

<b>Agenda Item</b>	<b>6</b>
<b>Report No</b>	<b>PC/8/25</b>

## **HIGHLAND COUNCIL**

**Committee:** **Pensions Committee**

**Date:** **4 September 2025**

**Report Title:** **Pension Fund Administration**

**Report By:** **Chief Officer, Corporate Finance**

### **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 Pension Fund (HPF).

### **2 Recommendations**

- 2.1 Members are asked to consider this report and note the following:
- i. update on the Member Self Service (Engage) and Altair Pensioner Payroll projects (section 6)
  - ii. action being taken by officers to ensure HPF compliance with The Pension Regular (TPR) General Code of Practice and reporting in respect incorporating the McCloud remedy into Annual Benefits Statements (section 7)
  - iii. current HPF administration performance and action being taken to improve performance, with regular updates to be provided to Pensions Committee on an ongoing basis (section 8)
  - iv. update on the Pensions Bill 2024/25 (England and Wales) (section 9). Note that the Pensions Bill does not apply to Scotland and this update is provided for information only.
  - v. update on HPF Annual Report and Accounts 2024/25 and progress of the external audit being undertaken by Audit Scotland (section 12)
  - vi. update on progress on implementing and testing connection to the Pension Dashboard (section 16)

### **3 Implications**

- 3.1 There are resource implications as processes should be in place to ensure that there are adequate resources in place to support the Pensions Administration work.
- 3.2 In terms of legal implications, the governance of the HPF must comply with all Local Government Pension Scheme (LGPS) legislation and regulations and TPR requirements, or the Fund could be non-compliant and in breach of Regulator requirements.
- 3.3 The risk management framework is an integral part of governance and risks are considered as part of all the areas covered in this report. There is a Pension Fund risk register which is regularly updated, and project risk registers are in place for the Engage and Altair projects.
- 3.4 There are no Health and Safety (risks arising from changes to plant, equipment, or people) or Gaelic implications arising as a direct result of this report.

### **4. Impacts**

- 4.1 In Highland, all policies, strategies or service changes are subject to an integrated screening for impact for Equalities, Poverty and Human Rights, Children's Rights and Wellbeing, Climate Change, Islands and Mainland Rural Communities, and Data Protection. Where identified as required, a full impact assessment will be undertaken.
- 4.2 Considering impacts is a core part of the decision-making process and needs to inform the decision-making process. When taking any decision, Members must give due regard to the findings of any assessment.
- 4.3 This is a monitoring and update report and therefore an impact assessment is not required.

### **5. Introduction**

- 5.1 The Highland Council is the Administering Authority for the Highland Pension Fund. In addition to the Highland Council, 23 employers participate as admitted or scheduled Bodies in the HPF.
- 5.2 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 HPF. The statutory deadline for payment to be made is the 22<sup>nd</sup> of each month.
- 5.3 This report also includes budget monitoring for the HPF to 31 July 2025 (section 13) and an update on all relevant pensions administration matters such as performance.

## **6. Member Self Service (Engage) and Pensioner Payroll**

- 6.1 The Member Self Service (Engage) and Pensioner Payroll are part of the integrated Altair Pensioner Benefits Administration system. The Altair Pensioner Benefits Administration system provided by Heywood Limited has been used by the HPF since July 2019.
- 6.2 The Pensions Committee approved the Service Plan in February 2024 which included costs for both the implementation of Engage and the Pensioner Payroll modules in financial years 2023/24 and 2024/25 respectively. In May 2023, the People and Finance Systems Programme Board approved the project, and the Procurement Approval Group approved the contract variation with Heywood Limited.
- 6.3 The Altair payroll system successfully went live in February 2025, with the project being delivered within budget (implementation costs of £207k compared to budget of £210k). The immediate payments functionality was included in the system build and will be tested towards the end of 2025.
- 6.4 The benefits of using the fully integrated Altair Engage and pensioner payroll modules are that the modules interface within the Altair system, reducing the need for manual input and the risks associated with cross-system reconciliation. The advantages realised during the project are summarised below:
- Full integration - enhanced efficiency, improved security and cost reduction.
  - Single database - reduced risk of data discrepancy and processing errors and no need to reconcile different systems.
  - Real-Time Information (RTI) - payroll calculation results are automatically passed onto an RTI messaging maintenance facility for payroll reporting.
  - Flexible processing - a range of payment methods can be efficiently employed, as demonstrated by the supplementary Altair Immediate Payments solution.
  - Full audit trail - audit referencing is created upon processing, which augments accountability, supports data validation, and complies with external auditing requirements.
  - Interaction – the payroll module connects to Engage, meaning enrolled payees can easily view and print payroll documentation, such as Pay Advice and P60s.
- 6.5 The implementation of the Altair payroll system has meant 0.86 FTE of resource can be redirected to actioning cases and data cleansing activities, rather than payroll processing tasks which will contribute towards improving service performance.

## **7. The Pensions Regulator – General Code of Practice and reporting**

- 7.1 The Pensions Regulator (TPR) issued a revised General Code of Practice (GCoP) which was effective from March 2024. Officers reviewed compliance against GCoP and an action plan to address areas of non-compliance was approved by Pensions Committee in February 2025. There is good progress in implementing these actions with the majority on track to be completed by the target date of March 2026.

- 7.2 As part of addressing these actions, there are a number of policies that are to be developed and implemented.
- 7.3 In August, HPF officers will report to TPR in respect of not fully incorporating the McCloud remedy in HPF Annual Benefit Statements (due to be published on My Pension at the end of August 2025). This is due to the Altair Pensions Administration software system not fully incorporating the McCloud remedy in all of its system calculations. Other LGPS funds are in a similar position to some extent and will be submitting reports to TPR.

## **8. Administration performance**

- 8.1 As set out in the Annual report and accounts (page 48-54), the percentage of cases completed within the target timelines suggested by the Scheme Advisory Board in 2024/25 compared to 2023/24 has reduced i.e. the number of cases processed as a total of the outstanding cases has reduced.
- [https://www.highland.gov.uk/downloads/file/30401/unaudited\\_accounts\\_april\\_2024\\_to\\_march\\_2025](https://www.highland.gov.uk/downloads/file/30401/unaudited_accounts_april_2024_to_march_2025)

During this period, the recording of deaths and issuing communications following a death was prioritised so there was improved performance in this area, but our aim is to improve performance so that in these cases 100% is achieved against the target and overall performance is improved going forward.

- 8.2 Looking at the administration performance data for financial year 2024/25 the volume of cases being processed by the team remains similar to previous years and the percentage of cases being completed has increased in some areas (e.g. divorce and refunds), but overall performance reduced partly due to a high volume of opening outstanding cases at the beginning of the financial year caused by the following:
- complexity of the scheme caused by implementation of the McCloud remedy. Manual calculations must be completed until functionality is developed in the Altair system.
  - guidance on implementing the McCloud remedy for transfers was not received until towards the end of 2024 and during the period the processing of cases was put on hold until guidance on the remedy was received. The Altair Pensions Administration software is under ongoing development and will not fully incorporate the McCloud remedy until March 2027.
  - staff vacancies in previous financial years meant reduced capacity to resolve cases in year with cases carried forward from the previous financial year, in particular for aggregations (where members have several concurrent posts or changed role and their record has not been combined). It should be noted that aggregations records for members over 55 are prioritised to minimise delays in processing member benefits.
  - experienced staff resource has been dedicated to supporting and training new staff.

- 8.3 In 2024/25 and the current year so far, officers have taken actions to improve performance which include:
- successful staff recruitment - six members of staff in the summer of 2025 and seven members of staff in summer 2024.
  - structured training of new staff in all tasks and training, which is ongoing so that staff gain the skills and knowledge needed to achieve the required levels of competency.
  - pensions management team review and monitor of all outstanding cases weekly to identify and address issues and any inefficiencies and barriers/obstacles to performance.
  - Senior Pensions Officers allocate work weekly across the teams and review task completion regularly throughout the week.
  - the implementation of Altair payroll system in February 2025 has improved efficiency and payroll processing resource has been redirected to case completion and data cleansing with the full benefits to be realised in financial year 2025/26.
  - new quicker payments process implemented for interim period (July 2025) until immediate payments process is implemented later in 2025.
  - bulk processes implemented for new starts and member declaration form chasers (April 2025)
  - workshop held with Altair systems provider Heywood (July 2025) to identify how to maximise the use of the Altair system to improve efficiency and workflow automation e.g. extend use of bulk processing.
  - regular meetings with key employers set up to improve communication and the flow of data and information to improve data accuracy and completeness.
  - members can now complete retirement and other processes more efficiently without having to save or print off and email forms. From early August 2025, members can complete processes using the electronic forms on My Pension (effective from early August 2025) and the upload functionality.
- 8.4 As part of regular reporting, officers will provide current data on case volumes and number of cases actioned which are set out in the table below. There has been an overall net improvement since 1 April 2025 of 350 cases with there being 7,058 outstanding cases still to be processed at the end of July.

#### KPI PROCESSES

Month	Outstanding (O/S) at Period Start	New tasks created in Period	Total Cases	Completed by End of Period	Outstanding at End of Period	% of total O/S tasks completed	Overall change in O/S cases (month)	Overall change in O/S cases (year to date)
Apr-25	7,408	646	8,054	796	7,258	9.9%	150	150
May-25	7,258	607	7,865	758	7,107	9.6%	151	301
Jun-25	7,107	691	7,798	754	7,044	9.0%	63	364
Jul-25	7,044	794	7,838	780	7,058	10.0%	-14	350

- 8.5 The table in paragraph 8.6 sets out performance on a monthly basis against the required deadlines in the LGPS scheme legislation, rather than the Scheme Advisory Board suggested timelines (used in the HPF Annual Accounts). This table shows that:
- in terms of first communication where there is a death, the LGPS Scheme target has been met for 100% of cases this year. From other data available, the average time to response is 1-3 days after notification of a death (target is 5 days)
  - payment of retirement and death grants is a key focus for the team with the majority of staff resource focused on actioning benefits. It should be noted that delays which impact performance statistics can be caused by late payroll information from employers or information from members.
  - overall transfers are completed within LGPS scheme targets.
  - aggregations performance is lower than target for the reasons outlined in paragraph 8.2. Member records must be aggregated before a member retires or if they transfer to another public service scheme and so outstanding cases are prioritised to achieve this.
  - the aggregations team focus on actioning outstanding aggregations to members over 55 (55 is age members can take benefits) and cases that are to be transferred to other public service schemes.
  - as noted in paragraph 8.3, six staff were recruited in June/July 2025 and are currently undergoing training, with three of these staff dedicated to processing aggregations. It will take a period of 6 to 12 months for staff to be fully trained but the team is already benefiting from having additional resource.
  - it will be a complex and lengthy process resolving the outstanding aggregations cases which requires consideration of end-to-end processes to consider how these can be more efficient or changed to reduce the levels of aggregation.
  - in order to develop a plan to action the outstanding aggregation cases, there will have to be a comprehensive process review and assessment of average time taken to resolve cases (some of the more complicated cases can take a long time to resolve with specialist advice required from the Government Actuary's Department) and the staff resource available to action aggregation cases.
  - the Altair Pensions Administration software is under ongoing development and will not fully incorporate the McCloud remedy until March 2027 and until this, manual checks and calculations will be required which increases the time to action individual aggregation cases.
  - regular updates will be provided to Pensions Committee on progress to action aggregations.

## 8.6

Target adherence	% Completed within LGPS scheme target				Comments
	Apr-25	May-25	Jun-25	Jul-25	
Overall total	75.6%	61.9%	62.7%	65.4%	
Death1st stage communication	100.0%	100.0%	100.0%	100.0%	
Widow(er)s Pension into Payment	85.7%	62.5%	73.7%	84.2%	
Estimate request from member/employer	95.1%	94.4%	87.9%	89.1%	
Notification of Retirement Benefits	90.3%	89.9%	79.8%	74.5%	
Payment of Retirement Grant/Death Grant	50.0%	38.0%	42.4%	45.9%	Note 1
Additional Post Notification	50.0%	19.6%	29.2%	53.3%	
New Start letter sent for Enrolment	79.4%	93.8%	56.9%	86.4%	
Calculation of Refund entitlement	93.8%	64.7%	94.3%	97.4%	
Opt out due refund calculation of entitlement (OREF1s)		100.0%	100.0%	100.0%	
Opt out Deferred			42.9%		
Refunds paid within legal timeframe (REF2END)	100.0%	100.0%	100.0%	95.7%	
Calculation of Deferred Benefits	40.0%	17.1%	17.0%	52.8%	
Concurrent (where member has several different roles at the same time e.g. in a school classroom assistant role and playground supervisor role) aggregation <2 years	0.0%	20.0%	66.7%		Note 2
Concurrent aggregation >2 Years	81.8%	41.2%	66.7%	27.8%	Note 2
Employment Aggregation (next day transfer - change of post)	60.5%	43.1%	14.3%	27.2%	Note 2
Non-concurrent Aggregations (where member has changed roles)	35.3%	27.3%	60.9%	52.2%	Note 2
Cash Equivalent Transfer Value (CETV) for Divorce Requested	100.0%	100.0%	100.0%		-
Divorce CETV calcs sent	100.0%	100.0%	100.0%		-
Pension Sharing Order Implemented	100.0%	-	-		-
Interfund (from another LGPS scheme) in quote calc'd	100.0%	100.0%	83.3%	100.0%	
Interfund In Finalised	100.0%	100.0%	90.9%	100.0%	
Interfund out quote calc'd	100.0%	100.0%	100.0%	100.0%	
Interfund Out Paid	0.0%	50.0%	100.0%	100.0%	
Actual Non-Club and Club (from another similar public service scheme e.g. civil service, teachers) Transfers in	75.0%	100.0%	100.0%	100.0%	
Actual Non-Club and Club Transfers out	100.0%	100.0%	100.0%	100.0%	
Quote sent - Transfer in	100.0%	100.0%	44.4%	100.0%	
Quote sent - Transfer out	100.0%	82.6%	91.7%	50.0%	

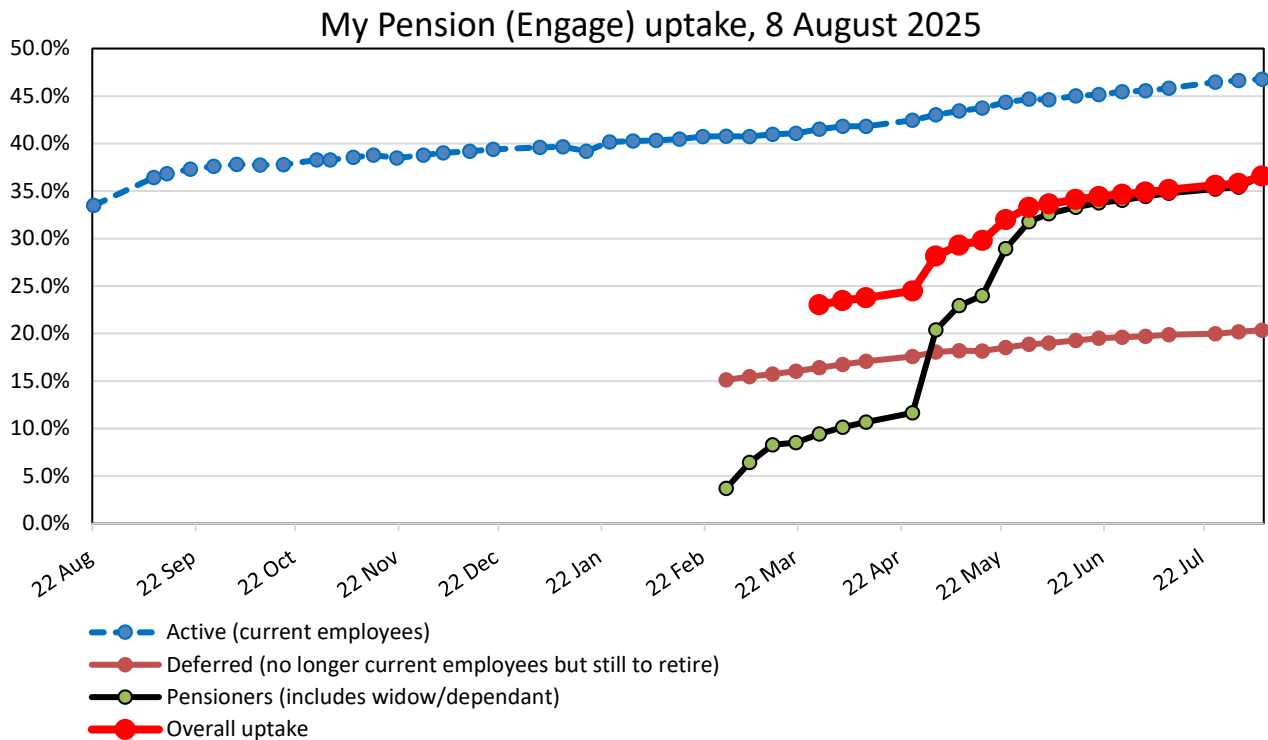
Note 1 Payment of death grants and retirement grants may be delayed due to receiving required paperwork from employer payroll team or member

Note 2 Aggregations high due to volume of outstanding cases. Plan will be put in place and taken to PC early 2026

8.7 In terms of members using the online portal, My Pension (Engage software), the current position is set out below, with uptake being 36.6% across active, deferred and pensioners (target uptake to be achieved across the membership by December 2025 is 40%). Active members and Pensioner members have been contacted to encourage them to create a My Pension account. Deferred members are being contacted in advance of notification of Annual Benefits Statements at the end of August. Data cleansing has been completed of email and postal contact addresses with the objective of increasing uptake of My Pension.

8.8 My Pension is a self-service portal which enables members to make nominations, perform estimate calculations and submit paperwork in order to access information they require quickly and complete the retirement process more efficiently by

completing online forms. Members using My Pensions allows staff to focus on processing benefit payments as quickly as possible to improve service delivery.



## 9. Pensions Bill 2024/25 (England and Wales) and Inheritance tax reforms update

9.1 In June 2025, the Pensions Bill 2024/25 passed the House of Commons stage with expected Royal Assent early 2026 and LGPS reforms (England and Wales) scheduled to begin implementation in 2026.

9.2 The proposals for the English and Welsh LGPS are as follows:

- LGPS pooled funds will have a statutory definition, and the UK Government will have power to direct LGPS funds into a pool or wind-up/merge a fund. For example, the government instructed the ACCESS and Brunel asset pools to disband and their partner funds to find new pools to join by 30 September 2025. For those funds, that need to find a new pool, the UK Government's preference is for funds to join new pools on a voluntary basis, but they will create the power within the Bill to direct funds into pools if required, or even wind-up/merge a fund.
- All LGPS investments will be managed by an LGPS pooled fund by 31 March 2026.
- Investment pools must be established as Financial Conduct Authority (FCA) authorised and regulated investment companies.
- Regulations will set out a duty for LGPS funds to work with "strategic authorities" in their areas to identify local/regional investment opportunities.
- Governance measures, including the following:
  - Senior LGPS officer to be appointed with overall responsibility for the management, business planning, strategy and administration of the fund with



budget-setting to be separate from the Administering Authority and not subject to resource restrictions which apply across other services.

- Independent governance review to be completed every three years
- Funds are to publish governance, conflicts of interest and training strategies which should be reviewed every three years. Training plans will need to be developed for members so they can demonstrate the necessary knowledge and understanding to fulfil their duties.
- Funds are to publish an administration strategy, and its expected guidance will highlight importance of member experience

9.3 The provisions of the Pensions Bill 2024/25 on the LGPS do **not** apply to the Scottish LGPS.

9.4 Following the consultation on the Inheritance Tax proposals in the Autumn Budget 2024, and feedback from pension schemes on the proposals, pension scheme administrators will not be liable for reporting and paying any Inheritance Tax due on pensions to HMRC. The inheritance tax changes will be effective from March 2027.

9.5 Officers will continue to keep members updated on the progress of government reviews and ongoing developments.

## **10. Scheme Employers Pension Contributions**

10.1 Pension contributions received from employers are checked for accuracy against known parameters and the dates received are recorded and monitored.

10.2 Contact is made with an employer in instances where payments are received late or not to the expected value.

10.3 Contributions from scheme employers are mostly being received on time and all contributions are up to date.

## **11. Employers Leaving the Fund**

11.1 In financial year 2023/24 one of the employers went into liquidation (Sight Action) and officers are working with the Fund Actuary to calculate a cessation value.

11.2 The transfer of the Scottish Fire and Rescue Service (SFRS) (administration staff) to Strathclyde Pension Fund (81 Pensioners, 69 active employees and 66 deferred member) concluded in March 2025 with a payment of £25.3m in respect of SFRS fund assets as assessed by the Actuary, Hymans. Scottish Ministers provided a Direction Order under Schedule 4, Part 1 of the Regulations in respect of the transfer and Strathclyde Pension Fund paid these employees from February 2025 onwards.

11.3 The Fund continues to work with WIPRO to manage the cessation of the admission agreement as part of the transfer of the service back to the Council. One pension scheme member remains an employee of WIPRO until the end of the contract and then will revert to Highland Council.

## **12. Employers joining HPF**

12.1 No employers have joined the Fund.

## **13. HPF Annual Report and Accounts – external audit**

13.1 The external audit of the HPF Annual report and accounts 2024/25 is in progress, with Audit Scotland currently undertaking audit work. The HPF Annual Report and Accounts were presented to The Highland Council on 26 June 2025 in line with statutory requirements. The link to the draft unaudited Highland Council Pension Fund Annual report and accounts 2024/25 is below.

[https://www.highland.gov.uk/downloads/file/30401/unaudited\\_accounts\\_april\\_2024\\_to\\_march\\_2025](https://www.highland.gov.uk/downloads/file/30401/unaudited_accounts_april_2024_to_march_2025)

13.2 The plan is for the HPF Annual report and accounts 2024/25 to be approved by Pensions Committee in late 2025, subject to completion of the external audit by Audit Scotland. Once the external audit is complete, officers will arrange a meeting of the Pensions Committee to approve the HPF Annual report and accounts 2024/25.

## **14. HPF budget monitoring and costs**

14.1 The budget monitoring reporting sets out actual expenses to 31 July 2025. Currently, forecast year end expenditure is generally expected to be in line with budget, though the following should be noted with regard to these year-end forecasts:

- despite the 2025/26 pay award of 4% being higher than the 2.5% budgeted, an underspend is expected for Pensions Admin staff costs. This is due to new recruits starting end of June/beginning of July instead of at the start of the year (1 April).
- similarly, the underspend on Pensions Investment and Accounting staff is due to vacancies.
- an overspend on postage fees is forecast due HPF now issuing P60s and payslips directly to pensioners rather than being done by THC Payroll and included in the Central Support recharge.
- overspend on legal services costs is due to advice required from an external firm regarding new investment with Fund Manager.
- fund manager fees are based on market values and the performance of investments which can be volatile. There is a year-end adjustment completed to reflect fund manager fees where costs are netted off investments.

14.2 Altair pensioner payroll project costs were reported to and monitored by the Human Resource, Payroll and Pensions Project Board (HRP&P Board) with the project complete and spend being within budget as noted in paragraph 6.3.

	Actuals to 31 Jul 2025	Annual Budget 2025/26	Forecast year end 2025/26	Year end Variance 2025/26
<b>Administrative expenses</b>				
Medical Exams (Staff)	2	5	5	-
Conference Travel	-	1	1	-
Subscriptions To Organisations	6	30	30	-
Bank Charges	1	2	2	-
Other Fees/Charges	-	3	3	-
Central support recharges	-	162	156	(6)
Pensions Admin staff costs	403	1,320	1,280	(40)
Computer and ICT (external providers)	204	460	460	-
Travel and accommodation	-	2	2	-
Printing and stationery	-	1	1	-
Postages	3	4	10	6
Other pensions admin costs (phone, insurance, subscriptions)	-	8	8	-
	619	1,998	1,958	(40)
<b>Oversight and Governance costs</b>				
Actuarial Fees	36	100	100	-
Audit Fees	-	45	45	-
Pension Investments and Accounting staff	51	271	251	(20)
Central Support - Pensions Investment team direct	-	22	22	-
Conference & Seminar (training)	-	10	10	-
Subsistence and travel	-	1	1	-
Investment Consultant Fees	-	100	100	-
Performance Management Fees (custodian)	-	50	50	-
Legal Services costs	11	10	15	5
	98	609	594	(15)
<b>Investment Management Expenses</b>				
Investment Expenses	131	350	350	-
Custodian fees	-	100	100	-
Transaction costs	-	350	350	-
Fund Manager Fees	514	10,556	10,556	-
	645	11,356	11,356	-
<b>Management Expenses</b>	<b>1,362</b>	<b>13,963</b>	<b>13,908</b>	<b>(55)</b>

## 15. Guaranteed Minimum Pension Comparison Exercise

- 15.1 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.
- 15.2 The reconciliation exercise for the Highland Council Pension Fund is complete and final reviews are being undertaken. The remedy is that any negatively affected pensioners have received arrears payments with interest; and any incomplete GMP details for active and deferred members will be uploaded, in the near future. This work will be progressed as soon as possible.

## **16. Additional Voluntary Contribution (AVC's)**

- 16.1 Prudential has been the appointed Additional Voluntary Contribution (AVC) provider to the Highland Council Pension Fund since 1989.
- 16.2 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.

## **17. Pensions Dashboard**

- 17.1 The Pensions Dashboard initiative will enable individuals to access their pensions information online, securely and all in one place, thereby supporting better planning for retirement. All Local Government Pension Funds (LGPS) must connect to the Pensions Dashboard by October 2025 as part of the Government initiative to “allow people to see all their pensions information together in one, online and secure place”.  
<https://www.pensionsdashboardsprogramme.org.uk/about>
- 17.2 The HPF Altair Pensioner Benefits Administration system provider, Heywood was appointed to provide the Integrated Service Provider connection to the Pensions Dashboard (direct award using the LGPS procurement framework).
- 17.3 Officers have been working with Heywood on testing and implementing the connection and are on track to meet the connection deadline of October 2025. Alongside the Pensions Dashboard connection testing, officers are completing regular data cleansing in order to maintain complete and accurate member records.

Designation: Chief Officer, Corporate Finance

Date: 22 August 2025

Author: Catriona Stachan, Pension Fund Manager

Background Papers: LGPS regulations, TPR, GCoP