

Agenda Item	6
Report No	PC/9/19

HIGHLAND COUNCIL

Committee: Pensions Committee

Date: 8 August 2019

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

Report By: 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 Implications

2.1 There are no additional implications other than those highlighted in the report.

3. Recommendations

3.1 Members are asked to:

- i. Consider the details of the report
- ii. Approve 2019/20 pension fund budget

4. Introduction

- 4.1 The Highland Council is the Administering Authority for the Highland Council Pension Fund. In addition to the Highland Council, 31 employers participate as Admitted 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.

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 will include 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 Due to the above requirement being introduced in April 2019 it was not possible to have the 2019/20 budget approved in advance of the start of the financial year (1 April 2019). Members are therefore asked to approve the budget for 2019/20 retrospectively which is in the table at section 8.4. The budget covers the management expense costs of the Pension Fund.
- 8.3 The proposed budget for 2020/21 will be reported to the first Pensions Committee in 2020 before the start of the next financial year as will all future Pension Fund budgets.

- 8.4 The year to date pension costs from 1 April to 30 June 2019, are presented in the table

below against the budget for 2019/20.

	Actual year to date £000	Annual budget £000	Year-end estimate £000	Year-end variance £000
Administrative expenses				
Medical exams (staff)	1)	5)	5)	0)
Conference & seminar expenses (includes subsistence)	0)	1)	1)	0)
Subscriptions to organisations	0)	1)	1)	0)
ICT charges	0)	1)	1)	0)
Bank charges	0)	2)	2)	0)
Other charges (pension levy, tax certification costs)	0)	2)	2)	0)
Pensions administration costs	351)	1,052)	1,047)	(5)
Total	352)	1,064)	1,059)	(5)
Oversight and governance				
Actuarial Fees	15)	50)	50)	0)
Audit Fees	0)	30)	30)	0)
Central Support - Pensions Investment	0)	146)	146)	0)
Training	0)	4)	4)	0)
Subsistence and travel	0)	1)	1)	0)
Investment Consultant Fees	0)	80)	80)	0)
Performance Management Fees (custodian)	0)	23)	23)	0)
Legal Expenses	0)	5)	5)	0)
Total	15)	339)	339)	0)
Management fees				
Investment expenses	78)	334)	334)	0)
Custodian Fees	0)	85)	85)	0)
Transaction costs	0)	330)	330)	0)
Fund Manager fees	525)	7,100)	7,100)	0)
Total	603)	7,849)	7,849)	0)
Overall total	970)	9,252)	9,367)	(5)

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 comparison exercise for the Highland Council Pension Fund is ongoing and the

match rate has risen from an initial 52% to 91% as at the end of May 2019. It is anticipated that this will increase to circa 93% when the latest matching queries have been received from HMRC.

- 9.3 The final stage of the exercise will be to
- 1) Analyse the remaining unmatched cases on an individual basis
 - 2) Understand and report the impact of the exercise on the fund and scheme members
 - 3) Agree a policy to deal with cases where GMP have been overpaid
- 9.4 Equiniti will undertake the final analysis on behalf of the Fund. The final cost of the exercise will be reported to a future Pension Committee/Board.
- 9.5 A report on the final impact on the Fund and scheme members will be presented to a future Pension Committee/Board along with the final cost of the exercise.

10 Annual Benefit Statements

- 10.1 Annual benefit statements as at 31st March 2019 will be available on line by 31st August 2019.

11 Performance Indicators

- 11.1 Performance Indicators for the 2018/19 Financial Year are reported in the Pension Fund Accounts and can be accessed via the following link.

https://www.highland.gov.uk/downloads/download/714/pension_fund_accounts

12 Statutory deadlines/compliance

- 12.1 Increasing demands and complexity around pensions as well as the increased expectations of all stakeholders and statutory national requirements has created the necessity to review staffing levels in the Administration team to ensure that it is adequately resourced and skilled to deliver the pension service to the required standard. A report will be brought to the next Committee in February 2020.

Designation: Head of Corporate Finance and Commercialism

Date: 29 July 2019

Author: Charlie MacCallum

Background Papers: