

Item: 9

Pension Fund Sub-committee: 19 September 2018.

Pension Administration – Performance.

Report by Head of Finance.

1. Purpose of Report

To advise of the Pension Fund administration performance for financial year 2017 to 2018.

2. Recommendations

The Sub-committee is invited to note:

2.1.

That the Orkney Islands Council Pension Fund invests and administers pensions on behalf of seven current and former employers, including Scheduled Bodies brought into the Fund by legislation and Admitted Bodies who are permitted to join the Fund.

2.2.

Pension Fund administration performance for the period 1 April 2017 to 31 March 2018, as detailed in sections 4 to 14 of this report.

3. Background

3.1.

Orkney Islands Council acts as administering authority for the Orkney Islands Council Pension Fund (the Fund).

3.2.

The Fund invests and administers pensions on behalf of seven current and former employers. These include Scheduled Bodies brought into the Fund by legislation and Admitted Bodies, which are permitted to join the Fund. One employer participates as a Scheduled Body in the Fund.

3.3.

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 Pension Section.

3.4.

These contributions are remitted monthly to the Fund. The statutory deadline for payment to be made is the 19th of each month.

4. Scheme Employers' Pension Contributions

4.1.

Pension contributions received from employers are checked for accuracy against known parameters and the dates received are recorded and monitored. Contact is made with an employer in instances where payments are received late or not to the expected value.

4.2.

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

5. Employers Leaving the Fund

5.1.

Visit Orkney ceased to be a scheme employer with effect from 28 April 2017. In line with the Local Government Pension Scheme Regulations, a cessation valuation was duly completed by Hymans Robertson LLP, the Council's appointed Fund Actuary, which showed that:

- The exit payment calculated on a gilts cessation basis was £244,000.
- The exit payment calculated on an ongoing basis was nil.

5.2.

As Visit Orkney had a guarantee in place from the Scottish Government, in accordance with Section 3.3 of the Pension Fund's Funding Strategy Statement, no exit payment was payable. Visit Orkney's funding position will continue to be assessed as part of the triennial valuation process and any future deficit contribution will be paid by Visit Orkney, or failing that, the Scottish Government.

5.3.

Orkney Towage Company Limited ceased to have any active members in the Fund with effect from 1 April 2018. This triggered a cessation event and the Pension Section is awaiting the results of the cessation valuation from the Fund Actuary.

5.4.

The Council has agreed to act as guarantor should Orkney Towage Company Limited fail to have sufficient funds to cover any exit payment. The terms of the Guarantee stipulate that the notional Pension Fund assets and liabilities of Orkney Towage Company Limited can be transferred to Orkney Islands Council.

6. Pension Fund Costs

6.1.

Pension costs for financial year 2017 to 2018, as at 31 March 2018, are presented below with the 2016 to 2017 costs provided for context.

	2016 to 2017 (actual).	2017 to 2018 (actual).
Investment Manager Fees.	£852,000.	£1,055,000.
Custodian Fees.	£32,000.	£43,000.
Other Investment Management Fees.	£4,000.	£7,000.
Stamp Duty.	£50,000.	£13,000.
Other Transaction Taxes and Levies.	-.	£20,000.
Broker Commission.	-.	£31,000.
Staff Time and Support Allocations.	£238,000.	£256,000.
Audit Costs.	£20,000.	£20,000.
Professional Fees.	£25,000.	£75,000.
Total.	£1,221,000.	£1,520,000.

7. Actuarial Fees

7.1.

Actuarial fees for specific tasks are agreed as part of the actuarial contract between the Council and Hymans Robertson.

7.2.

Actuaries' fees for pre-arranged work, including triennial actuarial valuation review, for the year to 31 March 2018 amounted to £59,610.

8. Auto Re-enrolment

8.1.

The Council is required to re-enrol eligible employees into the Pension Scheme every three years under Auto Enrolment legislation.

8.2.

The latest re-enrolment exercise, completed in November 2017, resulted in 72 employees being re-enrolled in the Local Government Pension Scheme from 16 November 2017.

8.3.

Of the 72 employees automatically enrolled on 16 November 2017, 15 opted out of the Pension Scheme resulting in a net increase of 57 members.

9. Annual Benefit Statements

9.1.

A statement of accrued pension benefits is required by regulation to be issued annually.

9.2.

The 2018 Annual Benefit Statements were issued to active scheme members on 28 August 2018 along with a Local Government Pension Scheme newsletter.

10. Additional Voluntary Contributions

10.1.

Prior to the issue of Annual Benefit Statements, the Pension Section arranged for two presentations by Prudential, the Fund's Additional Voluntary Contribution provider, in May 2018.

10.2.

The purpose of these presentations was to provide scheme members with information to maximise the benefits that can be achieved through the Additional Voluntary Contribution facility.

10.3.

However, Prudential contacted the Pension Section one week prior to the presentations to say that they had decided to withdraw this service and had no future plans to restore it. It was emphasised by Prudential that withdrawal of their presentations would in no way impact on their ability to provide an Additional Voluntary Contribution service to members of the Local Government Pension Scheme.

11. Administrative Performance

11.1.

Orkney Islands Council, as administering authority, is committed to providing a high quality pension service to both members and employers and to ensure members receive their correct pension benefit entitlement.

11.2.

In line with good practice, the Pension Fund has an administration strategy which sets out the roles and responsibilities of both the Administering Authority and Scheme Employers. The administration strategy includes a number of key processes and tasks which are benchmarked against expected timescales, with the results included in the Pension Fund Accounts.

11.3.

Service level standards for the Administering Authority performance are based on national Performance Indicators. Performance during 2017 to 2018 against the key service standards of the Pension Fund as set by the Council was as follows:

	Performance Standard – Number of Working Days.	Number of records processed within standard.	Number of records processed outwith standard.	Percentage of records processed within standard.	Prior Year Performance.
Pension Estimates.	10.	80.	43.	65.0%.	30.0%.
Retirement.	5.	84.	0.	100.0%.	93.0%.
Transfers in.	10.	43.	2.	95.6%.	88.7%.
Transfers out.	10.	18.	1.	94.7%.	82.4%.
Refunds.	5.	29.	2.	93.6%.	100.0%.

12. Voluntary Severance

12.1.

There was not a Voluntary Severance scheme in progress during 2017 to 2018 so the Pension Section did not calculate severance payments for any employees during this period.

12.2.

The Pension Section continues to provide support and guidance to those members voluntarily leaving the Council's employment and drawing their pension benefits.

13. Fund Membership

Membership of the Fund as at 31 March 2018 can be summarised across each employer as follows:

	Active.	Deferred.	Pensioners.	Dependants.
Orkney Islands Council.	1,796.	877.	722.	104.
Orkney Islands Property Development Limited.	2.	4.	4.	0.
Orkney Towage Company Limited.	18.	14.	18.	0.
Pickaquoy Centre Trust.	55.	23.	6.	0.
Highlands and Islands Enterprise Orkney.	4.	5.	2.	0.
Visit Orkney.	0.	5.	3.	1.
Orkney Ferries Limited.	91.	45.	25.	3.
Total Membership.	1,966.	973.	780.	108.

14. Freedom and Choice

Requests to transfer pension benefits out of the Fund as a result of Freedom and Choice legislation have increased during the period from 2017 to 2018 but still remain minimal in line with other funds.

15. Corporate Governance

This report relates to the Council, as Administering Authority to the Orkney Islands Council Pension Fund, complying with its governance and financial processes and procedures and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

16. Financial Implications

Costs associated with the administration of the Pension Fund are detailed in section 6 above.

17. Legal Aspects

The Local Government Pension Scheme (Administration) (Scotland) Regulations 2014 apply to the operation of the Pension Fund. These replaced the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 with effect from 1 April 2015.

18. Contact Officers

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