

**The Highland Council
Pensions Committee and Pension Board**

Minutes of Meeting of the **Pensions Committee and Pension Board** held in the Chamber, Council Headquarters, Glenurquhart Road, Inverness on **Thursday 16 February 2023 at 10.30am.**

Present:

Pensions Committee

Mr C Ballance
Mr R Gale
Ms L Kraft (remote)
Mr D Louden (remote)
Mr T MacLennan
Mr P Oldham
Mrs M Paterson

Pension Board

Mr G MacKenzie, The Highland Council
Mr C Munro, The Highland Council (remote)
Mr D MacSween, Unison (remote)
Ms E Johnston, GMB

Non Member

Mr M Baird

Officials in attendance:

Mr E Foster, Head of Corporate Finance, Resources & Finance Service
Mr J Campbell, Senior Auditor, Performance & Governance
Ms C Strachan, Principal Accountant, Resources & Finance
Mrs L Dunn, Joint Democratic Services Manager, Performance & Governance Service
Mr A MacInnes, Committee Officer, Performance & Governance Service

Also in attendance:-

Mr M Oliphant, Audit Director, Audit Scotland
Mr C Gardner, Senior Audit Manager, Audit Scotland
Mr A Wallace, Audit Scotland

An asterisk in the margin denotes a recommendation to the Council. All decisions with no marking in the margin are delegated to the Committee.

Mr T MacLennan in the Chair

BUSINESS

**1. Apologies for Absence
Leisgeulan**

Apologies for absence were intimated on behalf of Mr B Lobban, Mr A MacDonald and Mr A Sinclair of the Pensions Committee, Mr N MacDonald and Mr R Fea of the Pension Board.

**2. Declarations of Interest
Foillseachaidhean Com-pàirt**

There were no declarations of interest.

**3. Service Plan 2023/24
Plana Seirbheis 2023/24**

There was circulated Report No. PC/1/23 by the Head of Corporate Finance.

The report detailed changes to the staffing structure for the administration of the Pension Fund; the implementation of Member Self Service to improve customer service and process efficiency and work plans for the Pension Board, Pension Committee and Investment Sub Committee. As the pension fund and number of members in it had increased, so had the complexity in administering the fund and its investments. The new proposed staffing structure aimed to address this to ensure it was fit for purpose.

It was highlighted that the Pension Fund had been a great success over a number of years for which was down to the hard work and professionalism of staff and the Pension Fund Adviser, AON. The Council had also been very fortunate to have had the services of Mr Ben Thompson the former Chair of the Investment Sub Committee who had much valued experience in the investment sector.

In terms of the review of employers' contributions there should be caution if employers ask for a break in payments due to difficult financial circumstances as it would be difficult to make up for those contributions in future. It was hoped that the Committee was not looking at sanctioning any breaks in payment schemes for employers as the fund needed to be protected for its members. It was advised that there was a legislative requirement that if there was a significant change to liabilities or covenant, the Fund or Employers' can request a review of contributions. Therefore, there was a need to ensure that within the Funding Strategy Statement a policy was developed that would deal with any situations of this nature, so that there was no detriment to the Fund. This policy would be submitted to the Committee for approval as part of the Funding Strategy Statement.

It was welcomed that systems for strengthening reporting of climate related financial disclosures would be implemented. The new post of Training, Development and Communications Manager would be very beneficial to both staff, Members of the Committee/Board and Employers.

It was suggested that the Plan reflects the length of time required to engage with internal and external audit, which could be extensive. Also, the target should be 100% (rather than 95%) for retirement information to allow benefits to be paid on time. The Committee supported these changes.

The Committee **APPROVED** the:-

- i. Pension Fund Service Plan 2023/24, subject to it being amended as follows
a) the Plan reflect the length of time required to engage with internal and external audit, and b) the target be 100% for retirement information to allow benefits to be paid on time;
- ii. new post of Pension Fund Manager to manage risks associated with senior personnel changes (section 6 of the report);
- iii. Pension Fund proposed staffing structure and budget for 2023/24 (section 6, 7 and 8 of the report);

- iv. budget to support the implementation of Member Self Service to improve customer service and process efficiency; and
- v. work plans for the Pensions Board, Pensions Committee and Investment Sub Committee.

4. Pension Fund Contributions and Administration Tabhartasan agus Rianachd Maoin Peinnsein

There was circulated Report No. PC/2/23 by the Head of Corporate Finance which updated Members on matters relating to the administration of the Highland Council Pension Fund

It was highlighted that contributions from scheme employers were all being received on time and all contributions were up to date. Also, the transfer of Highlands and Islands Enterprise members to the Highland Council Pension Fund was completed in October 2022. This move was fully guaranteed by the Scottish Government and would not create a risk to the Fund. Discussions were ongoing with West Highland College regarding entry to the scheme and arranging a suitable guarantee. The guaranteed minimum pension comparison exercise was nearing completion and this would ensure that both details of guaranteed minimum pensions and periods of contracted out service, which were used to determine entitlement to the new single state pension, were up to date and robust.

The Committee **NOTED** the details of the report.

5. Draft Annual Audit Plan 2022/23 (External Audit Report) Dreachd Phlana Sgrùdaidh Bliadhnail 2022/23 (Aithisg Sgrùdaidh bhon Taobh A-muigh)

There was a verbal report by Audit Scotland on their draft annual audit plan setting out the work they planned to undertake as part of the audit of the pension fund.

The Auditors welcomed the opportunity to work with the Committee/Board and Officers on the external audit. They had completed the handover arrangements with the former external auditor, Grant Thornton and were now undertaking audit planning work. It was expected that the final audit plan would be issued in a few weeks time. The Auditors would report back to the Committee/Board in September 2023 at the final accounts stage.

The Committee **NOTED** the update on the draft Annual Audit Plan 2022/23 (External Audit Report).

6. Internal Audit In-Sgrùdadh

6a Highland Council Pension Fund Internal Audit Annual Plan 2023/24 Plana Bliadhnail In-Sgrùdadh Maoin Peinnsein Chomhairle na Gàidhealtachd 2023/24

There was circulated Report No. PC/3/23 by the Strategic Lead (Corporate Audit & Performance) which provided the audits contained in the 2023/24 Internal Audit Plan.

It was queried if the Fund's Environmental, Social and Governance requirements would be monitored to ensure they were properly observed in investments. An undertaking was given to consider this in the scope of the audit.

The Committee:-

- i. **APPROVED** the 2023/24 Audit Plan; and
- ii. **NOTED** that consideration in the scope of the audit would be given to monitoring how the Fund's Environmental, Social and Governance requirements were being properly observed in investments.

6b Highland Council Pension Fund Internal Report - Audit of Pension Fund Contributions
Aithisg In-Sgrùdaidh Bliadhnail Maoin Peinnsein Chomhairle na Gàidhealtachd

There was circulated Report No. PC/4/23 by the Strategic Lead (Corporate Audit & Performance) which provided the audit review of Pension Fund Contributions.

It was a concern that there was a backlog in contribution records being kept up to date and reassurance was sought that there were targets to reduce this backlog in record keeping. It was advised that the target date for completion of the backlog in contribution records was 30 June 2023 and this would be monitored by the audit team to ensure progress had been made. The revised structure for the pensions team and additional resources in the team should address the issue of backlogs and updates on progress would be submitted in future reports to the Committee.

All employers were asked to complete a certificate of assurance and only a limited number had done so. It was queried what action was being taken to ensure employers were completing the certificate of assurance or were joining i-connect direct payroll transfer system. It was advised that certificate of assurance were only issued to employers not using the i-connect system and therefore it was only NHS Highland and University of Highlands and Islands that certificates were required. It was planned to have all employers join i-connect which had checks in place to provide assurance, so employers did not have to provide certification.

The Committee **NOTED** the content of the report and the audit opinion provided.

7. Risk Management Update
Fios às Ùr mu Rianachd Chunnairt

There was circulated Report No. PC/5/23 by the Head of Corporate Finance which provided an update on the Fund's risk register and compliance with the Pension Fund Regulator requirements on internal controls.

The significant risks to the Pension Fund were highlighted as staffing resources

and inflation. Having appropriately qualified and experienced staff was very important for the Pension Fund which was a specialist area and the new staff structure for the pensions team aimed to address the resources required to administer the Fund. Inflation was very high at present and this had an impact on the Fund. Increasing inflation would increase pension liabilities as these were inflation linked, with a potential increase to employer contributions. It was hoped that inflation would drop over the course of the year. As part of the triennial actuarial valuation to be completed by the Fund's Actuary as at 31 March 2023, assumptions about future inflation and its potential impact on liabilities and employer rates as well as on investment returns would be considered.

It was welcomed that all the risks were being managed well and stayed as minimal as possible and thanks for this were extended to Officers.

The Committee **NOTED** the updated risk register extract and compliance with the Pension Fund Regulator requirements.

Mr Ed Foster, Head of Corporate Governance

The Chair advised that Mr Ed Foster was leaving the Council at the beginning of March and on behalf of the Committee/Board extended his thanks to Ed for all his hard work and professionalism in his support of the work of the Committee/Board. Ed had always been very approachable and had always provided sound advice and knowledge to the Committee/Board on Pension Fund matters. Ed had been a pleasure to work with and while everyone was sorry to see him depart the Council, they wished him well for the future in his new employment.

The Committee/Board extended their appreciation to Ed in the usual manner.

Ed thanked the Committee/Board for the kind words and gave his own thanks to the Committee/Board who had been a pleasure to work with and extended his thanks and appreciation to the Finance team who were very much valued.

The meeting ended at 11.30 a.m.