



**Item: 3**

**Pension Fund Sub-committee: 29 May 2024.**

**Pensions Administration – Performance.**

**Report by Head of Finance.**

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## **1. Overview**

- 1.1. Orkney Islands Council acts as administering authority for the Orkney Islands Council Pension Fund (the Fund).
- 1.2. The fund invests and administers pensions on behalf of four 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.
- 1.3. Participating employers are required to calculate and deduct the appropriate rate of the pension contributions from salaries in addition to an employer's contribution in accordance with guidance issued by the Pension Section.
- 1.4. These contributions are remitted monthly to the Fund. The statutory deadline for the payment to be made is the 19<sup>th</sup> of each month.
- 1.5. The Pension Fund Administration performance for the period 1 April 2023 to 31 March 2024 is detailed in sections 3 to 8 of this report, as follows:
  - Scheme Employers' Pension Contributions.
  - Auto Enrolment figures for the period.
  - Administrative Performance for the period.
  - Voluntary Severance and Early Retirement for the period.
  - Fund Membership for the period.
  - Pension transfers for Freedom and Choice for the period.

## **2. Recommendations**

- 2.1. It is recommended that members of the Sub-committee:
  - i. Scrutinise the Pension Fund administration activities, together with performance against key service standards, for the period 1 April 2023 to

31 March 2024, as detailed in sections 3 to 8 of this report, in order to obtain assurance.

### **3. Scheme Employers' Pension Contributions**

- 3.1. 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 are not to the expected value.
- 3.2. Contributions from scheme employers in the period 1 April 2023 to 31 March 2024 were all received on time.

### **4. Auto Enrolment**

- 4.1. The Council continues to enrol eligible employees into the Pension Scheme in accordance with Auto Enrolment legislation. Eligible employees for auto enrolment are those employees aged between 22 and State Pension Age who earn over £833 per month.
- 4.2. Twenty-three employees were automatically enrolled in the Local Government Pension Scheme in the period 1 April 2023 to 31 March 2024. Of the 23 employees enrolled in this period, two have chosen to opt out of the Pension Scheme.

### **5. Administrative Performance**

- 5.1. Orkney Islands Council, as administering authority, is committed to providing a high-quality pension service to both members and employers and to ensuring that members receive their correct pension benefit entitlement.
- 5.2. 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 tasks which are benchmarked against expected timescales, with the results included in the Pension Fund Accounts.
- 5.3. Service level standards for the Administering Authority's performance are based on national Performance Indicators. Performance against the key service standards for the period 1 April 2023 to 31 March 2024 is shown below. Performance for the period 1 April 2022 to 31 March 2023 is shown for comparison.

	Performance standard – number of working days.	Number of records processed within standard.	Number of records processed out with standard.	Percentage of records processed within standard.
<b>Performance for 1 April 2022 to 31 March 2023</b>				
New Entrant Information.	10.	286.	0.	100.0%.
Leaver Information.	10.	161.	1.	99.4%.
Pension Estimates.	10.	128.	6.	95.5%.
Retirements.	5.	112.	0.	100.0%.
Transfers in.	10.	47.	3	94.0%.
Transfers out.	10.	6.	0.	100.0%.
Refunds.	5.	33.	0.	100.0%
<b>Performance for 1 April 2023 to 31 March 2024</b>				
New Entrant Information.	10.	280.	0.	100.0%.
Leaver Information.	10.	185.	3.	98.4%.
Pension Estimates.	10.	89.	16.	84.8%.
Retirements.	5.	83.	2.	97.6%.
Transfers in.	10.	46.	3.	93.5%.
Transfers out.	10.	6.	1.	85.7%.
Refunds.	5.	32.	1.	97.0%.

## **6. Voluntary Severance and Early Retirement**

- 6.1. No payments were made in the period 1 April 2023 to 31 March 2024 in relation to voluntary severance and early retirement.
- 6.2. The Pension Section continues to provide guidance to members voluntarily leaving the Council and drawing their pension benefits and also members retiring on health grounds.

## 7. Fund Membership

7.1. Membership of the Fund as at 31 March 2024 stood at 4,664, representing an increase of 189 members for the year, and is summarised across each employer as shown below. Membership as at 31 March 2023 is shown for comparison.

	Active.	Deferred.	Pensioners.	Dependants.
<b>Membership as at 31 March 2023</b>				
Orkney Islands Council.	2,002.	989.	1,015.	158.
Orkney Ferries Limited.	111.	45.	33.	6.
Pickaquoy Centre Trust.	51.	44.	10.	0.
Orkney Islands Property Development Limited.	3.	3.	5.	0.
Total Membership.	2,167.	1,081.	1,063.	164.
<b>Membership as at 31 March 2024</b>				
Orkney Islands Council.	2,041.	1,043.	1,073.	162.
Orkney Ferries Limited.	128.	49.	39.	5.
Pickaquoy Centre Trust.	52.	50.	11.	0.
Orkney Islands Property Development Limited.	3.	3.	5.	0.
Total Membership.	2,224.	1,145.	1,128.	167.

## 8. Freedom and Choice

- 8.1. In April 2015, the UK Government introduced Freedom and Choice legislation for members of defined contribution pension schemes. Members of defined contribution pension schemes who have reached age 55 can use money from their pension pots for a range of benefits such as cash withdrawal, retirement income or a combination of both.
- 8.2. Although Freedom and Choice legislation does not apply to public sector pension schemes, Local Government Pension Scheme members can choose to transfer their pension benefits to a defined contribution pension scheme, subject to taking appropriate independent advice from an adviser who is registered with the Financial Conduct Authority, in order to take advantage of Freedom and Choice legislation.
- 8.3. No requests were made for a transfer of pension benefits to a personal pension scheme in the period 1 April 2023 to 31 March 2024.

## **For Further Information please contact:**

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## **Implications of Report**

- 1. Financial:** There are no financial implications with this report. Cost of compilation of performance data is met from within existing pension fund administration budget.
- 2. Legal:** The Local Government Pension Scheme (Scotland) Regulations 2018 apply to the operation of the Pension Fund.
- 3. Corporate Governance:** The Pension Fund Sub-committee has responsibility to discharge all functions and responsibilities relating to the Council's role as administering authority for the Orkney Islands Council Pension Fund, as defined in the Scheme of Administration.
- 4. Human Resources** N/A.
- 5. Equalities** N/A.
- 6. Island Communities Impact** N/A.
- 7. Links to Council Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Council Plan strategic priorities:
  - Growing our economy.
  - Strengthening our Communities.
  - Developing our Infrastructure.
  - Transforming our Council.
- 8. Links to Local Outcomes Improvement Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Local Outcomes Improvement Plan priorities:
  - Cost of Living.
  - Sustainable Development.
  - Local Equality.
- 9. Environmental and Climate Risk** N/A.
- 10. Risk** N/A.
- 11. Procurement** N/A.
- 12. Health and Safety** N/A.
- 13. Property and Assets** N/A.
- 14. Information Technology** N/A.
- 15. Cost of Living** N/A.

## **List of Background Papers**

Pensions Administration Performance Report-18 May 2023 for comparison data