

**HIGHLAND COUNCIL**

**Committee:** Pensions Committee

**Date:** 19 March 2020

**Report Title:** Service Plan 2020/21

**Report By:** Head of Corporate Finance and Commercialism

**1. Purpose/Executive Summary**

- 1.1 The Highland Council Pension Fund Service Plan 2020/21 details the Fund's priorities over the next year alongside the budget and performance targets for the year ahead.
- 1.2 Over the next year the Fund will face many challenges and opportunities from both external and internal sources. It is essential that these are identified in order to set out the key work priorities for the Administering Authority and the corresponding resourcing requirements.

**2. Recommendations**

- 2.1 It is recommended that Committee approve the following
- the Pension Fund Service Plan 2020/21.
  - the Pension Fund Budget for 2020/21.

**3. Implications**

- 3.1 Resource – As covered in the report.
- 3.2 Legal – none
- 3.3 Community (Equality, Poverty and Rural) – none
- 3.4 Climate Change / Carbon Clever – none
- 3.5 Risk – covered in report
- 3.6 Gaelic – none

#### **4. Background**

The Highland Council is the Administering Authority of the Highland Council Pension Fund covering local government employees and elected members in the Highland Council area and scheduled and admitted organisations that provide public or charitable services.

#### **5. Fund Objectives**

5.1 The Fund's key service objectives are:

- The correct amount of contributions are received from employees and employers and also any transfer payments are correctly made/received.
- Contributions are invested appropriately and in accordance with legislation with the aim that the Fund's assets grow over time with investment income and growth.
- Assets and income are used to pay Fund benefits to its members and their dependants as defined in the LGPS Regulations.

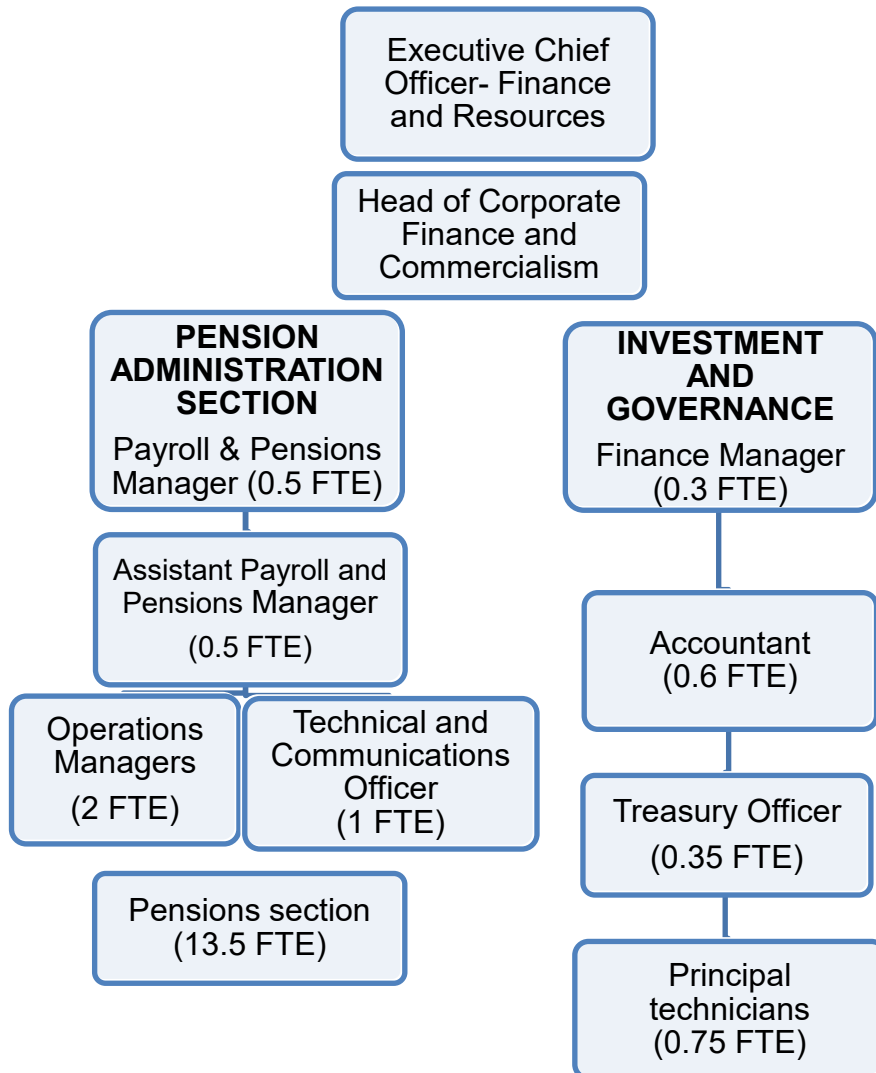
5.2 This document sets out the staffing structure in place, Work Plan and Budget for 2020/21, necessary to achieve the above service objectives.

#### **6. Staffing structure**

6.1 The Fund has a dedicated Pensions Administration section which reports to the Payroll, Pensions and Creditors Manager. This section is responsible for administering pension benefits and ensuring that contributions are paid on time.

6.2 The staff responsible for monitoring the Fund's investments, preparing the annual accounts and overseeing governance processes and risk do this alongside other, non-pension fund, responsibilities. Given the increasing workload on this team and to build resilience within the team it is proposed that extra investment is made in this staffing function. It is planned that a trainee accountant will be employed to help with succession issues and the qualified component of the team is bolstered. The cost implication of these proposed changes can be seen in the increase in the proposed budget for 2020/21 on the budget line 'Central Support- Pensions Investment'

6.3 The staffing structure currently in place alongside the estimated FTE is as follows.



## 7. Work Plan 2020/21

7.1 The Highland Council Pension Fund Work Plan for 2020/21 is at **Appendix 1** and details the planned tasks for the Pensions Administration and the Investment and Governance teams.

7.2 The Work Plan may change depending on changes in the regulatory environment.

## 8. Performance Indicators

- 8.1 Performance indicators are reported in the Annual Report and Annual Accounts and these are detailed in **Appendix 2** alongside targets for 2020/21.
- 8.2 The CIPFA guidance Preparing the Annual report 2019, sets out new indicators for Pensions Administration. These have been developed by a CIPFA working group which is reviewing the reporting on scheme administration data on a consistent basis across all Funds. Going forward, the Pensions Administration section is looking at preparatory work required to collate these indicators.

## 9. Budget 2020/21

- 9.1 The Budget in **Appendix 3** set out the financial resources require to meet the service objectives and deliver the proposed work plan for 2020/21.
- 9.2 Actuarial fees have been increased as there will be a triennial valuation as at 31/03/2020 completed during 2020/21.
- 9.3 Based on experience of 2019/20, the Fund Manager fees have been increased for 2020/21 but these depend on the market value of assets.

Designation: Head of Corporate Finance and Commercialism

Date: 10 March 2020

Author: Edward Foster

## Appendix 1 – Highland Council Pension Fund Work Plan 2020/21

### PENSIONS ADMINISTRATION

Ref	Task	Deadline	Basis of requirement
1.1	<b>Year-end info from employers</b> Receive all pension data from fund employers.	11 May 2020	Admin strategy statement
1.2	<b>Update Pension system with employer information</b> Verify and load data onto system.	30 June 2020	Agreed with Actuaries
1.3	<b>Pension increase (Payroll system)</b> Update pension records on Payroll with Pension increase.	30 April 2020	Statutory
1.4	<b>Pension increase (Pension system)</b> Update pension records with Pension increase.	30 April 2020	Statutory
1.5	<b>Pension Increase letter /Annual newsletter</b> Electronic correspondence to pensioners informing them of annual increase and newsletter with general items of interest.	30 April 2020	Admin strategy statement
1.6	<b>Accounting reports</b> Delivering info to Actuaries for preparation of annual returns for employers.	Depends on Employers' year-end requirements	Admin strategy statement
1.7	<b>Annual Pension Statements</b> Details of pensions accrued to previous year end and projection. Published on line.	31 Aug 2020	Statutory
1.8	<b>Quarterly returns to HMRC</b> Government gateway return on specific payments.	Quarterly	Statutory
1.9	<b>Annual return to HMRC</b> Government gateway return on specific payments.	31 Jan 2021	Statutory
1.10	<b>Annual return to the Pension Regulator</b> Compliance statement.	30 Sept 2020	Statutory
1.11	<b>Valuation</b> Fund valuation and contribution rate setting (timetable to be agreed with actuaries).	Ongoing	Statutory
1.12	<b>GMP reconciliation</b> Comparing scheme and HMRC GMP details.	Ongoing	Statutory
1.13	<b>Shared Cost AVC Scheme</b> Investigate practicalities.	Starting May 2020	

## Appendix 1 – Highland Council Pension Fund Work Plan 2020/21

### INVESTMENTS AND GOVERNANCE

Ref	Task	Deadline	Basis of requirement
2.1	<b>Annual Report and Accounts</b> Preparation of Draft Annual Report and Accounts.	30 June 2020	Statutory
2.2	<b>Annual Report and Accounts</b> Preparation of Final Annual Report and accounts which is subject to an External Audit review.	30 Sept 2020	Statutory
2.3	<b>Local Finance return</b> for the pensions fund.	31 Oct 2020	Required by Government
2.4	<b>Statement of Investment Principles</b> Update Statement of Investment Principles (SIP) alongside triennial valuation.	Feb 2021	Statutory
2.5	<b>Monthly reconciliations of investment data</b> Review of Fund manager transactions compared to Custodian and update financial ledger.	Monthly	Financial controls
2.6	<b>Office of National Statistics returns</b> Quarterly returns on Pension Fund investments and market values.	Quarterly	Required by Government
2.7	<b>Preparation of Investment Sub Committee reports</b> Regular update reports and ad hoc reports as required.	Quarterly	Financial controls
2.8	<b>Governance policy</b> Annual update prepared and approved by Pensions Committee	23 Sept 2020	Governance
2.9	<b>Training policy</b> Annual training plan updated and presented to Pensions Committee. Training organised as required.	23 Sept 2020	Governance
2.10	<b>Risk management</b> Risk register maintained and reported to Pensions Committee	Ongoing – reported to Pensions Committee	Governance
2.11	<b>Compliance</b> Monitor changes in regulations and legislation and ensure that the Fund is compliant.	Ongoing	Governance
2.12	<b>Cost transparency system</b> Scheme Advisory Board is rolling out the implementation of the Fund Manager cost database to all Scottish LGPS.	June 2020	Required by SAB

## Appendix 1 – Highland Council Pension Fund Work Plan 2020/21

### INVESTMENTS AND GOVERNANCE

Ref	Task	Deadline	Basis of requirement
2.13	<b>Cashflow</b> Monitoring of cash flow position daily.	Daily	Financial controls
2.14	<b>New Fund Manager to be set up</b> Once the multi asset absolute return fund manager is appointed, the manager will need to be set up, provided with funds and processes put in place for monitoring investment.	May 2020	Governance
2.15	<b>Fund Manager procurements</b> Ongoing procurements as required to achieve strategic asset allocation.	Ongoing	Governance
2.16	<b>Investment Advisor procurement</b> Once the multi asset absolute return fund manager is appointed, a procurement exercise will be completed for the Investment Advisor	March 2021	Procurement
2.17	<b>Climate Change</b> Officers have put a proposal to the Investment Sub Committee that the Fund become a member of the Institutional Investors Group on Climate Change. If approved, work will be undertaken to implement this proposal.	April 2020	Potential legal change
2.18	<b>Carbon reporting</b> Officers are investigating current carbon reporting processes in place with the Fund Managers, to ascertain what reporting can be made to the Investment Sub Committee.	Sept 2020	Potential legal change

## Appendix 2 – Performance Indicators

### Pensions Administration service delivery

The performance of the administering authority will be measured as follows.

Task	Target	Actual 2018/19 % on target	Target 2020/21 % on target
New Entrants (includes re- employments)	Issue Statutory Notice within 14 days of receipt of a new start notice.	78%	100%
Early Leavers	The standard issue date is 10 days from receipt of leavers forms and 15 days for deferred benefit entitlement. (Legal requirement 2 months)	90%	100%
Retirements- process and pay benefits including deferred benefits coming into payment	Process and pay lump sum retirement grant and set up payment of benefits (include all retirements types: normal, ill health, early, late etc. is 10 days on receipt of leave option forms. (Legal requirement 2 months)	100%	100%
Deaths in Service	Contact next of kin within 5 days of notification being received. (Legal requirement 2 months)	100%	100%
Transfers in from out with Fund	The standard is to issue statutory notice within 10 days of receipt of payment.	98%	100%
Transfers of pension rights out with Fund	Case to be finalised & payment made within 10 days of receipt of election payment.	100%	100%
Estimate of benefits	Issue within 10 days of request for all requests (both active and deferred members)	99%	100%
Proportion of Annual Benefits statement issued by statutory deadline		100%	100%



## Appendix 2 – Performance Indicators

### Employer performance

The performance of the Employer bodies will be measured as follows.

<b>Standard</b>	<b>Actual 2018/19 % on target</b>	<b>Target 2020/21 % on target</b>
New Start Notification – within 30 days of joining (or 10 days from first deduction if later).	93%	100%
Retirement information – to allow benefits to be paid on time.	90%	100%
Early leaver notification – within 30 days of leaving (or 10 days after last deduction if later).	92%	100%
Death in Service notification – within 7 days of death.	100%	100%
Year End Queries issued to employers, responses – within 14 days.	100%	100%

### Investments and Governance

<b>Standard</b>	<b>Actual 2018/19</b>	<b>Target 2020/21</b>
Long term objective is to achieve a real rate of return of 3-4% per annum on average.	Achieved	<i>Achieve</i>
Achieve performance benchmark over a 5-year rolling period.	Achieved	<i>Achieve</i>
Audit of annual accounts	Unqualified Audit opinion	<i>Unqualified Audit opinion</i>
Governance policy updated annually	Achieved	<i>Achieve</i>
Training policy updated annually	Achieved	<i>Achieve</i>
Funding position at triennial valuation	101%	<i>100%</i>
Risk policy updated annually	Achieved	<i>Achieve</i>
All staff to complete 2 days training annually	Achieved	<i>Achieve</i>
All Pensions Committee and Pensions Board member to complete 2 days training annually.	Achieved	<i>Achieve</i>

### Appendix 3 Budget 2020/21

	Annual Budget 2019/20	Forecast Year End 2019/20	Proposed Annual Budget 2020/21
<u>Administrative expenses</u>	£000	£000	£000
Medical exams (staff)	5	5	5
Conference & seminar expenses (includes subsistence)	1	1	1
Subscriptions to organisations	1	1	1
ICT charges	1	1	1
Bank charges	2	2	2
Other charges (pension levy, tax certification costs)	2	3	3
<u>Pensions administration costs</u>			
Pensions administration staff	633	619	684
GMP	135	71	100
Computer and ICT	253	261	261
Fares, travel, accommodation	1	1	1
Printing and stationery	9	3	4
Postages	10	11	11
Other Pension Admin costs (subscriptions, insurance)	11	8	8
<b>Total</b>	<b>1,064</b>	<b>987</b>	<b>1,082</b>
<u>Oversight and governance</u>			
Actuarial Fees	50	50	80
Audit Fees	30	30	30
Central Support - Pensions Investment	146	146	200
Training	4	4	5
Subsistence and travel	1	1	1
Investment Consultant Fees	80	120	80
Performance Management Fees (custodian)	23	23	23
Legal Expenses	5	5	5
<b>Total</b>	<b>339</b>	<b>379</b>	<b>424</b>
<u>Management fees</u>			
Investment expenses	334	334	335
Custodian Fees	85	85	85
Transaction costs	330	330	330
<u>Fund Manager fees</u>			
Unitised insurance policies	100	182	200
Equities	3,150	3,286	3,500
Bonds	260	275	300
Property	400	403	500
Private equity	3,000	3,000	3,500
Property debt	190	190	300
<b>Total</b>	<b>7,849</b>	<b>8,085</b>	<b>9,050</b>
<b>Overall total</b>	<b>9,252</b>	<b>9,451</b>	<b>10,556</b>