

**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 22 February, 2024 at 10.30 am.

Present:

Pensions Committee

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

Pension Board

Mr G MacKenzie, The Highland Council
Mr C Munro, The Highland Council
Mr N MacDonald, Comhairle nan Eilean Siar(remote)
Mr R Fea, representative for the other Employers (remote)
Ms E Johnston, GMB
Mr D MacDonald, Unison (substitute) (remote)

Non-Members also present:

Ms M Ross (remote)

Officials in attendance:

Mr B Porter, Head of Corporate Finance, Resources & Finance Service
Mr J Gibson, Joint Secretary (Trade Unions' Side)
Ms C Strachan, Principal Accountant, Resources & Finance
Ms D Sutherland, Strategic Lead (Corporate Audit & Performance).
Mrs L Dunn, Joint Democratic Services Manager, Performance & Governance Service
Mr A MacInnes, Senior Committee Officer, Performance & Governance Service

Also in attendance:

Mr M Oliphant, Audit Director, Audit Scotland
Mr C Gardner, Senior Audit Manager, Audit Scotland
Ms L McInroy, Hymans Robertson, Fund Actuary

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, Mrs T Robertson and Mr R Stewart of the Pensions Committee, 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. Service Plan 2024/25 Plana Seirbheis 2024/25

There was circulated Report No. PC/1/24 by the Head of Corporate Finance.

The Head of Corporate Finance provided a summary of the report in which he highlighted key points in relation to the staffing structure of the pensions team, challenges in meeting performance targets given the increasing workload of the team, system changes that were being developed at present, workplans for the team and the budget position.

In discussion, reference was made to the staffing structure approved last year by the Pensions Committee and it was advised that good progress was being made in filling posts in that structure, details of which were provided.

In relation to the categories of implications in the report, for consistency purposes 'Island' should be included in the Community (Equality, Poverty and Rural category as it appeared elsewhere in reports. Also, in relation to the category of risk, it was anticipated that this category should have included the risk in delivering the service plan, particularly the resources to deliver the plan and this should be reflected in future reports.

Further, it was highlighted that there were a number of missed targets in the work plan and this could be strengthened to include what was being delivered and a target date for completion. In terms of performance indicators, perhaps targets could have been amended to reflect a phased approach to meeting targets given the pensions team did not yet have a full complement of staff.

By way of information, the Committee was advised that the Pension Board at their meeting held earlier had agreed that the Chair of the Board be appointed on a two yearly basis, with the next appointment to be made in February 2026.

Having heard the Head of Corporate Finance give an undertaking to reflect on the comments made on the report, the Committee **approved**:-

- i. the Pension Fund Service Plan 2024/25;
- ii. the Pension Fund budget for 2024/25 (section 9);
- iii. budget to support the implementation of the Pensioners payroll as part of the Pensions Administration system integrated solution to improve efficiency and customer service (section 9);
- iv. budget to support data cleanse during 2024 in preparation for the implementation of Pensioners payroll system and the Pensions Dashboard (section 9); 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/2/24 by the Head of Corporate Finance

providing an update on matters relating to the administration of the Highland Council Pension Fund.

The Principal Accountant gave an introduction to the report. In particular, the cyber-attack on the IT systems of Comhairle nan Eilean Siar had no impact on the pension fund and Comhairle nan Eilean Siar continued to pay their employer contributions to the fund.

Reference was made to IT costs and whether there were any proposals to bring IT services for the pension fund in-house. It was advised that there were no plans to do this given the pension benefit system was a specialist IT system. Further, the member self-service portal would initially be rolled out on a phased basis to active, deferred and then pensioner members of the pension scheme and timescales for this would be shared with Councillor D Louden.

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

**5. Highland Council Pension Fund Internal Audit Annual Plan 2024/25
Plana Bliadhnail In-Sgrùdadh Maoin Peinnsein Chomhairle na Gàidhealtachd 2024/25**

There was circulated Report No. PC/3/24 by the Strategic Lead (Corporate Audit & Performance) which provided details of the audits contained in the 2024/25 internal audit plan.

The Committee **approved** the 2024/25 Audit Plan.

**6. External Annual Audit
Sgrùdadh Bliadhnail on Taobh A-muigh**

**6a. Audited Accounts 2022/23
Cunntasan Sgrùdaichte 2022/23**

The Audited Statement of Accounts (Report No. PC/4/24) for the financial year 2022/23 were circulated.

By way of context to all three agenda items in this section, it was late in the year for the audited accounts to be submitted to the Committee due to a combination of events. There were minor changes to the recommendations for all three agenda items, which were circulated, to reflect disclosure requirements arising from the actuarial valuation. A written briefing would be provided to Members following the conclusion of this work.

Audit Scotland in speaking to all three agenda items in this section, presented their audit opinions in their draft report and the report would be finalised once the accounts were certified. The engagement in the audit process with the finance team was recognised and lessons would be learned to ensure a more timely and efficient audit process next year. Overall, Audit Scotland was satisfied with the annual accounts and was issuing an unqualified audit opinion. An action plan had been submitted where improvements could be made.

The Committee:-

- i. **approved** the Audited Accounts for 2022/23 for signature, subject to the conclusion of final audit work regarding disclosure requirements arising from

- the actuarial valuation being considered by Members; and
- ii. **noted** that a written briefing would be provided to Members of the Committee following the conclusion of that work, and provide a link to the revised Audited Accounts.

**6b Letter of Representation 2022/23
Litir Riochdachaidh 2022/23**

There was circulated Report No. PC/5/24 a copy of the annual audit letter of representation 2022/23.

The Committee **agreed** that the letter of representation be signed on behalf of the Highland Council, subject to conclusion of final audit work regarding disclosure requirements arising from the actuarial valuation being considered by Members.

**6c External Annual Audit Report to Members of the Pensions Committee and the Controller of Audit
Aithisg In-sgrùdaidh Bhliadhnail on Taobh A-muigh do Bhuill de Chomataidh nam Peinnsean agus Rianadair an Sgrùdaidh**

There was circulated Report No. PC/6/24 by the External Auditor, Audit Scotland.

In discussion, reference was made to the audit findings that attendance by Members at pensions training events should be improved and the accuracy of the finding was queried. An undertaking was given to look at the detail behind this audit finding further and any further information on this would be shared with Members. Improving the way attendance at training events was recorded would assist the accuracy of information on members attendance. The recent training event held in January had been very well attended by Members.

In terms of auditors being unable to obtain a year-end reconciliation for the pensions administration (Altair) and payroll systems which was signed and dated, it was advised there was a commitment from management to ensure there were signed and dated reconciliations at the year-end process.

The delays in providing information to the auditor on staff about to retire, which had delayed the audit process and the difficulties auditors had in their capacity to undertake audit work required to be addressed for future years.

The Committee **noted**:-

- i. the report, noting that the report is subject to the conclusion of final audit work regarding disclosure requirements arising from the Actuarial Valuation being considered by Members; and
- ii. that the audit finding at point 57 of the report in relation to Members attendance at scheduled training events, would be looked at and any further information on this would be shared with Members.

**7. Risk Management Update
Fios às Ùr mu Rianachd Chunnairt**

There was circulated Report No. PC/7/24 by the Head of Corporate Finance.

Following an introduction to the report by the Principal Accountant, it was queried if the risk relating to failure/loss of IT should be a risk rating of red rather than amber.

It was advised that in relation to the recent cyber attack on IT systems on Comhairle nan Eilean Siar IT systems, there had been an immediate response to this to prevent any risk. The RAG rating for this risk would be reviewed. Further, there was a strong link between this risk and the business continuity plan and perhaps this could be reflected in the narrative of this risk.

In relation to the climate change risk, it was queried how the RAG status would be reviewed going forward. It was advised that there were new regulatory disclosure requirements on pension funds in terms of their wider ethical, social, governance investment strategies that included matters such as climate change. Nationally there was a drive to focus more on how pension funds were disclosing their investment strategy around considerations such as climate.

In relation to the funding risk rating on the fund of green, given the effects of inflation and interest rates on the economy it was queried if this rating should be reviewed. It was advised that there were still economic challenges in terms of interest rates and inflation etc, and the actuarial valuation took a view of past events and potential future events affecting the pension fund. The fund was expected to be in a positive valuation position and this would be kept under regular review.

It was advised that a new risk appetite statement had been produced for the Council which would go to full Council on 14 March 2024 for approval. This process would also apply to pension fund investments.

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

8. **Funding Strategy Statement and Actuarial Valuation** **Aithris Ro-innleachd Mhaoineachaidh**

There was circulated Report No. PC/8/24 by the Head of Corporate Finance. Ms Laura McInroy of Hymans Robertson, the Fund Actuary was in attendance.

The Head of Corporate Finance introduced the report which provided information on the 2023 actuarial valuation process and sought approval of the funding approach outlined in the funding strategy statement. The Fund Actuary provided commentary on the actuarial valuation of the pension fund to 31 March 2023, during which thanks were extended to the finance team for their assistance during the valuation process.

Members considered the report and recommendations during which it was highlighted the work undertaken by staff was recognised to get the fund to a position of 136% funded, which was allowing a reduced employer contribution rate. In terms of the reduced employer contribution rate being proposed and a concern that this did not lead to a deficit in the funding position in future years, it was advised that there was a need to set contribution rates that were appropriate for the long term. Given the very positive funding level of the fund a modest reduction in contribution rate was proposed.

The Committee:-

- i. **noted** the overall whole Fund valuation as at 31 March 2023 included in the Report on the Actuarial Valuation as at 31 March 2023 (Appendix 1); and
- ii. **agreed** the funding approach outlined in the Funding Strategy Statement

including the assumptions used in the calculation of the Fund liabilities for the triennial valuation as at 31 March 2023 (Appendix 2).

9. Investment Sub Committee: Minutes of Meeting
Fo-chomataidh Tasgaidh: Geàrr-chunntas na Coinneimh

The minutes of the meeting of the Investment Sub-Committee held on 24 November 2023 were circulated and **approved**.

The meeting ended at 12.05 pm.