Agenda Item	**4**
Report No	**PC/12/26**

HIGHLAND COUNCIL

Committee:	**Pensions Committee**
Date:	**1 October 2026**
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/the Fund).

1.2 In section 6 of the report, information is provided on the current HPF administration performance and performance updates. Despite high levels of new tasks, the overall volume of cases continues to reduce following the recruitment of extra staff. The average time taken to process benefits has decreased compared to the monthly average for financial year 2025/26.

1.3 In section 7, there is an update on the successful delivery of the Annual Benefit Statements to members and ongoing member engagement.

1.4 In section 8, there is an update on Scottish LGPS developments which include correspondence between the Scottish Government and the Scottish Scheme Advisory Board. In this correspondence, the Deputy First Minister and Cabinet Secretary for Finance and Local Government, highlights the following (**Appendix 1**):

Scottish Ministers now have powers under the Pension Schemes Act 2026 in relation to asset pooling. I would like to reassure you that I welcome seeing a Scottish LGPS-led collaboration that can achieve our shared goals within the current structure of the Scottish LGPS. That being said, it also remains the case that progress is expected within the period to September 2027.

1.5 Other areas covered in the report are an update on the Pensions Dashboard (section 9), training (section 10) and budget monitoring with forecast year end expenditure generally expected to be in line with budget (section 14).

2 Recommendations

2.1 Members are asked to consider and **note** this report.

3 Implications

3.1 There may be resource implications if extra staff or systems developments are required to support the Pensions Administration work which would be included in the budget approved by Pensions Committee.

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 The Pension Regulator (TPR/the Regulator) 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 Fund risk register which is regularly reviewed and updated.

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 HPF. In addition to the Highland Council, 22 employers participate as admitted or scheduled bodies in the HPF with information provided on any employer body changes in section 13.

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 HPF. These contributions are remitted monthly to the HPF. The statutory deadline for payments is the 22nd of the following month.

5.3 This report also provides an update on all relevant pensions administration matters which includes performance.

6. Administration performance

6.1 This section provides a general update on administration performance.

6.2 Following the approval of the 2026/27 budget, 5 staff joined the team in April/May 2026. The increase in staffing and system changes made is having a positive impact on processing benefits and managing workloads. Performance continues to improve with the number of tasks reducing since data was last reported to Committee despite high volumes during May to July with an average of 912 new tasks (average monthly new tasks volume in 2025/26 was 692). In August 2026, 2 staff left the team, and recruitment will be completed in early 2027 to fill these vacancies.

6.3 The current data on task volumes received and actioned is set out in the following table. The position continues to improve with an overall net reduction since 1 April 2025 of 2,061 cases, with there being 5,347 KPI tasks to be processed at the end of August 2026. The majority of KPI tasks to be completed relate to administrative changes which do not impact the payment of retirement and death grants and represent the position at a point in time, with further information on this included in section 6.4.

KPI PROCESSES

Month	Task volume at Period Start	New tasks created in Period	Total Tasks	Tasks completed by End of Period	Remaining tasks at End of Period	% of total tasks completed in month	Overall change in tasks volumes (month)	Tasks Terminated pre completion (reassigned etc)	Overall change in Task volumes
Apr-25	7,408	646	8,054	796	7,258	9.9%	N/A	150	150
Apr-26	5,824	681	6,505	724	5,781	11.1%	43	125	43
May-26	5,611	914	6,525	806	5,719	12.4%	-108	170	105
Jun-26	5,583	958	6,541	963	5,578	14.7%	5	136	246
Jul-26	5,410	877	6,287	797	5,490	12.7%	-80	168	334
Aug-26	5,361	792	6,153	806	5,347	13.1%	14	129	477
		4,222		4,096			-126		
								Overall change in case volume since Apr-25	**2,061**

6.4 Of the volumes of KPI tasks to be completed, only 2.4% are processing of retirement and death grants tasks, the majority (approximately 85%) of which are cleared in the same month as task set up. The payment of retirement and death grants is a key focus for the team, and the team continues to reduce the time taken to provide estimates and process retirement benefit payments. For example, the time taken to process retirement benefits has reduced considerably to an average of 20.1 days from an average of 30.3 days for financial year 2025/26. The team continue to work to improve process efficiency.

6.5 Aggregation cases are where a member's separate LGPS records need to be combined into a single active or deferred record. This happens because many LGPS members move between employers or leave and re-join the scheme or have several posts which create multiple pension records. Aggregation rules ensure these are brought together (or kept separate, where appropriate) in line with scheme regulations. Before a member retires, records must be aggregated and the approach to aggregations has been to prioritise members aged over 55, those transferring or members who have requested this data.

6.6 A key focus for the team continues to be reducing aggregation cases, particularly in view of the future rollout of the Pensions Dashboard (more information on this is provided in section 9). HPF will receive 6 months' notice before the roll out of the Pensions Dashboard (scheduled for financial year 2027/28); a portal which will provide the public with access to their pension records across multiple schemes. Where this information cannot be provided by a pension scheme, TPR could potentially issue compliance notices or fines.

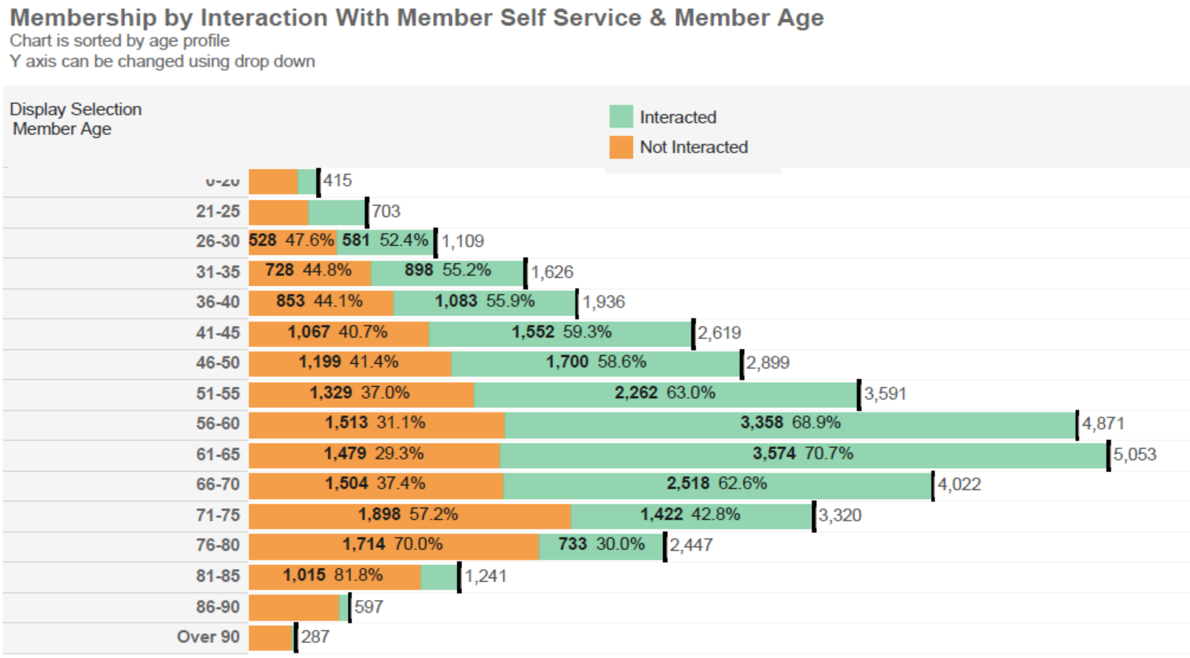
6.7 My Pension is the HPF online, self-service portal which enables members to make nominations, perform estimate calculations and submit paperwork in order to access information they require quickly and complete the retirement process more efficiently by completing online forms. With increasing numbers of members using My Pension this allows HPF staff to focus on processing benefit payments as quickly as possible and improve service delivery.
https://highlandpensionfund.mypensiondetails.co.uk/login

7. Member Engagement

7.1 The pensions team worked hard to deliver Annual Benefit Statements (ABS) to active and deferred members with these being made available on the My Pension portal on 19 August (TPR deadline for issuing ABS is 31 August). A newsletter and comprehensive document on frequently asked questions was provided to members alongside the ABS.
https://www.highlandpensionfund.org/resources/active-and-deferred-members-annual-newsletter-2026/
https://www.highlandpensionfund.org/resources/member-guide-to-annual-benefit-statements-and-faqs-2026/

7.2 In September 2026, the uptake of members using the My Pension portal increased, with 50% of all members now registered for My Pension (69% of active members, 51% deferred members and 50% of pensioners). Active members and pensioner members have been contacted to encourage them to create a My Pension account.

Data cleansing continues to improve data quality and ensure that email and postal contact addresses are up to date and encourage members to use My Pension. There are good levels of engagement generally across all ages as illustrated by the following graph.



7.3 Developments are in progress to increase the information available to members on the portal with the testing of transfer estimates underway. These ongoing developments will provide members with quick secure access to information they require and allow the team to focus on clearing tasks.

8. Scottish LGPS developments

8.1 At the June Pensions Committee an update was provided on the Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026 that came into effect in England and Wales that month (section 7). https://www.highland.gov.uk/download/meetings/id/87109/Item%25203%2520-%2520Pension%2520Fund%2520Administration%2520Update%2520Report

In Scotland there was legislative consent passed in December 2025 for this legislation. This means that if Scottish Ministers propose parts or all this legislation should apply to Scotland, only secondary legislation is required.

8.2 At the Investment Sub Committee on 18 June 2026, officers presented an “Update on Scottish LGPS collaboration and related developments” report and members were invited to discuss with this being recorded in the minutes to be approved at Pensions Committee on 1 October 2026.

8.3 The Scottish Scheme Advisory Board (SAB) held a workshop on the English and Welsh reforms in April 2026, with recommendations sent to the Scottish Government in a letter to the Deputy First Minister and Cabinet Secretary for Finance and Local Government on 26 June 2026. The Deputy First Minister and Cabinet Secretary for

Finance and Local Government issued a response to SAB. This correspondence is provided at **Appendix 1**, with the Minister highlighting the following:

Scottish Ministers now have powers under the Pension Schemes Act 2026 in relation to asset pooling. I would like to reassure you that I welcome seeing a Scottish LGPS-led collaboration that can achieve our shared goals within the current structure of the Scottish LGPS. That being said, it also remains the case that progress is expected within the period to September 2027.

8.4 This correspondence was on the Agenda for the SAB meeting on 26 August 2026 for which minutes are still to be published.

8.5 Officers continue to attend quarterly Scottish LGPS officer forums and collaborate with other LGPS funds on an ongoing basis. In the risk register at Agenda Item 6, risk 3 on Government Policy and Legislative changes has been amended from green to amber.

9. Pensions Dashboard

9.1 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 connected 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.pensionsdashboardprogramme.org.uk/about

9.2 Officers are working on clearing aggregations and completing regular data cleansing to ensure member records are complete and accurate. As noted in section 6, additional resource has been recruited to the team and performance is improving which will help support the work on aggregations.

9.3 Since March 2026, the Money and Pension Service (MaPS) responsible for the Pensions Dashboard has run 4 progressively larger tranches of testing, recruiting over 12,000 users to a testing panel and registering more than 11,000 pension matches for nearly 3,000 users between March and June. MaPS report that the feedback has been encouraging. Most users report a positive experience using the dashboard, with high levels of satisfaction and a willingness to recommend it to others. Around 85% of personal and workplace pension records are connected, alongside the State Pension.

10. Training

10.1 The following Pension Board and Pensions Committee training will be provided and should be attended by Pensions Committee and Pension Board members:

- **Tuesday 29th September 2026, 2-3pm** online Actuarial Valuation training in advance of the initial triennial Actuarial Valuation results being presented to Pensions Committee (1st October 2026).

10.2 Following the presentation on the triennial actuarial valuation (agenda item 7) and the Funding Strategy Statement (agenda item 8), there is an informal "Ask the Actuary" session for members to ask any further questions.

10.3 The following training session is optional though attendance is encouraged.

- **Tuesday 24th November 2026** training is being organised by the LGPS officer group for Pension Board and Committee members on at the COSLA Offices in Edinburgh. This training can either be attended online or in person and there will be a link to the training issued closer to the date of the event.

In order to make necessary arrangements and notify the organiser, those who plan to attend either online or in person should inform the Pensions Manager Catriona Stachan **by 24th October**_ Catriona.Stachan@highland.gov.uk

11. The Pensions Regulator – General Code of Practice and Breach reporting

11.1 The Pensions Regulator (TPR) issued a revised General Code of Practice (GCoP) which was effective from March 2024. In February 2025, officers reviewed compliance against GCoP and an action plan to address areas of non-compliance was approved by Pensions Committee which officers continue to work on.

11.2 In August 2026, HPF officers reported a breach to TPR in respect of not fully incorporating the McCloud remedy in the HPF Annual Benefit Statements (published on My Pension at the end of August 2026). It should be noted that considerable progress has been made in reviewing cases for McCloud and revising these where required with 44% of original volume cases reviewed since August 2025. Although there have been system developments the Altair Pensions Administration software system does not yet fully incorporate the McCloud remedy in all of its system calculations so complex manual calculations are required. Other LGPS funds are in a similar position to some extent and will be submitting reports to TPR.

11.3 In respect of this breach a progress update was provided to TPR and an action plan in place with a deadline of 31 January 2027 for reviewing the remaining 331 cases to assess whether a McCloud revision is required. The remaining 331 cases to be assessed represent 0.90% of the Fund's membership (current number of members: 36,655) and not all of these cases will require McCloud revisions.

12. Scheme Employers Pension Contributions

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

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

12.3 Contributions from scheme employers are mostly being received on time and all contributions are up to date. We are currently working with one of our employers to consider exit strategies as part of the valuation process.

13. Employers leaving/joining HPF

13.1 The last remaining pension scheme member who was an employee of WIPRO has TUPE transferred to The Highland Council effective from 1 March 2026. The Actuary is working on calculating a cessation value to manage the exit of WIPRO from HPF.

13.2 As set out in SPPA circular 2025/07, from 1 August 2025 music teachers employed by High Life Highland will be members of the Scottish Teachers Pension Scheme (STPS), which is administered by the Scottish Public Pensions Agency (SPPA). Music teachers who are currently members of HPF will have the option to transfer to STPF (54 members) and any transfers will be processed by HPF on an individual basis. At Corporate Resources Committee on 27 August 2026, Committee approved the letter of comfort to the SPPA that Highland Council would act as guarantor for High Life Highland liabilities in respect of STPS contributions.
https://www.highland.gov.uk/meetings/meeting/5396/corporate-resources-committee

13.3 No employers have joined HPF.

14. HPF budget monitoring and costs

14.1 The budget monitoring reporting sets out actual expenses to 31 August 2026. Currently, forecast year end expenditure is generally expected to be in line with budget.

HPF Monitoring	Actuals to 31 Aug 2026	Annual Budget 2026/27	Forecast year end 2026/27	Year end Variance 2026/27
Administrative expenses				
Medical Exams	1	5	5	-
Conference Travel	-	1	1	-
Travel Mileage - non taxable	-	2	2	-
Subscriptions To Organisations	21	30	30	-
Bank Charges	2	2	3	1
Other Fees/Charges	-	3	3	-
Central support recharges	5	200	200	-
Pensions Admin staff costs	599	1,410	1,410	-
Additional resource to support performance recovery	63	194	194	-
Computer and ICT (external providers)	259	517	517	-
Printing and stationery	-	1	1	-
Postages	3	8	8	-
Pensions administration staff training	1	3	3	-
Other pensions admin costs (phone, insurance, subscriptions)	1	6	6	-
	955	2,382	2,383	1
Oversight and Governance costs				
Actuarial Fees	42	160	160	-
Audit Fees	-	46	46	-
Pension Investments and Accounting staff	120	306	306	-
Central Support - Accounting, Revenues, Chief Exec	-	23	23	-
Conference & Seminar (training)	-	10	10	-
Subsistence and travel	-	1	1	-
Investment Consultant Fees	15	140	140	-
Performance Management Fees (custodian)	7	50	50	-
Legal Services costs	6	10	10	-
	190	746	746	-
Investment Management Expenses				
Investment Expenses	92	350	350	-
Custodian fees	19	100	100	-
Transaction costs	-	350	350	-
Fund Manager Fees	574	10,825	10,825	-
	685	11,625	11,625	-
Management Expenses	**1,830**	**14,753**	**14,754**	**1**

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 ensures 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 HPF is complete, and final reviews are being undertaken. The remedy is that any negatively affected pensioners receive arrears payments with interest; and any incomplete GMP details for active and deferred members will be uploaded, in the near future.

16. Additional Voluntary Contribution (AVC's)

16.1 Prudential has been the appointed Additional Voluntary Contribution (AVC) provider to HPF since 1989.

16.2 To maximise the range of benefits offered to employees, The Highland Council has an agreement with mymoneymatters https://www.mymoneymatters.com (a company specialised in this discipline) to provide a shared cost AVC scheme to qualifying HPF members.

Designation: Chief Officer, Corporate Finance

Date: 17 September 2026

Author: Catriona Stachan, Pensions Manager

Background Papers: LGPS regulations, The Pension Regulator General Code of Practice

Appendices: Appendix 1 – correspondence between Scottish Scheme Advisory Board and the Scottish Government

APPENDIX 1

2026-08
ITEM 06

Ministerial Correspondence following Fit for the Future recommendations

Background:

Following a resolution of the Board to hold a workshop to consider the impact of the English and Welsh LGPS "Fit for the Future" reforms a workshop was held at Edinburgh City Chambers on 17th April 2026.

The recommendations from the workshop were sent to the Scottish Government in a letter to the Minister on 26 June 2026 **(Appendix A)**.

The Deputy First Minister and Cabinet Secretary for Finance and Local Government's response to the SAB Chairs of 4 August is attached **(Appendix B)**.

Requests of the SAB from the Minister:

1. SAB to consider how it can play a key role in the support or coordination of this work to achieve collaborative local investment and reporting to Scottish Government, with progress made in the period to September 2027.
2. Standardised and as far as possible trackable reporting on impact of investment in Scotland by LGPS(S) Funds.
3. A quarterly update from SAB to Scottish Government starting from October 2026.
4. To arrange a meeting with the Minister in advance of October 2026.

Recommendations:

1. SAB to arrange a meeting as requested. The suggested attendees are: Chair and Vice Chair; Invest Local Working Group Chair and Vice Chair; SAB Joint Secretaries and SAB Policy Officer.
2. SAB Invest Local Working Group to discuss and recommend options for supporting local investment work and reporting.
3. SAB Invest Local Working Group to continue work on standard reporting template to provide requested measurable reporting.
4. SAB to add a standing agenda item to agree quarterly report to be submitted after each SAB meeting.

Appendix A: Letter from SAB Chairs to Deputy First Minister and Cabinet Secretary for Finance and Local Government

By email 26th June 2026

To: Jenny Gilruth MSP, Cabinet Secretary for Finance and Local Government

Cc: Hannah Goodlad, MSP, Minister for Public Finance

Dear Jenny,

I write to update you on the work of the Scottish LGPS Scheme Advisory Board (SAB) on local investments, governance and structures of the scheme. May I start by congratulating you on your recent appointment as Deputy First Minister and Cabinet Secretary for Finance and Local Government

From an original request by Ministers in February 2024, and building upon previous research, the SAB has undertaken a programme of work looking at governance and investment issues in the Scottish LGPS. Part of this was framed by proposals in the "Fit for the Future" consultation undertaken by UK Government.

We initially responded to Scottish Ministers in May 2024 and subsequently undertook a consultation with the 11 LGPS Funds in Scotland on the scale of their 'local' investment. For these purposes, we defined 'local' as Scottish. The overall conclusions were shared in our letter of 13 August 2025.

Further to this, I am pleased to confirm that the SAB Working Group on Local Investment, including representatives of LGPS Funds and Scottish Government, is now meeting on a regular basis to review and explore ongoing developments. We envisage this may provide a hub of expertise to provide further advice should you request it.

We were also asked to advise on the wider policy agenda in the LGPS. To develop a response, the SAB held a workshop on 17 April 2026, facilitated by George Graham, former Director of the South Yorkshire Pensions Authority. This considered questions within the three main aspects of "Fit for the Future" – Governance, Local Investment, and Pooling/Consolidation. The SAB met on 27 May 2026 and agreed the following recommendations:

1. That Scottish Ministers should support greater collaboration by asking SAB to work with Funds to identify initial asset classes where collaboration would be beneficial and produce recommendations for funds to take this forward.

2. That any local investment approach from LGPS funds, should not be at the expense of delivering the required risk and return profile, and noting that a flexible definition of 'local investment' and encouraging bottom-up collaboration via 'coalitions of the willing' has the potential for more success.

3. That Funds should be encouraged to build on existing good practice in governance and make it the standard across the scheme. The SAB should receive an annual update, different from the annual report, on the number of funds that comply with KPI, disclosure requirements from the annual report guidance, and other relevant statutory requirements.

4. That Pension boards and committees adopt minimum training standards for members, with proportionate compliance assurance and follow up where gaps persist, to demonstrate and maintain sufficient knowledge and understanding. Ask Scottish Ministers to adopt a similar regulatory approach as take in licensing in Scotland regarding knowledge and understanding for members of pensions committees.

5. That Pension boards should encourage independent advice where helpful and SAB should promote independent professional advisers (IPO) as good practice

I hope this advice is useful to ministers and welcome your guidance on any further advice that you would like the SAB to prepare.

Yours sincerely,

Andy Thompson

Chair

Scottish LGPS Scheme Advisory Board

Appendix B: Letter from Deputy First Minister and Cabinet Secretary for Finance and Local Government to SAB Chairs

To:

Andy Thompson
S.Watson@unison.co.uk

4 August 2026

Our Reference: 202600524668

Your Reference: Letter to Cabinet Secretary for Finance and Local Government

Dear Andy,

I am writing in my capacity as the Deputy First Minister and Cabinet Secretary for Finance and Local Government, given my portfolio includes responsibility for public service pensions in Scotland. I note that Scottish Ministers now have powers under the Pension Schemes Act 2026 in relation to asset pooling. I would like to reassure you that I welcome seeing a Scottish LGPS-led collaboration that can achieve our shared goals within the current structure of the Scottish LGPS. That being said, it also remains the case that progress is expected within the period to September 2027.

I am encouraged by the aims of the provisional Scottish LGPS vision statement, which includes an aspiration of allocating 5% of assets to investments in Scotland over 5–10 years and consideration of a potential role for SNIB in facilitating greater collaboration. I understand Pension Committees will give consideration to this vision in the coming months.

In the meantime, I am aware that SNIB is developing a proposal for a vehicle that would enable greater capital investment in areas that align well with our shared priorities such as infrastructure, housing, and energy, and will be engaging with you on this.

I hope these will be productive discussions that will provide for primary investment that has a positive impact on Scotland’s economy. This need not be specific to a particular region of the country. Indeed, I recognise that portfolio diversification is critical to the Funds’ fiduciary duty and investments in Scotland will form only part of their portfolios.

To ensure that progress is made on this important endeavour, it is vital that there is good leadership and governance. With this in mind, I would like to see the SAB consider how it can play a key role in the support or coordination of this work, and report progress to me.

In addition, I would like to see standardised reporting to better understand the impact of investment in Scotland by the Scottish LGPS. I understand this is being explored by the relevant SAB sub-group, and I would encourage you to engage fully with officials to develop a way that allows, as far as possible, a way to monitor and track this.

I hope this information is helpful and look forward to seeing the above work progress. I am looking forward to the continuing productive engagement between the SAB and the Scottish Government, and I would appreciate quarterly update reports from you to my officials starting from October.

I would also welcome an introductory meeting with the Joint Chairs ahead of any updates starting in October. I would be grateful if you can reach out to my Private Office at DFMCSFLG@gov.scot to arrange a suitable time for this meeting.

Yours sincerely

JENNY GILRUTH

St Andrew's House, Regent Road, Edinburgh EH1 3DG www.gov.scot