

HIGHLAND COUNCIL

Committee: Pensions Committee

Date: 14 February 2022

Report Title: Service Plan 2022/23

Report By: Head of Corporate Finance

1. Purpose/Executive Summary

- 1.1 The Highland Council Pension Fund Service Plan 2022/23 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 2022/23.
 - the Pension Fund staffing structure and budget for 2022/23, noting the intention to review these in the early part of the year.

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 accurately pay Fund benefits to its members and their dependants as defined in the LGPS Regulations.

5.2 This document sets out the proposed staffing structure in, work plan and budget for 2022/23, necessary to achieve the above service objectives.

6. Staffing structure – Pensions Administration section

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 In March 2021 Committee members were supportive of a temporary increase in establishment, as shown below, for a 15-month period to address backlogs in certain areas of activity. The resultant recruitment and acting-up arrangements were successful in filling a number of additional posts but 1FTE at Pension Technician level remains vacant.

Post	FTE
Operations Managers	2.0
Technical and Communications manager	1.0
Pension Officer	5.5
Pension Technician	6.0
Clerical Assistant	4.0
Total	18.5

6.3 Whilst training of new members of staff has been hampered by remote working the team is now better placed going forward. The backlogs of work previously reported have not been fully cleared and it is evident that in order to deal with the backlogs

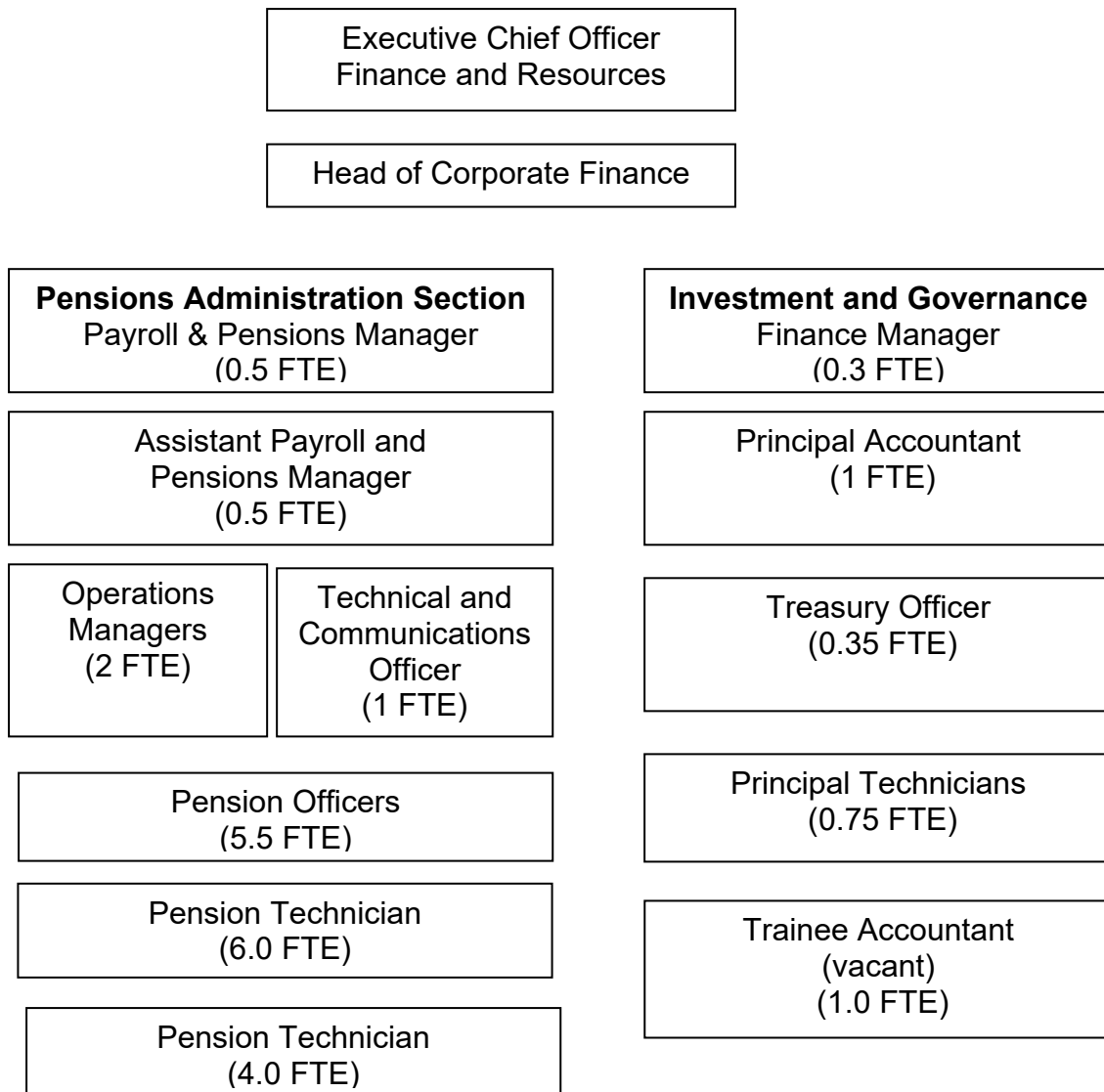
and the pending McCloud and Goodwin legislation that the current establishment should remain on a permanent basis.

6.4 A further review of the overall team structure will be undertaken in the early part of 2022/23. This review will focus on all levels of staffing across the team with a particular focus on the senior management elements. The opportunity for this review arises due to the planned retirement of the Payroll and Pension Manager and the Assistant Payroll and Pensions Manager. Appropriate interim arrangements will be put in place pending a decision on the long-term structure.

7. **Staffing structure – Investments team**

7.1 The staff responsible for monitoring the Fund's investments, preparing the annual accounts and overseeing governance processes, training and risk do this alongside other, non-pension fund, responsibilities. Given the increasing workload on this team and to build resilience following previous Committee approval, a trainee accountant will be employed to help with succession issues and ensure that the qualified component of the team is bolstered.

7.2 The current staffing structure alongside the estimated FTE is as follows.



8. Work Plan 2022/23

8.1 The Highland Council Pension Fund Work Plan for 2022/23 is at **Appendix 1** and details the planned tasks for the Pensions Administration and the Investment and Governance teams.

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

8.3 The monitoring report for the 2021/22 Work is at **Appendix 2**.

9. Performance Indicators

9.1 Performance indicators are reported in the Annual Report and Annual Accounts and these are detailed in **Appendix 3** alongside targets from the previous Service Plan for 2021/22 and the proposed targets for 2022/23.

9.2 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.

10. Budget 2022/23

10.1 The Budget in **Appendix 4** set out the financial resources require to meet the service objectives and deliver the proposed work plan for 2022/23. The exact level of budget required will depend on the level of staff pay award agreed for 2022/23.

Designation: Head of Corporate Finance

Date: 27 January 2022

Author: Edward Foster

Appendix 1 – Highland Council Pension Fund Work Plan 2022/23

PENSIONS ADMINISTRATION

Ref	Task	Deadline	Basis of requirement
1.1	Year-end info from employers Receive all pension data from fund employers.	13 May 2022	Admin strategy statement
1.2	Update Pension system with employer information Verify and load data onto system.	30 June 2022	Agreed with Actuaries
1.3	Pension increase (Payroll system) Update pension records on Payroll with Pension increase.	30 April 2022	Statutory
1.4	Pension increase (Pension system) Update pension records with Pension increase.	30 April 2022	Statutory
1.5	Pension Increase letter /Annual newsletter Electronic correspondence to pensioners informing them of annual increase and newsletter with general items of interest.	30 April 2022	Admin strategy statement
1.6	Accounting reports Delivering info to Actuaries for preparation of annual returns for employers.	Depends on Employers' year-end requirements	Admin strategy statement
1.7	Annual Pension Statements / Annual Newsletter Details of benefits accrued to previous year end and future projection. Newsletter providing scheme updates such as regulation changes and general items of interest. Both published online.	31 Aug 2022	Statutory
1.8	Pension Savings Statements issued to members who have breached HMRC Annual Allowance limits	6 Oct 2022	Statutory
1.9	Quarterly returns to HMRC Government Gateway return on specific payments.	Quarterly	Statutory
1.10	Annual return to HMRC Government Gateway return on specific payments.	31 Jan 2023	Statutory
1.11	Annual return to the Pension Regulator Compliance statement.	30 Sept 2022	Statutory
1.12	Valuation Ongoing engagement with Actuary and preparation for next valuation at 31 March 2023.	Ongoing	Statutory
1.13	Performance reporting Development of Altair Insight reporting to deliver regular reporting on the service delivery performance of the Pensions Administration team.	June 2022	Admin strategy statement
1.14	The Pensions Regulator Single Code of practice Review compliance and check controls are in place when single code is issued (applicable to both Pensions Administration and Investments and Governance).	Sept 2022	Statutory
1.15	Pensions Scams ongoing work to raise awareness of the risks of pension scams to Members.	Ongoing	Statutory

Appendix 1 – Highland Council Pension Fund Work Plan 2022/23

INVESTMENTS AND GOVERNANCE

Ref	Task	Deadline	Basis of requirement
2.1	Annual Report and Accounts Preparation of Draft Annual Report and Accounts. Develop the reporting to make more user-friendly.	30 June 2022	Statutory
2.2	Taskforce on Climate-related Financial Disclosures Develop plan to implement Taskforce on Climate- related Financial Disclosures (TCFD) disclosures and set relevant targets for reporting in 2022/23.	31 July 2022	Statutory
2.3	Annual Report and Accounts Preparation of Final Annual Report and accounts which is subject to an External Audit review.	30 Sept 2022	Statutory
2.4	Local Finance return for the pensions fund.	31 Oct 2022	Government
2.5	Monthly reconciliations of investment data Review of Fund manager transactions compared to Custodian and update financial ledger.	Monthly	Financial controls
2.6	Office of National Statistics returns Quarterly returns on Pension Fund investments and market values.	Quarterly	Government
2.7	Preparation of Investment Sub Committee reports Regular update reports and ad hoc reports as required.	Quarterly	Financial controls
2.8	Governance policy Annual update prepared and approved by Pensions Committee	29 Sept 2022	Governance
2.9	Training Annual training plan updated and presented to Pensions Committee. Training organised as required. Induction training will need to be provided for any new Committee members following the Elections.	29 Sept 2022	Governance
2.10	Risk management Risk register maintained and reported to Pensions Committee	Ongoing	Governance
2.11	Compliance Monitor changes in regulations and legislation and ensure that the Fund is compliant.	Ongoing	Governance
2.12	Cost transparency system Scheme Advisory Board (SAB) is rolling out the implementation of the Fund Manager cost database to all Scottish LGPS. Develop regular reporting on Fund Manager costs to include in Investment update report	Sept 2022	Required by SAB
2.13	Cashflow – Monitoring of cash flow position daily.	Daily	Financial
2.14	Global Equity Fund Manager Selection exercise and onboarding of the new fund manager to be completed and transition of assets to the new fund manager.	April 2022	Governance
2.15	Investment Advisor procurement Once the current asset strategy is implemented, a procurement exercise will be completed for the Investment Advisor.	Nov 2022	Procurement
2.16	Responsible investment Implementation of responsible investments policy and establishing monitoring and reporting processes. Officers will also continue to keep updated on Climate Change initiatives through membership of the Institutional Investors Group on Climate Change.	Sept 2022 Ongoing	Governance

Appendix 2 – Monitoring - Highland Council Pension Fund Work Plan 2021/22

PENSIONS ADMINISTRATION – MONITORING

Ref	Task	Deadline	Basis of requirement	Progress update
1.1	Year-end info from employers Receive all pension data from fund employers.	11 May 2021	Admin strategy statement	Complete
1.2	Update Pension system with employer information Verify and load data onto system.	30 June 2021	Agreed with Actuaries	Complete
1.3	Pension increase (Payroll system) Update pension records on Payroll with Pension increase.	30 April 2021	Statutory	Complete
1.4	Pension increase (Pension system) Update pension records with Pension increase.	30 April 2021	Statutory	Complete
1.5	Pension Increase letter /Annual newsletter Electronic correspondence to pensioners informing them of annual increase and newsletter with general items of interest.	30 April 2021	Admin strategy statement	Complete
1.6	Accounting reports Delivering info to Actuaries for preparation of annual returns for employers.	Depends on Employers' year-end requirements	Admin strategy statement	Complete
1.7	Annual Pension Statements Details of pensions accrued to previous year end and projection. Published on line.	31 Aug 2021	Statutory	Complete
1.8	Quarterly returns to HMRC Government gateway return on specific payments.	Quarterly	Statutory	Complete
1.9	Annual return to HMRC Government Gateway return on specific payments.	31 Jan 2022	Statutory	Complete
1.10	Annual return to the Pension Regulator Compliance statement.	30 Sept 2021	Statutory	Complete
1.11	Valuation Conclusion of fund valuation and contribution rate setting exercise	Ongoing	Statutory	Complete
1.12	GMP reconciliation Comparing scheme and HMRC GMP details.	Ongoing	Statutory	Complete
1.13	Shared Cost AVC Scheme Implementation of scheme from April 2021.	April 2021	Governance	Complete
1.14	(NEW) Employer training sessions 22/23 Employer training sessions to be held as follows: <ul style="list-style-type: none"> • Pensionable Pay and Assumed pensionable Pay (09/02/22) • Fundamental Employer Responsibilities (24/02/22) • Ill Health Retirement (Best Practice) (09/03/22) 	March 2022	Governance Statutory	Ongoing
1.15	(NEW) Pensions Scams guidance Pensions Scams guidance available to Members online which was updated in line with guidance from the LGA.	Dec 2021	Statutory	Complete

Appendix 2 – Monitoring - Highland Council Pension Fund Work Plan 2021/22

INVESTMENTS AND GOVERNANCE

Ref	Task	Deadline	Basis of requirement	Progress update
2.1	Annual Report and Accounts Preparation of Draft Annual Report and Accounts.	30 June 2021	Statutory	Statutory
2.2	Annual Report and Accounts Preparation of Final Annual Report and accounts which is subject to an External Audit review.	30 Sept 2021	Statutory	Complete (30 Sept 2021)
2.3	Local Finance return for the pensions fund.	31 Oct 2021	Required by Government	Complete (12 Nov 2021)
2.4	Statement of Investment Principles Update Statement of Investment Principles (SIP) alongside triennial valuation.	March 2021	Statutory	Complete (18 Mar 2021)
2.5	Monthly reconciliations of investment data Review of Fund manager transactions compared to Custodian and update financial ledger.	Monthly	Financial controls	Complete
2.6	Office of National Statistics returns Quarterly returns on Pension Fund investments and market values.	Quarterly	Required by Government	Complete
2.7	Preparation of Investment Sub Committee reports Regular update reports and ad hoc reports as required.	Quarterly	Financial controls	Complete
2.8	Governance policy Annual update prepared and approved by Pensions Committee	22 Sept 2021	Governance	Complete (22 Sept 2021)
2.9	Training policy Annual training plan updated and presented to Pensions Committee. Training organised as required.	22 Sept 2021	Governance	Complete (22 Sept 2021)
2.10	Risk management Risk register maintained and reported to Pensions Committee	Ongoing	Governance	Ongoing
2.11	Compliance Monitor changes in regulations and legislation and ensure that the Fund is compliant.	Ongoing	Governance	Ongoing
2.12	Cost transparency system Scheme Advisory Board is rolling out the implementation of the Fund Manager cost database to all Scottish LGPS.	Ongoing	Required by SAB	Ongoing
2.13	Cashflow Monitoring of cash flow position daily.	Daily	Financial controls	Complete
2.14	Absolute Return Fund Manager to be set up The multi asset absolute return fund investment will need to be set up and processes put in place for monitoring investment performance	March 2021	Governance	Complete Man Group investment funded 24 March 2021

Appendix 2 – Monitoring - Highland Council Pension Fund Work Plan 2021/22

INVESTMENTS AND GOVERNANCE

Ref	Task	Deadline	Basis of requirement	Progress update
2.15	Multi Asset Credit Fund Manager to be set up The multi asset credit fund investment will need to be set up and processes put in place for monitoring investment performance.	June 2021	Governance	Complete Robeco investment funded October 2021
2.16	Fund Manager procurements Ongoing procurements as required to achieve strategic asset allocation.	Ongoing	Governance	Date for completion April 2022
2.17	Investment Advisor procurement Once the current asset strategy is implemented, a procurement exercise will be completed for the Investment Advisor.	March 2022	Procurement	Deadline revised to November 2022
2.18	Climate Change Officers will continue to keep updated on Climate Change initiatives through membership of the Institutional Investors Group on Climate Change.	Ongoing	Potential legal change	Ongoing
2.19	Responsible investment Workshop to be held for Pension Committee members on ethical, social and governance issues for Pension Fund.	September 2021	Governance	Complete 3 workshops held: -10 Sept 2021 -22 Sept 2021 -11 Nov 2021

Appendix 3 – Performance Indicators

Pensions Administration service delivery

The performance of the administering authority will be measured as follows. Following the development and implementation of Altair Insight performance monitoring reports (Appendix 1, task 1.13), there will be regular performance reporting against these targets to senior management and Committee.

Task	Target	Target 2020/21 % on target	Actual 2020/21 % on target	Target 2021/22 % on target	Target 2022/23 % on target
New Entrants (includes re-employments)	Issue Statutory Notice within 14 days of receipt of a new start notice.	100%	43%	85%	90%
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)	100%	16%	85%	100%
Retirements- process and pay benefits including deferred benefits coming into payment	Calculate and pay retirement lump sum benefit, including deferred into payment within 5 working days of receiving all required information from the scheme employer and/or member or date of entitlement, whichever is later.	100%	85%	100%	100%
Retirement (pension payment)	- Calculate and pay members pension benefits on the first available monthly pension pay date following receipt of all required information and following the date of members retirement	100%	85%	100%	100%
Deaths in Service	Contact next of kin within 5 days of notification being received. Calculate and pay survivor pension benefits within 10 working days of receipt of all required information and once any overpayments have been settled. (Legal requirement 2 months)	100%	92%	100%	90%
Transfers in from out with Fund	The standard is to issue statutory notice within 10 days of receipt of payment.	100%	33%	90%	95%
Transfers of pension rights out with Fund	Case to be finalised & payment made within 10 days of receipt of election payment.	100%	59%	90%	95%

Appendix 3 – Performance Indicators

Estimate of benefits	Issue within 10 days of request for all requests (both active and deferred members)	100%	54%	90%	90%
Proportion of Annual Benefits statement issued by statutory deadline (31 August)		100%	100%	100%	100%
Proportion of Pension Savings statements issued by statutory deadline (6 October)		-	-	-	100%

Employer performance

The performance of the Employer bodies will be measured as follows. Targets are as specified by regulation.

Standard	Target 2020/21 % on target	Actual 2020/21 % on target	Target 2021/22 % on target	Target 2022/23 % on target
New Start Notification – within 30 days of joining (or 10 days from first deduction if later).	100%	78%	100%	95%
Retirement information – to allow benefits to be paid on time.	100%	89%	100%	95%
Early leaver notification – within 30 days of leaving (or 10 days after last deduction if later).	100%	79%	100%	90%
Death in Service notification – within 7 days of death.	100%	92%	100%	100%
Monthly query responses - within 14 working days of Fund officer query	-	-	-	95%
Year End Queries issued to employers, responses – within 14 days.	100%	100%	100%	95%

Investments and Governance

Standard	Target 2020/21	Actual 2020/21	Target 2021/22	Target 2022/23
Long term objective is to achieve a real rate of return of 3-4% per annum on average.	<i>Achieve</i>	Achieved	<i>Achieve</i>	<i>Achieve</i>
Achieve performance benchmark over a 5-year rolling period.	<i>Achieve</i>	Achieved	<i>Achieve</i>	<i>Achieve</i>
Audit of annual accounts	<i>Unqualified Audit opinion</i>	Unqualified Audit opinion	<i>Unqualified Audit opinion</i>	<i>Unqualified Audit opinion</i>
Governance policy updated annually	<i>Achieve</i>	Achieved	<i>Achieve</i>	<i>Achieve</i>
Training policy updated annually	<i>Achieve</i>	Achieved	<i>Achieve</i>	<i>Achieve</i>

Appendix 3 – Performance Indicators

Funding position at triennial valuation	<i>100%</i>	101%	<i>100%</i>	<i>100%</i>
Risk policy updated annually	<i>Achieve</i>	Achieved	<i>Achieve</i>	<i>Achieve</i>
All staff to complete 2 days training annually	<i>Achieve</i>	Achieved	<i>Achieve</i>	<i>Achieve</i>
All Pensions Committee and Pensions Board member to complete 2 sessions training annually.	<i>Achieve</i>	Achieved	<i>Achieve</i>	<i>Achieve</i>

Appendix 4 Budget 2022/23

	Annual Budget 2021/22	Forecast Year End 2021/22	Proposed Annual Budget 2022/23
<u>Administrative expenses</u>	£000	£000	£000
Medical exams (staff)	5	5	5
Conference & seminar expenses (includes subsistence)	1	0	1
Subscriptions to organisations	5	5	5
ICT charges	1	1	1
Bank charges	2	1	2
Other charges (pension levy, tax certification costs)	3	1	3
<u>Pensions administration costs</u>			
Pensions administration staff	774	685	801
GMP	100	70	50
Computer and ICT	261	300	300
Fares, travel, accommodation	1	0	1
Printing and stationery	4	1	2
Postages	11	6	8
Other Pension Admin costs (subscriptions, insurance)	8	8	8
Total	1,176	1,083	1,187
<u>Oversight and governance</u>			
Actuarial Fees	100	100	100
Audit Fees	30	32	33
Central Support - Pensions Investment	230	200	230
Training	5	0	5
Subsistence and travel	0	0	0
Investment Consultant Fees	100	100	75
Performance Management Fees (custodian)	23	23	30
Legal Expenses	5	35	10
Total	493	490	483
<u>Management fees</u>			
Investment expenses	335	335	350
Custodian Fees	85	100	100
Transaction costs	330	330	350
<u>Fund Manager fees</u>			
Unitised insurance policies	200	200	200
Equities	3,500	4,000	4,800
Bonds	300	300	300
Property	400	400	500
Private equity	3,500	3,500	3,700
Property debt	300	300	300
Total	8,950	9,465	10,600
Overall total	10,619	11,038	12,270