributions

- 8.1 In conjunction with the Annual Benefit Statement the Fund has arranged for 2 presentations by Prudential, the funds Additional Voluntary Contribution provider.
- 8.2 The purpose of these presentations will be to provide scheme members with information to maximise the benefits that can be achieved through and the AVC facility.
- 8.3 The presentations will be held in HQ but broadcast to Council sites with Video conference facilities where possible.

9. Voluntary Severance

- 9.1 As part of the Voluntary Severance scheme the Pension Admin Team have calculated Pension and Redundancy payments to over 350 employees since the end of March.
- 9.2 The impact of Voluntary Severance on the Fund was discussed with the actuaries when the scheme was announced and the view was that the overall impact would be minimal .Details of numbers and costs have already been supplied to the actuaries with a view to discuss as part of the pre Valuation meeting in November 2016.
- 9.3 The team continue to provide support and guidance to those leaving the Council's employment under the VS scheme.

10. Freedom and choice

- 10.1 Requests to transfer pension benefits out of the fund as a result of the above legislation remain minimal in line with other funds.

11. Pensions Schemes Governance review

- 11.1 There will be a Pensions Schemes Governance review undertaken by the SPPA to assess the effectiveness of the operation of the governance arrangements introduced under the Public Service Pensions Act 2013.
- 11.2 The terms of reference for the forthcoming Pension Schemes Governance review were circulated by COSLA to Council officers on 31 August 2016 and are included at Appendix 1. The Council will contribute to this review as required.

12. Performance Indicators

- 12.1 The Highland Council Pension Fund Administration Strategy became operational on 1st July 2012 following consultation with scheme employers and is reviewed annually and updated if required.
- 12.2 The strategy sets out the roles and responsibilities of both the Administering Authority and Scheme Employers and includes a number of key process and tasks to be benchmarked against expected timescales which are included in the Council's Pension Fund Accounts.
- 12.3 Service level standards for the administering authority performance are based

on national Performance Indicators and are detailed in the table below.

The introduction of Workflow (a software solution which tracks progress at each stage of a task) during 2015/16 has required an amendment in the terminology for some tasks.

Administering Authority Performance to 31 March 2016.

Task	Target	Total received	% completed within target	Previous Year %
New Entrants	Issue Statutory Notice within 14 days of receipt of complete new start notification	1435	99%	87%
Early Leaver (pre- retirement age)	From date of documentation being received. Issue notification of refund -10 days Issue notification of benefit 15 days (Previously 2 months from leaving date)	889	93%	94%
Retirements including deferred benefits coming into payment	10 days from receipt of request form.	606	98%	72%
Death in Service	Contact next of kin within 5 days of notification being received	22	95%	100%
Transfers in from outwith fund	Issue statutory notice within 10 days of receipt of payment (Previously 14)	37	100%	100%
Transfers out of pension rights	Make payment within 10 days of receipt of election (Previously 14)	47	100%	100%
Estimate of benefits	Issue within 10 days of receipt of request	730	98%	100%

Scheme Employer Performance- Target performance 90%

Standard	1/4/15 to 31/3/16	% achieved	Previous year Percentage
New Start Notification – within 30 days of joining (or 10 days from first deduction if later)	1435	93%	93%
Retirement information – to allow benefits to be paid on time	392	85%	91%
Death in Service notification – within 7 days of death	22	100%	100%
Early Leaver Notification – Within 30 days of leaving (or 10 days after last deduction if earlier)	889	93%	94%
Year End Query responses – within 14 days	23 employers were issued with queries	100%	100%

13. Implications

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

Recommendations

The Committee is asked to:-

- consider the details of the report.
- note the forthcoming Pension Schemes Governance review being undertaken by the SPPA.

Designation: Director of Finance

Date: 9 September 2016

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Annex A

REVIEW OF THE OPERATION OF GOVERNANCE ARRANGEMENTS

INTRODUCED UNDER THE PUBLIC SERVICE PENSIONS ACT 2013

FOR SCOTLAND'S

LOCAL GOVERNMENT, NHS, TEACHERS', POLICE AND FIREFIGHTERS'

PENSION SCHEMES

TERMS OF REFERENCE

Introduction

1. New governance arrangements were introduced in Scotland from 1 April 2015 under the [Public Service Pensions Act 2013](#) (the Act). These were built around a number of recommendations made by the [Independent Public Services Commission](#). As well as new duties for the Pensions Regulator, they resulted in greater clarity around public service pension scheme accountabilities and required the creation of Scheme Advisory Boards and Pension Boards for Scotland's NHS, Teachers', Police Firefighters' and Local Government pension schemes.

2. The Act prescribed certain requirements, including:

2.1. Scheme Advisory Boards must exist to advise the responsible authority, at the authority's request, on the desirability of changes to the scheme.

(Note: The responsible authority for the governance arrangements in the scope of this review are the Scottish Ministers, with the Cabinet Secretary for Finance and the Constitution operating as Scotland's Minister for public service pensions.)

2.2. Pension Boards must exist to assist the scheme manager with securing compliance with: i) the scheme regulations and other legislation relating to the governance and administration of the scheme; ii) requirements imposed by the Pensions Regulator; iii) any other requirements specifically set out in scheme regulations.

(Note: the scheme manager for the Local Government Pension Scheme (LGPS) is the relevant local fund authority (of which there are eleven) and is the Scottish Ministers, delegated to the SPPA, for the NHS, Teachers' Police and Firefighters' pension schemes.)

2.3. Pension Boards must include__“employer representatives and member representatives in equal numbers”.

3. The Scottish Government had discretion as to who should serve on the boards, broadly what business boards should conduct, when and where they should meet and, in the case of the locally managed LGPS, how many Pension Boards there should be. Five [Scheme Advisory Boards](#) were established (one for each scheme above) and fifteen Pension Boards (eleven for the distributed Local Government Pension Scheme (LGPS) and one each for the other [four pension schemes](#)). As public service pension policy advisers to the Scottish Government, the Scottish Public Pensions Agency (SPPA) oversaw the development and delivery of these new arrangements though the terms of reference for and composition of the Scheme Advisory Boards and Pension Boards were agreed in partnership (SPPA/employer/trades unions).

4. Across Scotland, around two hundred and fifty people are directly involved as members of these various boards. Others will be actively involved in the preparation and presentation of papers to boards (in some cases these will already exist, but some will be specifically created for board consideration) and in providing secretariat services. With boards typically meeting around four times/year, this represents a significant human resource investment. In 2015, on Ministers' behalf, the SPPA committed to review the effectiveness of the operation of the new arrangements within two years of their introduction. It has been agreed that the review should be carried-out by suitably skilled and knowledgeable independent resource to ensure that improvements are reflective of: i) wider best practice; and ii) stakeholders' ability to fully reflect on what has and has not worked well.

Objectives

5. The objectives of this Review are:
 - 5.1 to review the effectiveness of the operation of the Scheme Advisory Boards and Pension Boards set up in Scotland under the Act in light of:
 - 5.1.1 the requirements of the Public Service Pensions Act 2013 (including, but not restricted to, s. 5(3) on the effective and efficient governance and administration of the scheme);
 - 5.1.2 the recommendations of the Final Report of the Independent Public Service Pensions Commission;
 - 5.1.3 other legislative requirements or formal guidance, for example, The Pensions Regulator' Code of Practice No. 14;
 - 5.1.4 good practice in the operation of relevant comparator governance arrangements;
 - 5.1.5 lessons learned in the first year of operation of these governance arrangements, in particular (but not exclusively):
 - i. the quality of board member induction and continuous development, specifically in relation to the requirement for Pension Board members to have sufficient knowledge and understanding to fulfil their role;
 - ii. clarity of Board purpose and collective (Board) and individual roles and responsibilities;
 - iii. the adequacy of scheme member representation (active, deferred, pensioner and prospective scheme members);
 - iv. the diversity of Board membership;
 - v. the effectiveness of board management & administration;
 - vi. the leadership, chairing and conduct of meetings;

- iv. the frequency and location of meetings.
- 5.2 by 31 December 2016, to prepare a detailed report of related conclusions, options and recommendations on how to optimise the value of existing governance arrangements;
- 5.3 by 28 February 2017, to provide advice and recommendations to Ministers on how to optimise the value of existing governance arrangements and how to communicate any related changes;
- 5.4 by 30 April 2017, to initiate the necessary changes in governance arrangements desired by Ministers.

Scope

6. This Review covers:
 - 6.1 The composition and operation of the Scheme Advisory Boards for Scotland's NHS, Teachers', Police, Firefighters' and Local Government pension schemes and related governance arrangements including, for example, interaction around approved Work Plans.
 - 6.2 It is noted, in particular, that the Work Plan for the LGPS Scheme Advisory Board includes a structural review of the LGPS. Work is already underway to scope and initiate that review, subject to its detailed approval by the Cabinet Secretary for Finance and the Constitution. To the extent that that specific review bears on this review, it is within the scope of this review.
 - 6.3 The composition and operation of the Pension Boards for Scotland's NHS, Teachers', Police and Firefighters' pension schemes and related governance arrangements.
 - 6.4. The composition and operation of the eleven Pension Boards for the LGPS in Scotland and related governance arrangements.
 - 6.5 Interaction and communication between:
 - 6.5.1 the various boards on an intra-scheme basis;
 - 6.5.2 the various boards and related governance arrangements (for example, the relationship between the Pension Boards for Scotland's NHS, Teachers', Police and Firefighters' pension schemes and the SPPA's Corporate Board and the relationship between the Police Scheme Advisory Board and the Police Negotiating Board for Scotland);
 - 6.5.3 the various boards and respective scheme stakeholders;
 - 6.5.4 Scheme Advisory Boards and SPPA policy officials, who are responsible for advising Ministers on public service pensions policy, including the views of the Scheme Advisory Boards;
 - 6.5.5 Pension Boards and officials engaged in the day-to-day management of the pension scheme in question.

Exclusions

7. The following are excluded from the scope of the Review:
 - 7.1 Other than under 3.5.1.2, the operation of the SPPA's Corporate Board and Audit & Risk Committee.
 - 7.2 **[Add other relevant exclusions]**

Deliverables

8. Deliverables will include:
 - 8.1 procurement of an independent resource to lead the review and achieve objectives 3.1.1 and 3.1.2 (by end August 2016);
 - 8.2 a finalised terms of reference for the review (by end September 2016);
 - 8.3 a method statement and project plan, setting-out how the contractor will approach the review, including a formal plan for the engagement of key stakeholders in the review (by end September 2016), including:
 - 8.3.1 a formal plan for the participation of key stakeholders in the review, covering, for example, taking evidence and attribution/anonymity;
 - 8.3.2 a formal plan for the use of related research.
 - 8.4 a final report of review findings (by end December 2016);
 - 8.5 presentations of findings to Scheme Advisory Boards (by end January 2017);
 - 8.6 summary policy advice to Scottish Ministers (by end February 2017);
 - 8.7 communication on resultant decisions taken (by end April 2017).

Project approach

9. The Review will be managed in line with Scottish Government guidance on Managing Successful Projects.
10. The Senior Responsible Officer for the Review will be the SPPA's Deputy Chief Executive, who is also Director of Policy.
11. The Project Manager will be SPPA's Deputy Director of Policy, who will also be responsible for deliverables 8.6 and 8.7.

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