

HIGHLAND COUNCIL

Committee:	Pensions Committee
Date:	16 March 2026
Report Title:	Service Plan 2026/27
Report By:	Chief Officer Corporate Finance

1. Purpose/Executive Summary

- 1.1 The Highland Pension Fund (HPF) Service Plan 2026/27 details HPF priorities over the next year alongside the budget and key objectives for the year ahead. At the end of December 2025, HPF had investment assets of £2.932bn and 36,640 members – 13,671 pensioners, 13,368 active (current employee) 9,601 deferred members (previous employees who have not yet retired)
- 1.2 Over the next year HPF will face many challenges and opportunities from both internal and external sources.
- 1.3 One of the key areas of focus during 2026/27 will be the triennial actuarial valuation which will be completed to assess the actuarial position of HPF at 31 March 2026 and set employer rates to be effective from 1 April 2027 until 31 March 2030 as required by legislation. Alongside the valuation, the Funding Strategy Statement (FSS) and investment asset allocation (Statement of Investment Principles) will be reviewed.
- 1.4 Building on the successful implementation of the Altair payroll system in 2025 and roll out of My Pension to members, the team will continue to streamline processes and improve efficiency using systems functionality.
- 1.5 In preparation for the launch of the Pension Dashboard, the focus will be on clearing cases. Pensions Dashboard is a government initiative to provide all individuals with online secure access to information on their pension savings across multiple employers, including their State Pension and HPF need to have all pension records as complete, accurate and up to date as possible.
- 1.6 In terms of governance, HPF continues to implement actions to improve the level of compliance with The Pensions Regulator General Code of Practice (Cop). There is a

new meeting structure in place for 2026 with 4 scheduled Pension Board and Pensions Committee annually which align with the dates of the Investment Sub Committee.

- 1.7 There will be ongoing training for staff to develop and retain a skilled and knowledgeable workforce. This includes staff attending external specialist training and regular in-house training. As part of our commitment to Investors In People, training and supporting staff is a key priority. Training will also be provided to Pension Committee and Board members with a particular focus on the triennial valuation.
- 1.8 The level of budget required so that the appropriate resources are in place to support the above objectives, is included in this report for Committee approval.

2. Recommendations

- 2.1 It is recommended that Committee **approve** the following:
 - Highland Pension Fund service plan 2026/27; and
 - Highland Pension Fund budget for 2026/27 (Section 11 and Appendix 3) to support the delivery of service plan.

3. Implications

- 3.1 Resource – staffing resources and the budget required to deliver the service plan are considered in the report at sections 10 and 11.
- 3.2 In terms of legal implications, the Fund must administer pensions and manage investments in accordance with the LGPS regulations. The Fund must also operate in accordance with The Pension Regulator Code of practice and comply with HMRC reporting requirements. Tasks have been included at the workplan in Appendix 1 to comply with these legal and regulatory requirements.
- 3.3 The risk management framework is an integral part of governance and risk management is one of the key tasks included in the workplans for the officers and Committee (Appendix 1).
- 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 standard annual report and therefore an impact assessment is not required.

5. Background

The Highland Council is the Administering Authority of the Highland Council Pension Fund (HPF) covering local government employees and elected Members in the Highland Council area and scheduled and admitted organisations that provide public or charitable services.

6. HPF Objectives

6.1 The Highland Pension Fund key objectives are that:

- The correct contribution amounts are received from employees and employers and also any transfer payments are correctly made/received.
- Contributions are invested appropriately and in accordance with legislation with the aim that HPF assets grow over time with investment income and growth.
- Assets and income are used to accurately pay HPF benefits to its members and their dependants as defined in the LGPS Regulations.

6.2 This document sets out the work plan and budget for 2026/27 necessary to achieve the above objectives.

7. Work Plans 2026/27

7.1 The HPF Work Plans, in Appendix 1, set out the tasks to be completed to achieve key objectives. Work Plans may need to be amended depending on changes in the regulatory environment and/or to cover ad hoc requirements. The Officers' Work Plan includes the following key tasks for 2026/27.

8. Triennial actuarial valuation (Appendix 1, task 1.1 and task 2.1)

8.1 One of the key tasks during 2026/27 will be the completion of the triennial actuarial valuation and alongside this the Funding Strategy Statement (FSS). The triennial actuarial valuation is required by Regulation 60 of the Local Government Pension Scheme (Scotland) Regulations 2018 ("the Regulations") and will be completed by the HPF Actuary, Hymans Robertson. The actuarial valuation is a risk management exercise with the purpose of reviewing the current funding plans and setting contribution rates for the HPF participating employers for the period from 1 April 2027 to 31 March 2030.

- 8.2 The completion of the valuation requires data preparation and cleansing, liaising with the HPF Actuary and Investment Advisor on future assumptions, regular communication with employer organisations regarding the results and impact on contribution rates, and arranging training on the process to Pension Board and Pension Committee members.
- 8.3 The final output will be a valuation report summarising the outcomes of the valuation and the underlying advice provided to the Administering Authority throughout the valuation process.
- 8.4 Alongside the Actuarial Valuation, the Funding Strategy Statement (FSS) will be updated using advice from the HPF Actuary. The Fund is required by LGPS regulations to have a FSS which has the following objectives.
- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
 - to support the regulatory framework to maintain as nearly constant employer contribution rates as possible; and
 - to take a prudent longer-term view of funding those liabilities
- 8.5 The FSS will be circulated to all HPF employers before being presented to Pensions Committee in early 2027.
- 8.6 The Statement of Investment Principles will also be updated to reflect target investment return and a review undertaken of the strategic asset allocation (split between the different types of investments) as required (task 2.1).
- 8.7 The Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010 (No. 233) require administering authorities to prepare, maintain and publish a written statement of principles (SIP) that governs their decisions about investments. The SIP must be reviewed regularly and should be updated when there are material changes in policy.

9. Preparing for Pension Dashboard launch (Appendix 1, task 1.3)

- 9.1 Pensions dashboards will enable individuals to access their pensions information online, securely and all in one place. Dashboards will provide clear and simple information about an individual's multiple pension savings, including their State Pension. Information on the Pensions Dashboard is available on the following Government website. <https://www.pensionsdashboardsprogramme.org.uk/about>
- 9.2 In October 2025, HPF successfully connected to the Pension Dashboard with support from our current pensions administration system provider Heywood. All in scope

pension funds will be provided with a 6 month notice period before the Pension Dashboard goes live.

9.3 Once pensions dashboards are live, all in-scope UK pension schemes must be able to connect, match members, and provide data in response to “Find” and “View” requests. If a scheme cannot do this, several consequences follow under The Pensions Regulator’s (TPR) compliance and enforcement regime which could potentially include formal compliance and penalty notices.

9.4 Therefore, in advance of the launch of the Pensions Dashboard, data cleansing is a key activity and Heywood provide a service to check key personal data including address information and mortality status for accuracy. Alongside this the focus for HPF is to clear cases so that members logging onto the Pension Dashboard after launch can access complete and accurate data in line with TPR requirements.

10. Performance improvement recovery plan (Appendix 1, task 1.2)

10.1 A key focus for 2026 will be clearing cases alongside work to automate and streamline processes. The workloads for the Pensions team have increased over a number of years caused by increasing complexity in the calculation of benefits (different schemes, McCloud and Goodwin remedies), previous staff shortages and the volume of re-employments (re-employments are where staff change post).

10.2 Towards the end of 2025 the overall performance of pension benefits processing improved due to additional staff being recruited to the team in June/July 2025. However, performance needs to be further improved to meet statutory targets and manage the volume of cases. Further information on performance is provided at Agenda item 4.

10.3 In November 2025, an assessment was completed of staff resource, and changes made to build resilience in the team and increase flexibility to direct resources to work on reducing case volumes. As part of these changes, pensions technician roles require to be backfilled alongside recruiting additional resource to support case clearance, and it generally takes a period of 6 to 12 months to fully train a new member of staff.

11. Budget 2026/27

11.1 The Budget in Appendix 3 sets out the financial resources required to meet the key objectives and deliver the proposed Work Plan for 2026/27. In order to deliver the outcomes in the 2026/27 Work Plan there are additional IT costs to support McCloud updates, both investment and actuarial costs associated with the triennial actuarial valuation and staff costs which require that the net budget is increased by 5% compared to 2025/26 with more information on these costs provided below.

- 11.2 The Budget for financial year 2026/27 includes the following costs (for information, future budget estimates for 2027/28 and 2028/29 are also included).
- investment and actuarial advisory to support the triennial actuarial valuation.
 - pension administration staff costs increase due to known pay award and assumptions made for payroll progression.
 - additional resource to support the performance recovery plan and prepare for the launch of the Pensions Dashboard.
 - dedicated training budget for pensions administration staff.
 - additional software development costs associated with McCloud updates (regulatory requirement).
- 11.3 It should be noted that although a budget has been set for HPF investment management fees these are payable based on market valuations and for private equity investments performance fees are payable when a specific target rate of return is achieved, as set out in the investment management agreements.

Designation: Chief Officer, Corporate Finance

Date: 26 February 2026

Author: Pension Fund Manager

Appendix 1 HPF Work Plan 2026/27 (Officers)

Appendix 2 Monitoring - HPF Work Plan 2025/26

Appendix 3 Budget 2026/27

Appendix 1 – HPF Work Plan 2026/27

PENSIONS ADMINISTRATION

Ref	Task	Deadline	Basis of requirement
1.1	Triennial actuarial valuation and update of Funding Strategy Statement The valuation exercise requires liaising with the Actuary, providing data and communicating with employers regarding the funding position and future employer contributions rates. Following the Actuarial Valuation, the Funding Strategy Statement will be updated.	31 Mar 2027	Efficiency
1.2	Performance improvement recovery plan – develop and implement performance improvement recovery plan. Continue to improve process efficiency and use additional resource to effectively manage workloads and clear cases.	30 June 2026	Efficiency
1.3	Preparing for Pensions Dashboard Data launch – continue to work with Heywood on data cleansing in preparation for the Pensions Dashboard launch. Focus on clearing aggregation cases.	31 Dec 2026	Statutory
1.4	Employer payroll system changes – engage with The Highland Council HR and payroll project team to understand and assess any implications which may arise from the new employer HRP system. Engage with other employer bodies on scheduled payroll system changes.	Ongoing	Efficiency
1.5	Employer training - work with Employers to identify training needs/areas for improvement and provide them with regular feedback on their performance.	Ongoing	Statutory
1.6	Staff training – organise structured training programme to develop specialist skills and technical knowledge to support staff and address actions from Investors In People.	31 Dec 2026	Statutory
1.7	Website and communications – develop website and resources available for members and employers.	Ongoing	Statutory
1.8	Technology – build automated and bulk processes into monthly workloads to increase the efficiency of processes.	Ongoing	Efficiency
1.9	Year-end info from employers - receive and review all pension data from HPF employers.	31 May 2026	Admin strategy statement
1.10	Update Pension system with employer information - verify and load data onto system.	30 June 2026	Statutory
1.11	Payroll system (immediate payments) – following successful payroll implementation roll out immediate payments functionality.	April 2027	Statutory
1.12	Pension increase (Payroll system) - update pension records on Payroll with Annual Pension increase.	31 Dec 2026	Efficiency
1.13	Pension increase (Altair) - update pension records with Pension increase.	30 April 2026	Statutory

Appendix 1 – HPF Work Plan 2026/27

PENSIONS ADMINISTRATION

Ref	Task	Deadline	Basis of requirement
1.14	Pension Increase letter / Annual newsletter (April) - draft and issue electronic correspondence to pensioners informing them of annual increase and newsletter with general items of interest.	30 April 2026	Admin strategy statement
1.15	Annual Pension Statements / Annual Newsletter (Aug) Details of benefits accrued to previous year end and future projection. Newsletter providing scheme updates such as regulation changes and general items of interest. Both published online.	31 Aug 2026	Statutory
1.16	Actuarial Accounting reports - deliver information to Actuaries for the preparation of annual returns for employers.	Depends on Employers' year-end	Admin strategy statement
1.17	Pension Savings Statements issued to members who have breached HMRC Annual Allowance limits and responding to queries.	6 Oct 2026	Statutory
1.18	Quarterly returns to HMRC - Government Gateway return on specific payments.	Quarterly	Statutory
1.19	Annual return to HMRC - Government Gateway return on specific payments.	31 Jan 2026	Statutory
1.20	Annual return to the Pension Regulator - compliance statement.	30 Sept 2026	Statutory
1.21	The Pensions Regulator General Code of practice – ongoing review compliance and implementation of action plan.	31 Dec 2026	Statutory
1.22	Pensions Scams - ongoing work to raise awareness of the risks of pension scams to Members and follow Pension Regulator requirements.	Ongoing	Statutory

GOVERNANCE, INVESTMENTS AND ACCOUNTING

Ref	Task	Deadline	Basis of requirement
2.1	Statement of Investment Principles alongside the completion of the triennial actuarial valuation the Statement of Investment Principles will be updated to reflect that target investment return and a review the strategic asset allocation undertaken as required	31 March 2027	Statutory
2.2	Training to be arranged for Committee and Board members on triennial valuation process before considering draft output.	30 Sept 2026	Statutory
2.3	Governance – update key policies which include Administration Strategy, develop Communications policy		

Appendix 1 – HPF Work Plan 2026/27

GOVERNANCE, INVESTMENTS AND ACCOUNTING

Ref	Task	Deadline	Basis of requirement
2.4	Annual Report and Accounts Preparation of draft Annual Report and Accounts. Develop the reporting to follow best practise.	30 June 2026	Statutory
2.5	External Audit Liaison with external audit on assurance work required for final Annual Report and Accounts.	30 Sept 2026	Statutory
2.6	Annual Report and Accounts Preparation of Final Annual Report and accounts following the External Audit review.	30 Sept 2026	Statutory
2.7	Internal Audit Liaison with Internal Audit on reviews.	Ongoing	Statutory
2.8	Local Finance Return for the HPF.	31 Oct 2026	Government
2.9	Monthly reconciliations of investment data Review of HPF investment manager transactions compared to Custodian and update financial ledger.	Monthly	Financial controls
2.10	Investment cost benchmarking Work is ongoing to benchmark investment management costs, with a report to go to ISC in 2026.	Dec 2026	Financial
2.11	Office of National Statistics returns Quarterly returns on HPF investments and market values.	Quarterly	Government
2.12	Preparation of Investment Sub Committee reports Regular update reports and ad hoc reports as required.	Quarterly	Financial controls
2.13	Governance policy Annual update prepared and approved by Pensions Committee	June 2026	Governance
2.14	Training Annual training plan updated and presented to Pensions Committee. Training organised as required. Induction training will need to be provided for any new Committee members.	June 2026	Governance
2.15	Risk management Risk register maintained and reported to Pensions Committee	Quarterly	Governance
2.16	Compliance Monitor changes in regulations and legislation and ensure that HPF is compliant.	Ongoing	Governance
2.17	Cashflow – Monitoring of cash flow position daily.	Daily	Financial
2.18	Responsible investment Implementation of responsible investments policy and establishing monitoring and reporting processes. Officers will also continue to keep updated on Climate Change initiatives through membership of the Institutional Investors Group on Climate Change.	Ongoing	Governance

Appendix 2 – Progress update - HPF Work Plan 2025/26

PENSIONS ADMINISTRATION

Ref	Task	Deadline	Progress update
1.1	Payroll system – roll out of Altair payroll system (Feb 2025) and embedding of new payroll processes.	31 Mar 2025	Complete
1.2	Payroll system (immediate payments) – roll out of straight through processing and immediate payments functionality.	30 June 2025	April 2027 (revised)
1.3	Action plan to improve performance, capacity and manage workloads – develop plan to manage workloads using data on case processing and available staff resource.	30 April 2025	Ongoing
1.4	Performance reporting – refine Altair Insight reporting to deliver regular key performance indicator (KPI) reporting on the service delivery performance of the Pensions Administration team.	30 June 2025	Complete June 2025
1.5	Pensions Dashboard Data cleansing – work with Heywood on data cleansing in preparation for the implementation of the Pensions Dashboard (October 2025).	May 2025	Ongoing
1.6	Pensions Dashboard – building and testing connection for “go live” in October 2025.	May 2025	Complete October 2025
1.7	Member Self Service (Transformational Member Experience, TME) – continue to support Member Self Service roll-out which will reduce volume of enquiries, allowing staff to focus on technical and other areas and increase take up.	Ongoing	Ongoing
1.8	Employer training - work with Employers to identify training needs/areas for improvement and provide them with regular feedback on their performance.	Ongoing	Ongoing
1.9	Staff training – organise structured training programme to develop specialist skills and technical knowledge to support staff recruited in July 2024 and to be recruited in January 2025.	Ongoing	Ongoing
1.10	Website and communications – develop website and resources available for members and employers.	Ongoing	Ongoing
1.11	Technology – build automated and bulk processes into monthly workloads to increase the efficiency of processes.	Ongoing	Ongoing
1.12	Year-end info from employers - receive and review all pension data from HPF employers.	13 May 2025	Complete May 2025
1.13	Update Pension system with employer information - verify and load data onto system.	30 June 2025	Complete June 2025
1.14	Pension increase (Payroll system) - update pension records on Payroll with Annual Pension increase.	30 April 2025	Complete April 2025

Appendix 2 – Progress update - HPF Work Plan 2025/26

Ref	Task	Deadline	Progress update
1.15	Pension increase (Altair) - update pension records with Pension increase.	30 April 2025	Complete April 2025
1.16	Pension Increase letter / Annual newsletter (April) - draft and issue electronic correspondence to pensioners informing them of annual increase and newsletter with general items of interest.	30 April 2025	Complete April 2025
1.17	Annual Pension Statements / Annual Newsletter (Aug) Details of benefits accrued to previous year end and future projection. Newsletter providing scheme updates such as regulation changes and general items of interest. Both published online.	31 Aug 2025	Complete 31 Aug 2025
1.18	Actuarial Accounting reports - deliver information to Actuaries for the preparation of annual returns for employers.	Depends on Employers' year-end	Complete
1.19	Pension Savings Statements issued to members who have breached HMRC Annual Allowance limits and responding to queries.	6 Oct 2025	Complete Oct 2025
1.20	Quarterly returns to HMRC - Government Gateway return on specific payments.	Quarterly	Complete
1.21	Annual return to HMRC - Government Gateway return on specific payments.	31 Jan 2026	Complete
1.22	Annual return to the Pension Regulator - compliance statement.	30 Sept 2025	Complete
1.23	The Pensions Regulator Single Code of practice – ongoing review compliance and implementation of action plan.	Dec 2025	Ongoing
1.24	Pensions Scams - ongoing work to raise awareness of the risks of pension scams to Members and follow Pension Regulator requirements.	Ongoing	Ongoing

GOVERNANCE, INVESTMENTS AND ACCOUNTING

Ref	Task	Deadline	Progress update
2.1	Investment Advisor procurement Once the current asset strategy is implemented, a procurement exercise will be completed for the Investment Advisor.	April 2025	Complete Nov 2025
2.2	Development and implementation of Investment Manager scrutiny framework	30 June 2025	Complete, to be approved
2.3	TPR – General Code of Practice Complete actions to comply with TPR General Code of Practice.	31 March 2026	Ongoing
2.4	Annual Report and Accounts Preparation of draft Annual Report and Accounts. Develop the reporting to follow best practise.	30 June 2025	Complete June 2025

Appendix 2 – Progress update - HPF Work Plan 2025/26

2.5	External Audit Liaison with external audit on assurance work required for final Annual Report and Accounts.	30 Sept 2025	Complete Nov 2025
2.6	Annual Report and Accounts Preparation of Final Annual Report and accounts following the External Audit review.	30 Sept 2025	Complete Nov 2025
2.7	Internal Audit Liaison with Internal Audit on reviews.	Ongoing	Ongoing
2.8	Investment Strategy review (Statement of Investment Principles) – completion of final stages of revised asset strategy (approved by Pensions Committee June 2024).	30 June 2025	Complete Mar 2025
2.9	Local Finance Return for HPF.	31 Oct 2025	Complete Oct 2025
2.10	Monthly reconciliations of investment data Review of HPF investment manager transactions compared to Custodian and update financial ledger.	Monthly	Complete
2.11	Office of National Statistics returns Quarterly returns on HPF investments and market values.	Quarterly	Complete
2.12	Preparation of Investment Sub Committee reports Regular update reports and ad hoc reports as required.	Quarterly	Complete
2.13	Governance policy Annual update prepared and approved by Pensions Committee	Sept 2025	Complete Sept 2025
2.14	Training Annual training plan updated and presented to Pensions Committee. Training organised as required. Induction training will need to be provided for any new Committee members.	Sept 2025	Complete Sept 2025
2.15	Risk management Risk register maintained and reported to Pensions Committee	Quarterly	Complete
2.16	Compliance Monitor changes in regulations and legislation and ensure that HPF is compliant.	Ongoing	Ongoing
2.17	Cashflow – Monitoring of cash flow position daily.	Daily	Ongoing
2.18	Responsible investment Implementation of responsible investments policy and establishing monitoring and reporting processes. Officers will also continue to keep updated on Climate Change initiatives through membership of the Institutional Investors Group on Climate Change.	Sept 2025	Not completed Other work priorities
2.19	Custodian online instruction processing Review of the functionality in the Custodian’s system for online instructions to be completed. Following outcome of review, system may be implemented to improve efficiency of submitting instructions.	Mar 2026	Not completed Other work priorities
2.20	Financial ledger Development of reporting in CIA financials to streamline financial monitoring processes.	Dec 2025	Complete

Appendix 3 – Budget 2026/27

	Annual Budget	Forecast Year end	Proposed	Annual Budget	Annual Budget
	2025/26	2025/26	Annual Budget 2026/27	2027/28	2028/29
	£000	£000	£000	£000	£000
Administrative expenses					
Medical exams (staff)	5	5	5	5	5
Conference & seminar (includes subsistence)	1	1	1	1	1
Subscriptions to organisations	30	30	30	30	30
Bank charges	2	2	2	2	2
Other charges (pension levy, tax certification)	3	3	3	3	3
Central support charge (internal ICT support, property costs, payroll, business support)	162	156	200	200	200
Pensions administration staff	1,320	1,281	1,410	1,504	1,565
Additional resource to support performance recovery			194	202	213
Computer and ICT (external providers)	460	480	517	482	491
Fares, travel, accommodation	2	2	2	2	2
Printing and stationery	1	1	1	1	1
Postages	4	10	8	8	8
Pensions administration staff training	-	-	3	3	3
Other pensions admin costs	8	8	6	6	6
Total	1,998	1,979	2,382	2,449	2,530
Oversight and governance					
Actuarial Fees	100	100	160	100	100
Audit Fees	45	45	46	47	48
Pension Investments and Accounting staff	271	251	306	382	397
Central support charge (internal ICT support, internal audit, payroll, business support)	22	22	23	24	25
Training	10	10	10	10	10
Subsistence and travel	1	1	1	1	1
Investment Consultant Fees	100	100	140	100	100
Performance Management Fees (custodian)	50	50	50	50	50
Legal and Tax Expenses	10	15	10	10	10
Total	609	594	746	724	741
Management fees					
Investment expenses	350	350	350	350	350
Custodian Fees	100	100	100	100	100
Transaction costs	350	350	350	350	350
Fund Manager fees	10,556	10,556	10,825	11,095	11,365
Total	11,356	11,356	11,625	11,895	12,165
Overall total	13,963	13,929	14,753	15,068	15,436