

<b>Agenda Item</b>	<b>9</b>
<b>Report No</b>	<b>PC/8/21</b>

## **HIGHLAND COUNCIL**

**Committee:** Pensions Committee

**Date:** 18 March 2021

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

**Report By:** Head of Corporate Finance and Commercialism

### **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, 28 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 and there has been no delay in payments as a result of Covid19.

**6. Employers Leaving the Fund**

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

**7 Employers joining the Fund**

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

**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 to 28 February 2021, are presented in the table on the next page against the budget for 2020/21.
- 8.3 As at the end of February 2021, forecast year-end expenditure is anticipated to be slightly below budget and the position is shown in the following table.

	Actual year to date £000	Annual budget £000	Year-end estimate £000	Year-end variance £000

<u>Administrative expenses</u>	1	5	5	0
Medical exams (staff)				
Conference & seminar expenses (includes subsistence)	0	1	0	(1)
Subscriptions to organisations	5	1	5	4
ICT charges	1	1	1	0
Bank charges	0	2	2	0
Other charges (pension levy, tax certification costs, debt collection)	0	3	3	0
<u>Pensions administration costs</u>				
Pensions administration staff	578	684	629	(55)
GMP	37	100	37	(63)
Computer and ICT	162	261	277	16
Fares, travel, accommodation	0	1	0	(1)
Printing and stationery	0	4	0	(4)
Postages	1	11	1	(10)
Other pensions admin costs (phone, insurance, subscriptions)	0	8	12	4
<b>Total</b>	<b>785</b>	<b>1,082</b>	<b>972</b>	<b>(110)</b>
<u>Oversight and governance</u>	140	80	150	70
Actuarial Fees				
Audit Fees	0	30	30	0
Central Support - Pensions Investment	0	200	160	(40)
Training	0	5	0	(5)
Subsistence and travel	0	1	0	(1)
Investment Consultant Fees	66	80	100	20
Performance Management Fees	6	23	23	0
Legal Expenses	10	5	15	10
<b>Total</b>	<b>222</b>	<b>424</b>	<b>478</b>	<b>54</b>
<u>Management fees</u>	237	335	335	0
Investment expenses				
Custodian Fees	23	85	85	0
Transaction costs	0	330	330	0
<u>Fund Manager fees</u>				
Unitised insurance policies	145	200	200	0
Equities	2,547	3,500	3,460	(40)
Bonds	215	300	287	(13)
Property	295	500	395	(105)
Private equity	0	3,500	3,500	0
Property debt	0	300	300	0
<b>Total</b>	<b>3,462</b>	<b>9,050</b>	<b>8,892</b>	<b>(158)</b>
<b>Overall total</b>	<b>4,469</b>	<b>10,556</b>	<b>10,342</b>	<b>(214)</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 identified around 1600 complex records that will require further investigation.
- 9.3 A pilot exercise on a sample of these cases is close to completion which will allow the total cost of the exercise along with the final impact on the Fund and scheme members to be reported to a future Pension Committee/Board.

## **10 Shared Cost Additional Voluntary Contribution Scheme (Salary sacrifice)**

- 10.1 Prudential has been the appointed Additional Voluntary Contribution (AVC) provider to the Highland Council Pension Fund since 1989.
- 10.2 AVCs are a popular method for members to pay extra via their salary to improve their pension benefits at retirement and take advantage of the resulting tax relief through PAYE.
- 10.3 The Local Government Pension Regulations and HMRC legislation also allow fund employers to operate an arrangement allowing AVC's to be deducted via a salary sacrifice arrange which will give participating scheme members (and their employer) an additional national insurance saving.
- 10.4 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 from April 2021. The current AVC provision will also remain in place to ensure that scheme members retain that option as a salary sacrifice arrangement may not suit all.
- 10.5 Highland Council Discretionary polices will be amended to reflect the change.

## **11 Triennial Valuation**

- 11.1 Reports on the 2020 actuarial valuation and associated Funding Strategy Statement have been provided earlier on today's meeting agenda'
- 11.2 As part of this exercise the fund has worked closely with the actuaries to communicate and liaise with Fund employers to ensure that they are fully supported through the process.
- 11.3 Agreement on contribution rates has now been reached with the majority of employers and it is expected that the exercise will be concluded prior to 31<sup>st</sup> March 2021.

Designation: Head of Corporate Finance and Commercialism

Date: 19 February 2021

Author: Charlie MacCallum

Background Papers: