

<b>Agenda Item</b>	<b>8</b>
<b>Report No</b>	<b>PC/6/22</b>

## **HIGHLAND COUNCIL**

**Committee:** Pensions Committee

**Date:** 14 February 2022

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

**Report By:** Head of Corporate 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 Members are asked to:

- i. Consider the details of the report

### **3. Implications**

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

### **4. Introduction**

- 4.1 The Highland Council is the Administering Authority for the Highland Council Pension Fund. In addition to the Highland Council, 26 employers participate as admitted or scheduled Bodies in the Fund.
- 4.2 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.

**5. Scheme Employers Pension Contributions**

- 5.1 Pension contributions received from employers are checked for accuracy against known parameters and the dates received are recorded and monitored.
- 5.2 Contact is made with an employer in instances where payments are received late or not to the expected value.
- 5.3 Contributions from scheme employers are all being received on time and all contributions are up to date. There has been no delay in payments as a result of COVID-19.

**6. Employers Leaving the Fund**

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

The fund continues to work with WIPRO to manage the cessation of the admission agreement as part of the transfer of service back to the Council.

**7 Employers joining the Fund**

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

An initial enquiry has been received from a scheme employer to discuss the possibility of merging employees from other LGPS funds into the Highland Fund. Any such move would be fully guaranteed by the Scottish Government and would not create a risk to the Fund.

Any further updates will be reported to this Committee.

**8 Pension Fund Costs**

- 8.1 The Pension Fund Annual report for 2019/20 included a report on financial performance against budget. This is to comply with the CIPFA guidance, "Preparing the annual report guidance for Local Government Pension Scheme Funds" (April 2019).
- 8.2 The year-to-date pension costs from 1 April 2021 to 31 December 2021, are presented in the table on the next page against the budget for 2021/22. As at the end of December 2021, forecast year-end expenditure is anticipated to be above budget and the position is shown in the following table. This is mainly due to higher than anticipated Fund Manager fees due markets performing well to December 2021.

	Actual year to date	Annual budget	Year-end estimate	Year-end variance

	£000	£000	£000	£000
<u>Administrative expenses</u>				
Medical exams (staff)	2	5	5	0
Conference & seminar expenses (includes subsistence)	0	1	0	(1)
Subscriptions to organisations	3	5	5	0
ICT charges	0	1	1	0
Bank charges	0	2	1	(1)
Other charges (pension levy, tax certification costs, debt collection)	0	3	1	(2)
<u>Pensions administration costs</u>				
Pensions administration staff	513	774	685	(89)
GMP	51	100	70	(30)
Computer and ICT	209	261	300	39
Fares, travel, accommodation	0	1	0	(1)
Printing and stationery	0	4	1	(3)
Postages	3	11	6	(5)
Other pensions admin costs (phone, insurance, subscriptions)	0	8	8	0
<b>Total</b>	<b>781</b>	<b>1,176</b>	<b>1,083</b>	<b>(93)</b>
<u>Oversight and governance</u>				
Actuarial Fees	55	100	100	0
Audit Fees	11	30	32	2
Central Support - Pensions Investment	0	230	200	(30)
Training	0	5	0	(5)
Subsistence and travel	0	0	0	0
Investment Consultant Fees	59	100	100	0
Performance Management Fees	13	23	23	0
Legal Expenses	29	5	35	30
<b>Total</b>	<b>167</b>	<b>493</b>	<b>490</b>	<b>(3)</b>
<u>Management fees</u>				
Investment expenses	124	335	335	0
Custodian Fees	50	85	100	15
Transaction costs	0	330	330	0
<u>Fund Manager fees</u>				
Unitised insurance policies	37	200	200	0
Equities	2,068	3,500	4,000	500
Bonds	73	300	300	0
Property	239	400	400	0
Private equity	0	3,500	3,500	0
Property debt	0	300	300	0
<b>Total</b>	<b>2,591</b>	<b>8,950</b>	<b>9,465</b>	<b>515</b>
<b>Overall total</b>	<b>3,539</b>	<b>10,619</b>	<b>11,038</b>	<b>419</b>

- 9.1 Pension schemes, including those in the public sector, are required to undertake a data reconciliation exercise with HMRC. 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 reconciliation exercise for the Highland Council Pension Fund is now complete and has identified the following corrective action.

### **Pensions in Payment**

31 underpayments with arrears of circa £34k paid January 2022, the cost of which is met by the Fund.

118 overpayments. National guidance is to preserve the current rate therefore no recovery to be made.

### **Pensions not yet in payment**

Active employees -1319 records to be updated

Deferred pension- 542 records to be updated.

For pensions not yet in payment this exercise is of an administrative nature. The Fund is discussing the options around an automated process to update records with the Pension system provider.

## **10 Additional Voluntary Contribution (AVC'S)**

- 10.1 Prudential has been the appointed Additional Voluntary Contribution (AVC) provider to the Highland Council Pension Fund since 1989.
- 10.2 To maximise the range of benefits offered to employees, Highland Council has entered into an agreement with AVC wise (a company specialised in this discipline) to provide a Shared Cost AVC scheme to qualifying scheme members.
- 10.3 The Council has however become aware that there have been some administration issues with the new scheme and is working with Prudential to have these resolved. There is no financial impact to participants.

Designation: Head of Corporate Finance

Date: 17 January 2022

Author: Charlie MacCallum

Background Papers: