

Agenda Item	10
Report No	PEN/12/17

HIGHLAND COUNCIL

Committee: Pensions Committee

Date: 31 August 2017

Report Title: Pensions Administration Report

Report By: Director of Finance

1. Purpose/Executive Summary

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

2. Recommendations

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

3. Background

- 3.1 The Highland Council is the Administering Authority for the Highland Council Pension Fund.
- 3.2 In addition to the Highland Council, 31 employers participate as Admitted Bodies in the Fund.
- 3.3 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.
- 3.4 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.

4. Scheme Employers Pension Contributions

- 4.1 Pension contributions received from employers are checked for accuracy against known parameters and the dates received are recorded and monitored.
- 4.2 Contact is made with an employer in instances where payments are received late or not to the expected value.
- 4.3 Contributions from scheme employers are all being received on time and all contributions are up to date.

5. Employers Leaving the Fund

- 5.1 Fujitsu Services ceased to be a scheme employer with effect from 31 March 2017.
- 5.2 In line with the Local Government Pension Scheme regulations a termination value calculation was requested from the Fund Actuaries and has been included in the closure of the Fujitsu/Highland Council contract calculation.
- 5.3 A repayment schedule has also been agreed in respect of the termination value for Highland Opportunities Limited.

6. Employers Joining the Fund

- 6.1 WIPRO Ltd joined the Fund as a scheme employer with effect from 1st March 2017 as a result of being the chosen provider of the ICT provision contract.

7. Pension Fund Costs

- 7.1 The year to date pension costs for 2017/18, are presented in the table below. The actual costs for 2016/17 are provided for context.

	1 April 2017 to 30 June 2017 £000	Full year actuals 2016/17 £000
Medical Exams (Staff)	1	2
Investment Consultant Fees	16	37
Actuarial Fees	20	30
Audit Fees	0	29
Legal Expenses	0	1
Custodian Fees	21	85
Performance Management Fees	5	22
ICT Charges	0	1
Conference & Seminar Expenses	0	4
Subsistence	1	2
Bank Charges	0	4
Pensions Administration staff	127	859
Total	191	1,076

8. Actuarial fees

- 8.1 Actuarial fees for specific tasks are agreed as part of the actuarial contract between the Council and Hymans Roberson.
- 8.2 Actuaries' fees for pre-arranged work for the period to July 2017 were £20k. These were checked and approved against the scale charge in the contract.

9. Guaranteed Minimum Pension Comparison Exercise

- 9.1 Pension schemes, including those in the public sector, are required to undertake a data reconciliation exercise with HMRC between now and December 2018 to ensure that records in relation to periods of contracted out employment are correct. This will ensure that both details of Guaranteed Minimum Pensions (GMP) and periods of contracted out service, which are used to determine entitlement to the new single state pension, are up to date and robust.
- 9.2 The exercise is in 3 distinct parts
- Extraction and comparison of data from pension system and HMRC. This will involve around 30,000 records
 - Analysis of records that do not match following the comparison and dialogue with HMRC
 - Correction of data and communication with scheme members
- 9.3 Highland Council Pension Fund proposes to undertake stage 1 in house to identify the scale of the task for stage 2.
- 9.4 Should the number of unexplained mismatches be significant at least part of the exercise will require to be outsourced.
- 9.5 The HCPF pension software provider (in partnership with a 3rd party) offer a GMP reconciliation service.
- 9.6 The one off cost for the stage 2 exercise is expected to be in the region of £75k.

10. Fund Valuation

- 10.1 Scheme regulations determine that the Pension Funds must undergo an Actuarial Valuation every 3 years.
- 10.2 Officers have been in dialogue with the Fund Actuaries and a timetable for the valuation process has been agreed. Draft results are expected by November 2017 with the formal reporting of the final valuation brought to the February meeting of this Committee for sign off.
- 10.3 The necessary data has been supplied to the Actuaries who have confirmed that the quality of the data is high.

11. Annual Benefit Statements

- 11.1 A statement of accrued pension benefits is required by regulation to be issued annually.
- 11.2 The 2016 statements were made available on line to scheme members at the end of August 2016. This new initiative provided ease of access to information for scheme members and reduced printing and postage costs to the fund of around £30k per annum.
- 11.3 The 2017 statements were published ahead of the 31st August deadline.

12. Administration Strategy and Performance

- 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 A copy of the Pension Fund accounts can be accessed via the following link

<http://www.highlandpensionfund.org/highland-pension-fund/about-us/forms-and-publications/>

13. Implications

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

Designation: Director of Finance

Date: 22 August 2017

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