

<b>Agenda Item</b>	<b>4</b>
<b>Report No</b>	<b>PC/2/23</b>

## **HIGHLAND COUNCIL**

**Committee:** Pensions Committee

**Date:** 16 February 2023

**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.

## **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. One pension scheme member remains an employee of WIPRO until the end of the contract and then will revert to Highland Council.

## **7 Employers joining the Fund**

- 7.1 No employers have joined the Fund since the last report.
- 7.2 The transfer of Highlands and Islands Enterprise members to the Highland Council Pension Fund was completed in October 2022 to merge membership across other LGPS funds into the Highland Council Pension Fund. This move is fully guaranteed by the Scottish Government and will not create a risk to the Fund.
- 7.3 Discussions are ongoing with West Highland College regarding entry to the scheme and arranging a suitable guarantee.

## **8 Pension Fund Costs**

- 8.1 The Pension Fund Annual report for 2021/22 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 2022 to 31 December 2022, are presented in the table on the next page against the budget for 2022/23. As at the end of December 2022, forecast year-end expenditure is anticipated to be under budget with forecast underspend on staff costs, GMP and postages and overspends against tax and legal expenses due to Taiwan tax reclaim costs as shown in the following table.

	Actual year to date 22/23 £000	Annual Budget 22/23 £000	Year-end estimate 22/23 £000	Year-end variance 22/23 £000
<u>Administrative expenses</u>				
Medical exams (staff)	1	5	5	0
Conference & seminar (includes subsistence)	0	1	1	0
Subscriptions to organisations	5	5	5	0
Bank charges	0	2	2	0
Other charges (pension levy, tax certification costs)	0	3	3	0
Pensions administration staff	559	801	770	(31)
Central support charge (internal ICT support, property costs, payroll, business support)	*	*	150	*
GMP	1	50	10	(40)
Computer and ICT (external providers)	203	301	301	0
Fares, travel, accommodation	0	1	1	0
Printing and stationery	1	2	2	0
Postages	2	8	4	(4)
Other pensions admin costs	8	8	8	0
<b>Total</b>	<b>780</b>	<b>1,187</b>	<b>1,262</b>	<b>(75)</b>
<u>Oversight and governance</u>				
Actuarial Fees	52	100	100	0
Audit Fees	0	33	33	0
Pension Investments and Accounting staff	135	230	180	(50)
Central support charge (internal ICT support, internal audit, payroll, business support)	*	*	20	*
Training	0	5	5	0
Subsistence and travel	0	0	0	0
Investment Consultant Fees	56	75	80	5
Performance Management Fees	8	30	30	0
Tax and Legal Expenses	17	10	17	7
<b>Total</b>	<b>268</b>	<b>483</b>	<b>465</b>	<b>(38)</b>
<u>Management fees</u>				
Investment expenses	231	350	350	0
Custodian Fees	23	100	100	0
Transaction costs	0	350	350	0
<u>Fund Manager fees</u>				
Unitised insurance policies	37	200	200	0
Equities	1,776	4,800	4,800	0
Bonds	170	300	300	0
Property	274	500	500	0
Private equity	0	3,700	3,700	0
Property debt	0	300	300	0
<b>Total</b>	<b>2,511</b>	<b>10,600</b>	<b>10,600</b>	<b>0</b>
<b>Overall total</b>	<b>3,559</b>	<b>12,270</b>	<b>12,327</b>	<b>(113)</b>

\* From 2023/24, there will be a budget set for central support charges (calculated at the year end and cover internal ICT support, property costs, payroll costs and business support).

## **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. 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 complete and final reviews are being undertaken of 118 cases. The remedy is that any negatively affected pensioners have received arrears payments with interest; and any incomplete GMP details for active and deferred members will be uploaded, in the near future.

## **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 been working with Prudential to resolve administration issues with the new AVC scheme and these have mostly been resolved. There is no financial impact to participants.

Designation: Head of Corporate Finance

Date: 6 February 2023

Author: Edward Foster, Head of Corporate Finance

Background Papers: