

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

Minutes of Meeting of the **Pensions Committee and Pension Board** held in the Council Chamber, Council Headquarters, Glenurquhart Road, Inverness on Thursday 21 September, 2023 at 10.30 am.

Present:

Pensions Committee

Mr C Ballance
Ms L Kraft (remote)
Mr B Lobban
Mr D Louden (remote)
Mr T MacLennan (Chair)
Mr P Oldham
Mrs M Paterson
Mrs T Robertson
Mr A Sinclair

Pension Board

Mr G MacKenzie, The Highland Council
Mr C Munro, The Highland Council
Mr R Fea, representative for the other Employers (remote)
Mr D MacDonald, Unison (substitute) (remote)

Non-Members also present:

Mr M Baird (remote)
Dr C Birt (remote)
Mr P Logue

Officials in attendance:

Mr B Porter, Head of Corporate Finance, Resources & Finance Service
Mr S Fraser, Head of Legal and Governance, Performance & Governance
Mr J Gibson, Joint Secretary (Trade Unions' Side)
Ms C Strachan, Principal Accountant, Resources & Finance
Ms A Scott, Technical and Communications Officer, Resources & Finance
Mr J Thurlbeck, Corporate Audit Manager, Performance & Governance
Mr P Hankinson, Senior Auditor, Performance & Governance
Miss M Murray, Principal Committee Officer, Performance & Governance Service
Mr A MacInnes, Interim Senior Committee Officer, Performance & Governance Service

Also in attendance:

Mr M Oliphant, Audit Director, Audit Scotland
Mr C Gardner, Senior Audit Manager, Audit Scotland
Mr R Bilton, Hymans Robertson

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 J Bruce and Mr R Gale of the Pensions Committee, and Ms E Johnston and Mr D MacSween of the Pension Board.

**2. Declarations of Interest/Transparency Statement
Foillseachaidhean Com-pàirt**

There were no Declarations of Interest or Transparency Statements.

**3. Recess Powers
Cumhachdan Fosaidh**

The Committee **NOTED** that the recess powers granted by the Council at its meeting on 29 June 2023 had not been exercised in respect of this Committee.

**4. Audited Accounts 2022/23 – External Audit
Cunntasan Sgrùdaichte 2022/23 – Sgrùdadh bhon Taobh A-muigh**

An update on the progress of the audit for the Highland Council Pension Fund Accounts 2022/23 was provided by the external auditors, Audit Scotland. It was confirmed that the audit was well underway and the draft Accounts had been received in accordance with the timescale in the audit plan. It had been intended to bring conclusions and audit opinion on the draft Accounts to this meeting but due to staffing capacity issues within Audit Scotland it had not been possible to conclude the audit work. Instead it was intended to present an e-mail update on conclusions and audit opinion to Members of the Committee/Board in November, 2023 with the annual audit report being submitted to the Committee/Board meeting in February, 2024 for formal consideration. It was intended that the 2023/24 audit would be carried out within the timescales in the annual audit plan.

The Committee **NOTED** the update on progress of the audit for the Highland Council Pension Fund Accounts 2022/23.

**5. Governance Policy Statement 2023/24
Aithris Poileasaidh Riaghlaidh 2023/24**

There had been circulated Report No. PC/6/23 by the Head of Corporate Finance. It was highlighted that there were no significant changes in the Government Policy Statement, but that it was good practice to submit the statement to the Committee/Board to show the key strategies, policies and procedures that the Fund was required to hold. It also highlighted useful information such as the role of Pensions Committee Members and their fiduciary duty to scheme beneficiaries, which must always be put before the interests of individuals, individual groups or sectors represented on the Committee.

The Committee **APPROVED** the Highland Council Pension Fund Governance Policy Statement.

**6. Internal Audit
In-Sgrùdadh**

**6a. Highland Council Pension Fund Internal Audit Annual Report 2022/23
Aithisg Bhliadhnaile In-Sgrùdaidh Maoin Peinnsein Chomhairle na Gàidhealtachd 2022/23**

There had been circulated Report No. PC/7/23 by the Strategic Lead (Corporate Audit & Performance). The report detailed an assessment of the Pension Fund's framework of governance, risk management and control, and the associated

opinion which provided information for the Fund's Annual Governance Statement. There was an overall audit opinion of reasonable assurance in the report.

In terms of the audit on payments this carried an audit opinion of substantial assurance and not full assurance as incorrectly stated in the report. This did not affect the overall audit opinion.

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

**6b Internal Audit Report – Pension Fund Payments
Aithisg In-Sgrùdaidh – Pàighidhean Maoin Peinnsein**

There had been circulated Report No. PC/8/23 by the Strategic Lead (Corporate Audit & Performance) relating to an internal audit report on Pension Fund payments and, overall, there was an audit opinion of substantial assurance.

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

**7. Pension Fund Contributions and Administration
Tabhartasan agus Rianachd Maoin Peinnsein**

There had been circulated Report No. PC/9/23 by the Head of Corporate Finance providing an update on matters relating to the administration of the Highland Council Pension Fund.

The Head of Corporate Finance gave a summary of the report and highlighted key areas including the implementation of the new staffing structure for the pensions team; the integrated Altair Pensioner Benefits Administration system and a new payroll and pension system; and Employers joining the Pension Fund.

In discussion, the pressures facing the pensions team were highlighted and the importance of implementing the new staffing structure was emphasised. Staff were commended for all their hard work on Pension Fund matters.

In response to a query that the year-to-date figures seemed low on the budget monitoring statement to the end of August, 2023, it was advised that there was a time lag in some of the costs that ultimately fell on the Pension Fund and there would be recharge costs from the Council at the financial year end.

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

**8. Highland Council Pension Fund: Monitoring of Retirements
Maoin Peinnsein Chomhairle na Gàidhealtachd: Sgrùdadh Cluaineis**

There had been circulated Report No. PC/10/23 by the Head of Corporate Finance relating to retirements from The Highland Council Pension Fund for the year ended 31 March 2023.

Reference was made to members of staff and Elected Members who had reached the age of 75 and therefore were no longer eligible to be members of the pension scheme and would not be eligible for death in service benefit. It was common now for Elected Members to be in office well over the age of 75. This matter was not in the control of the Pension Committee as pension regulations defined the maximum age of 75 and it was requested that representations be made to the Scottish Public Pensions Agency requesting a review of the maximum age of membership of the

pension scheme.

The Committee:-

- i. **AGREED** that the Chair of the Committee write to the Scottish Public Pensions Agency requesting a review of the maximum age for membership of the Local Government Pension Scheme; and
- ii. **NOTED** the details of the retirements as outlined in the appendices to the report.

9. Training Policy and Training Plan 2023/24 Poileasaidh Trèanaidh agus Plana Trèanaidh 2023/24

There had been circulated Report No. PC/11/23 by the Head of Corporate Finance which set out the training policy for the Highland Council Pension Fund, applying to both officers responsible for supporting the Fund and Members of the Pensions Board, Committee and Investment Sub-Committee.

It was highlighted that the training plan could be adjusted to accommodate any particular training needs of Members/officers.

The Committee:-

- i. **NOTED** the LGPS Skills and Knowledge Statement (Appendix 1) which had been adopted by the Fund in September 2022 in accordance with the CIPFA Code of Practice Knowledge and Skills (2021);
- ii. **NOTED** the Fund's approach to training (section 6) which incorporated the CIPFA Knowledge and Skills Framework core areas (Appendix 2) and the CIPFA self-assessment matrix (Appendix 3);
- iii. **NOTED** the training resources provided by The Pensions Regulator (TPR) alongside the recommendation from the Scottish Public Pensions Agency (SPPA) that Board and Committee Members should be required to complete TPR training as part of their induction (section 8);
- iv. **NOTED** the training delivered to date on Pension Fund matters (section 9 and Appendix 4) and that details of attendance were included in the Annual report and accounts (section 11); and
- v. **AGREED** the training policy and programme for 2023/24 set out within the report (section 10).

10. Risk Management Update Fios às Ùr mu Rianachd Chunnairt

There had been circulated Report No. PC/12/23 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.

It was highlighted that there was an additional risk (Altair Member Self Service and Pensioner payroll/Tech One implementation) which highlighted that any delays in the Altair Member Self Service and Pensioner payroll system and Tech One financial ledger implementation could have a significant impact due to key dependencies between the two projects. It was explained that progress on the implementation of both the Tech One and Altair projects would be regularly monitored by the People and Finance Systems Programme Board and updates provided in future reports to this Committee.

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

11. Progress update – triennial actuarial valuation 2023
Fios às ùr mu adhartas – luachadh achdaireach tri-bhliadhna 2023

There had been circulated Report No. PC/13/23 by the Fund's Actuary, Hymans Robertson which provided an update on the Pension Fund's triennial actuarial valuation as at 31 March, 2023. An overview of the report and key highlights was provided by Mr R Bilton, Hymans Robertson. By way of summary, it was highlighted that at 31 March 2023, the reported funding position had improved from 100% at the last valuation to 135%; the required investment return to be 100% funded had fallen from 3.2% at 2020 to 3.0% per annum at 2023; and the likelihood of the Fund's investment strategy achieving the required return was 93% (compared to 75% at 2020).

In discussion, the strong fund position compared to 2020 was welcomed by Members and showed that the Pension Fund was well managed and, in particular, the former Chairs of the Investment Sub-Committee, Staff and the Fund's Investment Advisor were thanked for their efforts in this respect. The effect on the Fund of inflation was highlighted and the risks associated with inflation had been factored into the actuarial valuation.

In terms of the assumptions used for future investment returns, it was advised that computer modelling was undertaken for the performance of various asset classes, such as UK equity, over the next 20 years. This took account of current and forecasted long-term economic conditions. This analysis was merged with the Funds investment strategy which gave a distribution of what future investment returns could be for the Fund.

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

12. Investment Sub Committee Membership
Ballrachd Fo-Chomataidh Tasgaidh

At the Highland Council meeting on 29 June 2023, Mrs T Robertson had replaced Mr A MacDonald on the Pensions Committee. The Committee **AGREED** that Mrs T Robertson replace Mr A MacDonald on the Investment Sub-Committee to fill the vacant Liberal Democrat group position on the Sub-Committee.

The meeting ended at 11.50 am.