

Agenda Item	9
Report No	PC-06-18

HIGHLAND COUNCIL

Committee: Pensions Committee

Date: 09 February 2018

Report Title: **Pension Fund Contributions and Administration**

Report By: Report by Head of Corporate Finance and Commercialism

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 Members are asked to consider the details of the report.

3. Introduction

- 3.1 The Highland Council is the Administering Authority for the Highland Council Pension Fund.

In addition to the Highland Council, 31 employers participate as Admitted Bodies in the Fund.

- 3.2 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.

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 No employers have left the Fund since the last report.

6 Employers joining the Fund

- 6.1 No employers have joined the Fund since the last report.

7 Pension Fund Costs

- 7.1 The pension costs from 1 April to 31 December 2017 compared to budget and forecast year end variances are presented in the table below.

	Actual Year to Date £000	Annual Budget 2017/18 £000	Year end Estimate 2017/18 £000	Year End Variance 2017/18 £000
Medical Exams (Staff)	3	4	5	1*
Investment Consultant Fees	1,766	3,320	3,532	212* ^{***}
Investment Advisor Fees	24	38	44	6**
Actuarial Fees	89	62	95	33 ^{***}
Audit Fees	10	28	28	0**
Custodian Fees	48	85	90	5*
Performance Management Fees	11	22	22	0**
ICT Charges	1	1	1	0**
Conference & Seminar Expenses	0	4	2	(2)**
Bank Charges	0	4	1	(3)**
Pensions Administration staff	285	419	380	(39) ^{***}
Total	2,237	3,987	4,200	213*^{***}

* Equity managers fees are based on a percentage of the market value of holdings as value of holdings increased so have fees.

** Due to work on the Actuarial Valuation, forecast year end fees are higher than budget.

8 Guaranteed Minimum Pension Comparison Exercise

- 8.1 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.

- 8.2 The exercise is in 3 distinct parts
- Extract 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
- 8.3 Highland Council Pension Fund had initially proposed to undertake stage 1 in house with the second stage being outsourced at a cost of between £75-£90k (provided by the current pension software provider)
- 8.4 Since that initial decision, The HCPF has been able to draw on the experience of other Scottish Funds involved in the exercise and specifically Dundee Pension Fund who undertook a full Procurement evaluation to determine the cost of outsourcing the entire comparison. The comparison came out in favour of Equinity.
- 8.5 On that basis HPFC has arranged for the comparison exercise to be undertaken by Equinity with the option of the analysis stage also being undertaken. Although the exact cost cannot be quantified until the analysis is complete it is expected to be less than originally quoted.

9 Fund Valuation

- 9.1 The Valuation exercise was completed to schedule and the results presented to this meeting.

10. Implications

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

Designation: Head of Corporate Finance and Commercialism

Date: 9 January 2018

Author: Charlie MacCallum

Background Papers: