



Local Pension Board

A meeting of the Local Pension Board will be held at the Jeffrey Room, The Guildhall, Northampton on Thursday 2 November 2023 at 2.00 pm

Agenda

1.	Apologies for Absence and Notification of Substitute Members
2.	Declarations of Interest Members are asked to declare any interest and the nature of that interest which they may have in any of the items under consideration at this meeting.
3.	Minutes (Pages 5 - 8) To confirm the Minutes of the meeting of the Committee held on 29 June 2023.
4.	Chair's Announcements To receive communications from the Chair.
5.	Internal Audit Report (Pages 9 - 26)
6.	Administration Report (Pages 27 - 38)
7.	Business Plan Update (Pages 39 - 64)
8.	Governance and Compliance Report (Pages 65 - 78)
9.	Potential Breaches of the Law Report (Pages 79 - 96)
10.	Cash Management Strategy (Pages 97 - 114)

11.	Northamptonshire Pension Fund Board Agenda Plan (Pages 115 - 116)
12.	Annual Report of the Local Pension Board (Pages 117 - 126)
13.	<p>Exclusion of Press and Public</p> <p>In respect of the following items the Chairman may move the resolution set out below, on the grounds that if the public were present it would be likely that exempt information (information regarded as private for the purposes of the Local Government Act 1972) would be disclosed to them: The Committee is requested to resolve: "That under Section 100A of the Local Government Act 1972, the public be excluded from the meeting for the following item(s) of business on the grounds that if the public were present it would be likely that exempt information under Part 1 of Schedule 12A to the Act of the descriptions against each item would be disclosed to them"</p>
14.	Private minutes of the Local Pension Board 29 June 2023 (Pages 127 - 128)
15.	Private minutes of the Pension Fund Committee 24 July 2023 (Pages 129 - 132)
16.	Risk Monitoring (Pages 133 - 166)
17.	Additional Contribution Provider Administration and Investment Performance Review (Pages 167 - 212)
18.	ACCESS Update (Pages 213 - 218)
19.	<p>Urgent Business</p> <p>The Chairman to advise whether they have agreed to any items of urgent business being admitted to the agenda.</p>

Catherine Whitehead
Proper Officer
25 October 2023

Local Pension Board Members:

Alicia Bruce (Chair)

Julie Petrie (Vice-Chair)

Councillor Andrew Weatherill
Katy Downes

Councillor Greg Lunn
Kevin Standishday

Information about this Agenda

Apologies for Absence

Apologies for absence and the appointment of substitute Members should be notified to democraticservices@westnorthants.gov.uk prior to the start of the meeting.

Declarations of Interest

Members are asked to declare interests at item 2 on the agenda or if arriving after the start of the meeting, at the start of the relevant agenda item

Local Government and Finance Act 1992 – Budget Setting, Contracts & Supplementary Estimates

Members are reminded that any member who is two months in arrears with Council Tax must declare that fact and may speak but not vote on any decision which involves budget setting, extending or agreeing contracts or incurring expenditure not provided for in the agreed budget for a given year and could affect calculations on the level of Council Tax.

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Queries Regarding this Agenda

If you have any queries about this agenda please contact Jeverly Findlay, Democratic Services via the following:

Tel: 01327 302324

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Local Pension Board

Minutes of a meeting of the Local Pension Board held at Jeffrey Room, The Guildhall, Northampton on Thursday 29 June 2023 at 2.00 pm.

Present:

Alicia Bruce (Chair)
Julie Petrie (Vice-Chair)
Councillor Andrew Weatherill
Kevin Standishday

Apologies for Absence:

Katy Downes
Paul Hanson

Officers:

Mark Whitby, Head of Pensions
Michelle Oakensen, Governance and Regulations Manager
Jeverly Findlay, Committee Officer

94. **Declarations of Interest**

No interests were declared.

95. **Minutes**

RESOLVED: The Local Pension Board approved the minutes of the meeting held on 27 April 2023.

96. **Chair's Announcements**

The Chair asked that it be recorded that Councillor Ken Pritchard be thanked for his time serving on the Local Pension Board. It was noted that Councillor Greg Lunn had recently been appointed to serve on the Board.

97. **Action Log**

Members of the Board were asked to note the Action Log.

RESOLVED: The Local Pension Board noted the action log.

98. **Administration Report**

Consideration was given to a report which provided an overview of the administrative activities of the Northamptonshire Pensions Fund.

The Governance and Regulations Manager presented the report and advised that most of the key performance indicators had been met over the period, 5 had been missed, one of which was 1 red and the other 4 were amber. There are six newer employees within a team of nine who have less than 12 months experience and this inexperience had affected the performance, over time their skills and knowledge would increase, and the performance issue would be addressed. There was an increase of individuals changing jobs after the pandemic, and also a number of people in the team currently on maternity leave or due to go on maternity leave, as well as an isolated case of long-term sickness. The risk relating to the capacity of the team was included in the risk register. Councillor Weatherill queried what retention measures were in place for employees. The Head of Pensions advised that West Northants Council had a positive flexible working scheme and the remuneration for roles was appropriate.

The Governance and Regulations Manager advised that the new performance indicator development was on track and testing on three areas had commenced that week. It was expected that the first statistics would be able to be taken to Committee in October.

For the first time in over a year, the receipt of employee and employer contributions had not been 100% and this would continue to be monitored. The contributions received on time in March had been 99.4%.

Kevin Standishday queried why a member of the scheme had been refused a transfer to another fund which had resulted in a complaint. The Governance and Regulations Manager advised that it was a timing issue related to leaving dates.

Councillor Andrew Weatherill queried what the latest position was with regard to the WNC internal audit inspection. The Head of Pensions advised that he would contact the Section 151 Officer and then circulate a revised timescale for the completion of the audits. The accounts for the previous year had been closed down and processes were in place for this year. However, the WNC's audit would be over 5 months late. The Chair highlighted that from a system control point of view it would not be worth undertaking the audit if the information was from two years ago.

RESOLVED:

- (i) That the Local Pension Board note the Northamptonshire Pensions Fund - Administration Performance Report.**
- (ii) That an update be provided at the next meeting regarding the latest position with the internal audit inspections.**

99. Business Plan Update

The Head of Pensions updated the progress made on the key activities for the period, namely the procurement of new software. Submissions had been received from more than one supplier. There were 2 ambers referred to in the report in section 2.3, which were due to a change of control of the advisor MJ Hudson in the ACCESS asset pool and the processing of undecided leavers. The processing of undecided

leavers was amber as the Government's Actuary's Department had changed the discount rate and this had impacted on the factors involved in many benefit calculations, including transfer calculations required for leavers with less than 2 years' service. All pension funds were in the same position and it effected business as usual and backlogs. When the new factors were received it was expected that over a thousand cases would be able to be processed in bulk. The Benefits and Governance Advisor had been asked to review the processes to ensure that they were as efficient as possible. The previous year's figures would be submitted to the Pension Fund Committee in July.

Further to discussion, it was noted that back dated pay awards created problems in the system and this was difficult to manage. The data from the pay and grading project would be fed in and any patterns identified. If a payroll provider was changed by an employer, potentially all employees were deemed as leavers as new starters. This was obviously a universal issue for all funds.

RESOLVED: That the Local Pension Board note the Business Plan Update.

100. **Governance and Compliance**

The Governance and Regulations Manager reported that the Government had revised the guidelines with regard to the Pension Dashboard Programme and the new connection deadline was now 31st October 2026. Collaboration within the industry was being encouraged and further guidance was expected later in the year. Preparation was ongoing with data cleansing including the data improvement plan activities and whether the AVC providers would need to display the information separately.

With regard to the McCloud Remedy the second consultation had been issued on 30 May and would close on 30 June. The focus was on supplementary issues and scheme regulations. The response would include comments regarding the excess teacher service and was with the Chair and Vice-chair for their approval. The Local Government Association had published their response that day.

The service needed to consider member awareness and engagement in response to the gender pensions gap report and communications were key and were continually reviewed.

The Governance and Regulations Manager asked the Board to familiarise themselves with the Hymans online training platform.

RESOLVED: That the Local Pension Board note the Governance and Compliance report.

101. **Training Strategy**

The Governance and Regulations Manager drew Members' attention to the key proposals in the table and the new mandatory training framework. From an administrative point of view there would be a significant improvement with regard to the audit trail and key areas of measurement of knowledge. The mandatory modules

would need to be completed within 12 months with current issue modules to be completed within 3 months of release. The Online Training Platform would be reviewed after 12 months and a decision on maintaining knowledge would be made following the review. There would be core training required to be undertaken and bespoke training would be provided where beneficial. External training was still on offer to Members if requested and remains detailed in the Governance and Compliance Report. The Team would seek to achieve a balance between online training and face to face. The Training Strategy would be submitted to the next Pension Fund Committee and once approved the Board Members would be contacted and asked to commence the training.

RESOLVED: The Local Pension Board reviewed the Northamptonshire Pension Fund Training Strategy.

102. **Northamptonshire Pension Fund Agenda Plan**

RESOLVED: The Local Pension Board note the forward agenda plan.

103. **Exclusion of Press and Public**

RESOLVED: That Under Section 100A of the Local Government Act 1972, the Local Pension Board agreed that the public be excluded from the meeting for the following items of business on the grounds that if the public were present it would be likely that exempt information under Part 3 of Schedule 12A to the Act would be disclosed to them.

The meeting closed at 3.15 pm

Chair: _____

Date: _____



West Northamptonshire Council

Local Pension Board

02/11/2023

Internal Audit

Report Title	Internal Audit Report 2022-23
Report Author	Scott Peasland – Audit Manager Scott.Peasland@westnorthants.gov.uk

Contributors/Checkers/Approvers

Head of Pensions	Mark Whitby	19/10/2023
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List of Appendices

Appendix A – Internal Audit Report: Administration of the Northamptonshire Pension Fund 2022-23

1. Purpose of Report

1.1. To present the findings of Internal Audit work covering the period 2022-23.

2. Executive Summary

2.1 The audit assessed the adequacy of design and implementation of controls for the administration of the pension fund covering the period 2022-23. Based on the completion of the work undertaken by the WNC Audit and Risk Management Service, a **substantial** opinion assurance was given in respect of the control environment / system in place, and a **substantial** assurance opinion for compliance. The full report is included as Appendix A.

3. Recommendations

3.1 The Pension Board is asked to note the findings from Internal Audit work covering the period 2022-23.

3.2 Reason for Recommendation: To receive independent assurance along with other stakeholders around the robustness of arrangements supporting the administration of the Northamptonshire Pension Fund.

4. Report Background

- 4.1 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The work of Internal Audit complements and supports the work of external auditors in forming their opinion on the financial accounts.
- 4.2 The administration of the Northamptonshire Pension Fund is audited annually to provide appropriate assurance to senior management, Members and key stakeholders. Each year the scope of work is assessed and on occasion is extended, as it was for the 2021-22 audit, to ensure it addresses the key elements and covers appropriate areas of risk, whilst avoiding any duplication of assurance provided by others.
- 4.3 The Internal Audit findings were noted by the Pension Committee on 2 October 2023.

5. Issues and Choices

- 5.1 Not Applicable

6. Implications (including financial implications)

6.1 Resources and Financial

- 6.1.1 There are no resources or financial implications arising from this report.

6.2 Legal

- 6.2.1 The requirement for an Internal Audit function derives from section 151 of the Local Government Act 1972. All principal local authorities and other relevant bodies subject to the Accounts and Audit Regulations 2015 in England should make provision for Internal Audit in accordance with the Code.
- 6.2.2 There are no legal implications arising from this report.

6.3 Risk

- 6.3.1 Good governance ensures that the Pension Fund is appropriately managed and has oversight by audit to ensure transparency.
- 6.3.2 The risks associated with failing to independently assess the Pension Fund has been captured in the Fund's risk register as detailed below.

Risk	Residual risk rating
Contributions to the Fund are not received on the correct date and/or for the correct amount. (Risk 4)	Amber
Risk of fraud and error. (Risk 10)	Green
Failure to understand and monitor risk and compliance. (Risk 11)	Green
Failure to administer the scheme in line with regulations and guidance. (Risk 17)	Green
Incorrect/poor quality data held on the Pension Administration and Payroll platforms or delays with receiving information leading to incorrect information/delayed provision of information to members and stakeholders. (Risk 14)	Amber

The Fund's full risk register can be found on the Fund's website at the following link: [Risk Register.](#)

6.4 Relevant Pension Fund Objectives

6.4.1 The audit work undertaken was designed to support the Pension Service in achieving its objectives through the effective management of risk. The work therefore supports all of the objectives of the Pension Service.

- To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
- To administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration.
- To maintain accurate records and ensure data is protected and used for authorised purposes only.

6.5 Consultation

6.5.1 Consultation was not required for this report.

7. Background Papers

7.1 Not Applicable

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Internal Audit Final Report

Administration of the Northamptonshire Pension Fund 2022/23

Governance Opinion

Adequacy of System	Substantial
Compliance	Substantial
Organisational Impact of Findings	Minor

Report Issued	21/07/2023
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Executive Summary

1 Background

- 1.1 The Pension Service based within West Northamptonshire Council administers the Northamptonshire Local Government Pension Scheme.
- 1.2 The administration of the scheme is subject to an annual internal audit and for 2021/22 this was given substantial assurance for system design and satisfactory assurance for compliance. The respective audit report and assurance opinions were presented to the fund's Pension Committee and Pension Board during 2022.
- 1.3 Relevant statistics for the fund as reported in the 2021/22 Annual Report and Accounts are depicted in the following table:

Period end	No. of members	Active Employers	Value of assets
31 March 2022	76,519	318	£3.3billion
31 March 2021	73,078	358	£3.1billion

- 1.4 This audit forms part of the agreed 2022/23 Internal Audit Plan.

2 Scope of Audit and Approach

2.1 Scope

To provide assurance that the Pensions Service has effective arrangements in place with regards to the management and administration of the Northamptonshire Pension Fund, including the accuracy and timeliness of associated financial transactions.

The scope of the audit sought to determine whether:

- Appropriate systems are in place to ensure notification of new members and other changes (including transfers in) are recorded on the pensions systems accurately and on a timely basis.
- Mechanisms exist to ensure the correct contributions are received from employer organisations in line with agreed deadlines on a timely basis.
- Appropriate action is taken upon notification that a member has left the scheme.
- Pension payments are made accurately and in accordance with regulations and agreed procedures.
- Reconciliations related to Pensions are completed on a timely basis, with prompt action taken to clear unreconciled items.
- Key Performance Indicators (KPIs) reported in Administration Performance reports are accurate.
- Appropriate procedures are in place to identify and report breaches of the law to the Pension Committee and Pension Board in the Administration Report.
- There is an up-to-date Risk Strategy and Risk Register in place which are monitored and reported on at appropriate intervals.

2.2 Approach

To move away from historic routine systems documentation, testing and control evaluation, a different approach was adopted to the audit review this year.

The initial stage of the approach involved the undertaking of an assessment with the help of management to document and understand the following aspects in each of the areas covered within the scope of this audit:

- Significant changes in staff / IT systems / activity including transaction volumes
- Current / future risks relating to these areas
- Where and how management gets its assurance that the identified risks are being effectively managed
- Implementation of prior year recommendations
- Any areas of management concern

This evaluation and mapping approach enabled us to assess the level of assurance and risk within each aspect of the administration process with a view to then determining and agreeing with management the areas requiring further audit attention, which may involve i.e. walk-through and/or compliance testing, as deemed appropriate.

2.3 Acknowledgements

We would like to thank all the members of staff consulted, for their assistance and co-operation during this review.

3 Internal Audit Opinion and Main Conclusions

- 3.1 The review has confirmed that the current arrangements largely ensure that adequate controls are in place for achieving the eight key control objectives listed in 2.1 above. Therefore, the assurance opinion given to system design is one of **Substantial Assurance**. This opinion takes into account areas already recognised for improvement by management which are currently being actioned, including the imminent introduction of the new workflow design for dealing with year-end queries reconciliations, the development of complementary customer journey KPIs, and the monitoring of potential breaches of the law arising from the commissioned AON review into this area, which will further enhance the control environment.
- 3.2 Overall, the review found good levels of compliance with the expected control procedures, as confirmed by our testing. Therefore, the assurance given to procedural compliance is **Substantial**.
- 3.3 The organisational impact of the findings is **Minor**. This reflects the fact that whilst a small number of improvements are being implemented, which are considered to have a limited impact on the operations of the Northamptonshire Pension Fund.
- 3.4 **Recommendations**
There are no recommendations arising from this review as areas identified for improvement are already being actioned by management.
- 3.5 **2021/22 Audit recommendations - Follow-up**
The 2021/22 final report highlighted five issues for management action. Four issues have now been actioned and the other which relates to the annual reconciliation of outstanding employer data submission checks and validation is currently work in progress as it is scheduled for July/August (See paragraph 4.3).

DETAILED FINDINGS

4 Assurance Area - Recording new starters / changes (incl: transfers in)

Control Objective (1) - Appropriate systems are in place to ensure notification of new members and changes (including transfers in) are recorded on the pensions systems accurately and on a timely basis.

- 4.1 Employers are responsible for notifying the Pensions Fund of any employees who wish to join the pension scheme. This information is currently received by Pensions through two mechanisms:
- Electronic data submissions via I-connect, which is a system which interfaces with the pensions system.
 - Manual forms from employees and employers, although these are very rare.
- 4.2 Irrespective of the mechanism, checks are undertaken to ensure that only correct and complete records are uploaded into the pensions system (Altair), which are then used to create the member record. This includes:
- Independent checks on manual information input onto the pensions system by Pension Officers, and
 - Checks to ensure that electronic data received is accurately transferred to the pensions system. This includes ensuring that all submissions received from employers have been processed and that any rejected data is investigated and resolved.
- 4.3 At the time of reporting the Pensions Service was commencing the annual reconciliation for all employer submissions to be able to confirm the number of queries that they will need to raise with scheme employers as to the quality and accuracy of their submitted data for the 2022/23 financial year. The service has introduced improvements to the process of querying the year end data with the employer by:
- Creating query tasks on each individual member's record which can be reported on using the system's reporting tool, Insights. This replaces the use of multiple spreadsheets used by different officers.
 - Establishing a workflow so that a query on an individual's record can be tracked and reported on to check progress and whether the employer needs chasing for a response and/or escalating via the Funds' escalation policy. Insights reporting will easily detail this information.
 - Forming a permanent and auditable record of how the query was resolved.
- 4.4 New members who wish to transfer in from another pension scheme can do so providing defined procedures are followed. Walkthrough testing of a transfer into the Northamptonshire Pension Fund (NPF) confirmed that the following controls were operating effectively:
- A transfer in request was made within one year and a form was on file signed by the member.
 - If a transfer in request was made outside one year, the request has to be referred to the Head of Pensions to agree for the transfer to proceed.
 - A calculation of the transfer in value is on file which has been subject to independent review and authorisation.
 - The pension certificate has been provided by the previous pension provider.
 - The correct payment had been received from the previous pension provider.
 - The member's pension record on the Altair system had been updated accurately and the member notified.

5 Assurance Area - Contributions

Control Objective (2) - Mechanisms exists to ensure the correct contributions are received from employer organisations in line with agreed deadlines on a timely basis.

- 5.1 **Monthly Employer Contributions** - A clearly defined process is in place to oversee the monthly payment of employer contributions to the NPF. Employers submit details of their contributions each month on a PEN18 electronic return. The PEN18s system checks that employer contributions received agree to actuary percentage rates for pensionable pay for employer's contributions. This system is automated so that when the data is fed into the system it calculates the amount due based on pensionable pay, this is then compared to the amount received. A check is also completed at the same time to monies received. Where variances occur, the employer is contacted and they either adjust the next payment or invoice the employer.
- 5.2 Monthly performance data for the year 2022/23 ("NPF March 2023 Late Payments Stats" - the source document from which this information is derived is the Contribution Monitoring Sheet) was provided by the Principal Finance Technician. Review of this highlighted the monthly collection rates for the year April 2022 – March 2023 was 100% for all months, except March 2023 which was 99.4%. This information is submitted to the Governance Team on a regular basis and it is presented to the Pensions Committee/Board. At the end of June 2023, the Board received the Administration Report which included at Appendix B monthly collection rates for May 2022- April 2023 – all 100% except for March 2023.
- 5.3 **Annual Employer Reconciliations** - In addition to the monthly reconciliation of the receipt of employer contributions, an annual reconciliation of employer and member contributions to payments received takes place around July/ August in the following financial year. This takes place for employers who do not have access to the I-Connect system and manually submit an annual return. The Principal Finance Technician confirmed that there were no adjustments or differences out of tolerance levels for 21/22.

6 Assurance Area - Leaving the pension scheme

Control Objective (3) - Appropriate action is taken upon notification that a member has left the scheme.

- 6.1 Employers notify the Pensions Team when an employee leaves and the member's pension is then "deferred" until payments are due. Action is taken if a request or event takes place. These are considered below.
- 6.2 **Transfers Out** - former members who wish to transfer out to another pension scheme are able to do so providing defined procedures are followed. The following controls are operational where it is to another LGPS England and Wales Pension Fund:
- A transfer out request form signed by the member is received if applicable.
 - Payment request received from Pension Fund.
 - Documentation from the employer / payroll to confirm the member had left their pensionable employment.
 - A calculation of the transfer out value is subject to review and authorisation.
 - The payment had been made to the appropriate Pension Fund.

The following controls are operational where it is to another pension scheme.

- Member issued information on pension scams.

- A signed transfer out request form was on file signed and final sign off (if applicable) received from the member.
- Confirmation of independent advice is received, where the total transfer is more than £30K.
- Documentation from the employer / payroll to confirm the member had left their pensionable employment.
- Due diligence checks carried out based on TPR (The Pensions Regulator) and LGA guidance.
- A calculation of the transfer out value is subject to review and authorisation. All actual transfers are currently reviewed and checked by the quality assurance officer.
- The payment is made to the new pension provider.

Walkthrough testing of a transfer out of the Northamptonshire Pension Fund (NPF) confirmed that the expected controls in relation to that transfer were operating effectively.

- 6.3 **Death** - certain procedures must be followed on the death of a pensioner member of the scheme.
- A death certificate or other official notification (e.g. tell us once) is obtained.
 - The pension is stopped on a timely basis.
 - A reconciliation is completed and independently checked to confirm if over / under payments had occurred and appropriate action then taken based on the findings.
 - The pensioner's records on the Altair System are "closed" where appropriate to do so.

Walkthrough testing of a death of a member of the Northamptonshire Pension Fund (NPF) confirmed that the expected controls in relation to that death were operating effectively.

- 6.4 The NPF Anti-Fraud and Corruption Policy - March 2022 (Section 10) has details of ongoing procedures that address the risk of payments being made to pensioners after their death.

7 Assurance Area - Pension Payments

Control Objective (4) - Pension payments are made accurately and in accordance with regulations and agreed procedures.

- 7.1 **New Pensioners** - Pension payments can be set up for both new and dependent pensioners. For a new pensioner, the Pensions Team will initially seek confirmation that the member has left their pensionable employment. This information can either be provided by the employer or through Payroll. The Pensions Team then seek to validate key information including the member's date of birth, length of service, marital status and pay details. This information is then used to calculate the pension payments (lump sum where applicable and monthly) and then the monthly payment set up on the pension payroll. Both the calculation and setting up on the pension payroll are subject to independent checks for accuracy and then payment. The pensioner is notified, and payments made accordingly.

Walkthrough testing of a new pensioner of the Northamptonshire Pension Fund (NPF) confirmed that the expected controls in relation to that status were operating effectively.

- 7.2 **Dependents**- following the death of a pensioner / member in service there is a need to seek official notification that the member has died, confirming the status of the dependent, performing a calculation, and a senior review of potential death grants and monthly payments (which also require authorised payroll set up), together with notification of the dependents of these. Walkthrough testing of a new dependent of the Northamptonshire Pension Fund (NPF) confirmed that the expected controls in relation to that status were operating effectively.

- 7.3 **Overseas Pensioner Payments** – Section 10.1 NPF Anti-Fraud and Corruption Policy - March 2022 requires annual proof of existence for overseas pensioner members including that all pensioner

members are asked to complete and return a proof of existence form (witnessed by a suitably qualified professional).

Walkthrough testing of an overseas pensioner of the Northamptonshire Pension Fund (NPF) confirmed that the expected control in relation to that status was operating effectively.

- 7.4 **Annual Uplift** - the annual uplift of pension payments is completed based on information provided by central government – Public Service Information Sheet (PSIS) Tables in an Excel sheet format. The updated PSIS values are input by a Pension System Analyst to a table in the Altair system and an uplift process run - both in the test and live environments – calculates the increase in pension required. The output which is used to update the payroll data with the increases are checked by another Pensions System Analyst to ensure the changes are complete and accurate before updating the live payroll system. We were provided with evidence by one of the Pension System Analysts that this process was successfully completed for 2022/23.

8 Assurance Area - Reconciliations

Control Objective (5) - Reconciliations related to Pensions are completed on a timely basis, with prompt action taken to clear unreconciled items.

- 8.1 **Bank Reconciliations** – The Pension Fund has four Barclays bank accounts, namely:
- 1) Payables
 - 2) Income
 - 3) Liquidity
 - 4) Salaries
- 8.2 Monthly reconciliations of all four bank accounts are undertaken by the WNC Business Systems and Change Team.
- 8.3 A review of two months (September 2022 and February 2023) reconciliations for all four bank accounts completed by the Business Systems and Change Team highlighted that all had all been completed on a timely basis and included appropriate supporting documentation (bank statements and system extracts to support entries in the reconciliations). Unreconciled items were generally cleared on a timely basis. Different officers in the Business Systems and Change Team had completed (Business Support Officer) and reviewed (Business Systems Team Leader) the reconciliations for September 2022 and February 2023 ensuring adequate separation of duties.
- 8.4 **Payroll Control Accounts** - A walkthrough test to confirm that the WNC Payroll Control Account - Creditors Others - ZPR04 Reconciliation for March 2023 (which contains amongst others reconciling creditor entries for each of the payroll clients (WNC, NNC, and CCC) – ie employee payroll pension deductions and employer contributions which have to be paid over to the pension funds) had been completed and, that those reconciling items relating to pension contributions due to the NPF have been paid over via PEN 18 submissions in a timely manner.
- 8.5 **Employer data submission reconciliations** – See paragraph 4.3.

9 Assurance Area - Key Performance Indicators (KPIs)

Control Objective (6) - KPIs reported in Administration Performance reports are accurate.

9.1 The Lead Authority SLA 2022/23 - Pensions Section sets out seven KPIs for scheme administration performance monitoring. This performance is regularly reported to the Pension Committee and Board.

9.2 The Quality Assurance Officer confirmed the process for providing performance information for reporting is as follows:

Workflow reports are run monthly on the Altair system. The required Service Level Agreement (SLA) information is extracted and then checked for accuracy. From this information, the following are updated:

- SLA Performance PowerPoint report, which details the total SLA figures for the fund for all the SLA casework.
- SLA “misses” which provides details of the reason why a case has missed the relevant SLA target and by how many days.
- An SLA administration report in the form of a spreadsheet for the fund, which provides the required committee SLA information and is issued to the Governance team to report to the committee.
- A Pensions KPI and volumes spreadsheet which provides the required lead authority SLA information for the fund, which is uploaded to SharePoint.
- All the SLA information is checked internally by the Operation Team Leaders and Operations Manager, before that information is provided to the Governance Team to be included in the Performance Administration report for committee submission or uploaded to SharePoint for the Lead Authority Board.

Note that in arriving at SLA “misses” a detailed exercise is undertaken as follows:

- Using the potential misses shown on a pivot table worksheet the relevant cases are pulled from the relevant Altair system report and then checked on Altair to see if they have missed the SLA or not. Not all cases listed will have missed the SLA and reasons why include:
 - Out of office awaiting information from member, employer etc.
 - Reply received date not entered onto a task. These are shown on the SLA misses spreadsheet to highlight training issues to the relevant Team Leader.
 - Other issues with the completion of tasks, which will also be shown on the SLA misses spreadsheet.
- The Operations Manager checks the SLA misses spreadsheet to see what reasons have been provided by the Team Leaders for missed targets to ensure appropriate actions are being taken to stop re-occurrence and to review and provide guidance on the correct classification on misses where this is sought from the Team Leaders.

9.3 **Testing**

Walkthrough testing of one KPI of the seven referred to at 9.1(Statutory - “Award Dependant Benefits”) reported for March 2023 was undertaken to verify compliance with the identified procedures. The results were:

- It had been reported to the Pension Board in April 2023. No issues were noted.
- The reported performance can be verified to underlying system records (higher level testing). No issues were noted.
- Whilst the KPI tested did not require direct intervention from the Operations Manager, we obtained confirmation that the Operations Manager had been checking

the SLA misses spreadsheet to observe what reasons had been provided by the Team Leaders for missed targets to ensure appropriate action had been identified to stop re-occurrence and, to assist with the review and reclassification the potential misses.

9.4 Development of KPIs – see Section 10 below.

10 Assurance Area - Breaches

Control Objective (7) - Appropriate procedures are in place to identify and report breaches of the law to the Pension Committee and Pension Board in the Administration Report.

- 10.1 The fund has a policy in place, “Reporting Breaches of the Law to the Pensions Regulator Policy 2022”, to identify and report breaches of the law to the Governance Manager, the S151 Officer, the Pensions Committee and Pension Board, and upwards to the Pensions Regulator. It will be reviewed again upon release of the new Code of Practice. It is available on the fund website - [Key documents \(NCC\) - Cambridgeshire and Northamptonshire LGPS](#)
- 10.2 The Governance and Regulations Manager stated that following on from last year’s audit, complementary customer journey KPIs have been agreed by the Pension Committee at the March 2023 meeting and are being further developed during 2023/24, which will enhance reporting of statutory disclosure requirements and may lead to the identification of further immaterial breaches.
- 10.3 A review of all potential Breaches of the Law areas has been conducted by Aon. The next stage, following on from the KPI development is to map this against the processes and procedures to ensure compliance and report assurance accordingly to the Pension Committee and Pension Board. The current suite of KPIs will continue to be reported as these measure the performance of the administering authority, generally from the point of receipt of all information. The customer journey KPIs will measure performance from an event date, such as the date of retirement, and therefore encompass the performance of the administering authority, the scheme employer, any payroll contractor, other pension funds, and even the scheme member should they delay in sending back documentation. It is expected that the customer journey KPIs may identify immaterial breaches, especially where third parties have prevented the administering authority completing casework in a timely manner.
- 10.4 The NPF Pension Committee and Pension Board Agenda papers and minutes during 2022/23 were reviewed for evidence of the reporting of breaches. This confirmed regular reporting to the Pension Committee in the Administration Performance Report as follows- (June 2022; Oct 2022; Dec 2022; March 2023) and Pension Board (April 2022; June 2022; Nov 2022; Jan 2023) during the year. There was one material breach rated as red which had been committed by a third party (Committee June 2022; Board April 2022) which had been reported to the Pensions Regulator by both the third party and the NPF. All the other breaches reported had been classified as non-material.

11 Assurance Area - Risk Management

Control Objective (8) - There is an up-to-date Risk Strategy and Risk Register in place which are monitored and reported on at appropriate intervals.

- 11.1 An up-to-date Risk Strategy, the Northamptonshire Pension Fund Risk Strategy (December 2022) and Risk Executive Summary (June 2023) is in place. Both documents are available on the fund website. [Key documents \(NCC\) - Cambridgeshire and Northamptonshire LGPS](#)

Extract from - Section 11: Reporting and monitoring (Northamptonshire Pension Fund Risk Strategy (December 2022) - Progress in managing risks will be monitored and recorded on the risk register. The risk register, including any changes to the internal controls, will be provided on a quarterly basis to the Pension Fund Board and a biannual basis to the Pension Fund Committee. Pre scrutiny on the proposed changes is undertaken by the Board with final approval by the Pension Fund Committee.

11.2 Our review confirmed the following reporting on risk management in line with current agreed practice:

To the Pension Board as follows during 2022/23:

- April 2022 - Agenda - Exempt Item 13
- June 2022 - Agenda - Exempt Item 18
- November 2022 - Agenda - Exempt Item 15
- January 2023 - Agenda - Exempt Item 17

To the Pension Committee during 2022/23:

- June 2022 Meeting - Agenda - Exempt Item 16
- December 2022 Meeting – Agenda - Exempt Item 15

Review of the committee papers confirmed that the references to Risk Monitoring and Key Risks (Sections 10.5 and Section 12 respectively) to the effective delivery of the strategy within the current Risk Management Strategy are being addressed by the recognition of these in the Risk Registers which are presented to the committee and board.

Appendix 1 – Glossary / Definitions

There are three elements to consider when determining an assurance opinion as set out below.

1 Control Environment / System Assurance

The adequacy of the control environment / system is perhaps the most important as this establishes the key controls and frequently systems ‘police/ enforce’ good control operated by individuals.

Assessed Level	Definitions
Substantial	There are minimal control weaknesses that present very low risk to the control environment.
Good	There are minor control weaknesses that present low risk to the control environment.
Satisfactory	There are some control weaknesses that present a medium risk to the control environment.
Limited	There are significant control weaknesses that present a high risk to the control environment.
No Assurance	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.

2 Compliance Assurance

Strong systems of control should enforce compliance whilst ensuring ‘ease of use’. Strong systems can be abused / bypassed and therefore testing ascertains the extent to which the controls are being complied with in practice. Operational reality within testing accepts a level of variation from agreed controls where circumstances require.

Assessed Level	Definitions
Substantial	The control environment has substantially operated as intended with no notable errors detected.
Good	The control environment has largely operated as intended although some errors have been detected.
Satisfactory	The control environment has mainly operated as intended although errors have been detected.
Limited	The control environment has not operated as intended. Significant errors have been detected.
No Assurance	The control environment has fundamentally broken down and is open to significant error or abuse.

3 Organisational Impact

The overall organisational impact of the findings of the audit will be reported as major, moderate or minor. All reports with major organisational impact will be reported to ELT along with the relevant directorate's agreed action plan.

Organisational Impact of Findings	
Level	Definitions
Major	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.
Moderate	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.
Minor	The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.

4 Findings prioritisation key

When assessing findings, reference is made to the Risk Management matrix which scores the impact and likelihood of identified risks arising from the control weakness found, as set out in the Management Action Plan.

For ease of reference, we have used a high/medium/low system to prioritise our recommendations, as follows:

Category	Definitions
Essential	Action is imperative to ensure that the objectives for the area under review are met.
Important	Requires actions to avoid exposure to significant risks in achieving objectives for the area.
Standard	Action recommended to enhance control or improve operational efficiency.

Distribution List

Full Report Issued for Action: Mark Whitby - Head of Pensions
Michelle Oakensen - Governance and Regulations
Manager

Full Report Issued for Information: Martin Henry - Executive Director of Finance
(Section 151 Officer)
James Smith - Assistant Director (Strategic
Finance)

This audit and report have been prepared in line with the Internal Audit Manual and has been subject to appropriate review.

Head of Audit & Risk Management

Approval:

Jen Morris - Head of Audit & Risk Management

Quality Reviewed:

Jen Morris - Head of Audit & Risk Management
Scott Peasland - Audit Manager

Lead Auditor:

Anand Persaud - Principal Auditor



West Northamptonshire Council

Local Pension Board

3/11/2023

Mark Whitby – Head of Pensions

Report Title	Northamptonshire Pension Fund – Administration Performance Report for the period 1 June to 30 September 2023
Report Author	Michelle Oakensen Governance and Regulations Manager michelle.oakensen@westnorthants.gov.uk

Contributors/Checkers/Approvers

Head of Pensions	Mark Whitby	11 October 2023
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List of Appendices

Appendix A – Performance against key performance indicators

Appendix B – Development of Key Performance Indicators during 2023/2024

Appendix C – Timeliness of receipt of employee and employer pension contributions

1. Purpose of Report

1.1. To present to the Pension Board a report on the administrative performance of the Northamptonshire Pension Fund.

2. Executive Summary

- 2.1 This report sets out the performance of the Northamptonshire Pension Fund.
- 2.2 The achievement against the Key Performance Indicators for the period 1 June to 30 September 2023 is detailed in section 5.1 and appendix A. The majority of KPIs were met over the period.
- 2.3 The development of key performance indicators is detailed in section 5.2 and appendix B.
- 2.4 Timeliness of receipt of employee and employer pension contributions for the payroll periods of September 2022 to August 2023 is detailed in section 5.2 and appendix C. 99.9% of contribution payments were on time for the period September 2022 to August 2023.
- 2.5 Occurrences of breaches of the law for the period 1 June to 30 September 2023 are detailed in section 5.3. There were no material breaches in the period.
- 2.6 Details of any Internal Dispute Resolution Procedure cases during the period 1 June to 30 September 2023 are detailed in section 5.4. There were four administering authority disputes across stage one and stage two and no employer disputes during the period.
- 2.7 Details of new cessations of the Northamptonshire Pension Fund and updates on previous cessations is detailed in section 12.

3. Recommendations

- 3.1 The Pension Board is asked to note the contents of the report.

4. Report Background

- 4.1 One of the core functions of the Pension Board is to ensure the effective and efficient governance and administration of the Northamptonshire Pension Fund. This report demonstrates a number of key areas of administration performance for consideration by the Pension Board.

5. Issues and Choices

5.1 Key Performance Indicators

5.1.1 Pension Service performance against Key Performance Indicators

- 5.1.1.1 The Fund has in place a set of key performance indicators (KPIs) to assess the performance of the Pensions Service in the delivery of key items of casework. The actual performance against these KPIs for the period 1 June to 30 September 2023 can be found in appendix A along with the explanations for any underperformance.
- 5.1.1.2 Over the 4-month period, 21 of the 28 KPI targets have been met.
- 5.1.1.3 The team that processes retirement benefits had several contributing factors that led to KPIs being missed over the reporting period. The team contended with periods of annual leave and sickness and two inexperienced team leaders were receiving training in preparation to replace a leaver and a maternity cover in August. The team itself is inexperienced with ongoing training continuing to be delivered at different levels.
- 5.1.1.3 Maternity leave across the wider Operations Team has impacted the ability to divert resources as required due to the back filing of those positions. In addition, following the release of the GAD factors, resource was allocated to clearing a divorce backlog.
- 5.1.1.4 Performance is expected to improve once the training requirements reduce at both officer and team leader level and skills and experience are embedded within the team, although this will not impact instantly, the results are expected to be seen by the end of the calendar year. The medium to long term plan is to increase multi-skilling to help with service resilience across teams.
- 5.1.1.5 There was one isolated case of a missed target for September for providing a transfer in quote to scheme members and this was due to the volume of work within the team during a period a team leader was on leave. This is not expected to be an ongoing concern.

5.1.2 Development of the Pension Service Key Performance Indicators

- 5.1.2.1 New and supplementary KPIs are being developed during 2023-24 to measure the overall customer journey as approved by the Committee in March.
- 5.1.2.2 Initial test data has been produced in the following areas for July:
- 1) inform members who leave the scheme before retirement age of their right and options.
 - 2) provide transfer details for transfer in.
 - 3) provide transfer details of transfer value for transfer out.
- 5.1.2.3 Officers are analysing this information and identifying high level reasons for the customer journey outcomes. The Committee will be presented with the first customer journey KPIs in December 2023 and the Board in January 2024. In the meantime, the full suite of KPIs being developed can be seen at appendix B.

5.2 Receipt of employee and employer contributions

- 5.2.1 Scheme employers have a statutory obligation to arrange for the correct deduction of employee and employer contributions and to ensure payment reaches the Pension Fund by the 19th of the month following the month of deduction. Providing an associated monthly statement/schedule in an acceptable format.
- 5.2.2 The table in appendix C shows the percentage of employers in the Northamptonshire Pension Fund who paid their employee and employer contributions and/or submitted their schedules on time or late for the payroll periods 1 September 2022 to 31 August 2023.
- 5.2.3 For May, June, July & August 2023 100% of payments were received on time. The current yearly average for payments made on time is 99.9% and schedules being received on time is 99.6%.

5.3 Breaches of the Law

- 5.3.1 There are many laws relating to the Local Government Pension Scheme, with various individuals, including the Pension Committee and Local Pension both (collectively and as individuals) having a statutory duty to report material breaches of those laws to the Regulator. The Northamptonshire Pension Fund maintains a record of both material breaches that are reported to the Pensions Regulator as well breaches that are deemed not to be of material significance and so are not reported to the Pensions Regulator.
- 5.3.2 For the period 1 June 2023 to 30 September 2023 the following breaches of the law occurred.

Type of breach	Detail of breach	Course of action
Material	None	None
Non-material	20 refund of contribution payments were paid outside of the statutory 5-year period.	No further action at this stage, it is likely that the legislation surrounding this will be amended to remove the 5-year requirement.

5.4 Internal Dispute Resolution Procedure cases

- 5.4.1 Members, prospective members, and beneficiaries may not always agree with pension decisions that are made or may be unhappy that decisions have not been made, by either an administering authority or a scheme employer. The Internal Dispute Resolution Procedure (IDRP) is the route by which they may raise their concerns and challenge such decisions.
- 5.4.2 Disputes that are upheld at stage 1 may still progress to stage 2 if the scheme member or their representative remains unsatisfied with the overall outcome. The outcome may not fully meet the complainant’s expectations – particularly if their perception is that their financial loss was greater than any compensation awarded, or the level of non-financial injustice award was not consistent with their expectation.
- 5.4.3 The following tables details that activity undertaken during the period 1 June 2023 to 30 September 2023 with regards to administering authority disputes.

5.4.4 Stage 1 disputes:

Nature of Stage 1 Dispute (Head of Pensions)	Date received	Date Decision Due	Decision: Upheld/not upheld/partially upheld	Date of Decision
Refusal to allow a transfer of AVC fund to an alternative provider	31 March 2023	14/06/2023 (extended from 30/05/2023)	Partially upheld	13 June 2023
Refusal to allow a retrospective change to the structure of the member's pension entitlement (pension/lump sum commutation)	21 July 2023*	5 October 2023 (extended from 22 September 2023)	Not upheld	4 October 2023

*outside of 6 month time limit of initial decision, Head of Service exercised discretion to extend time limit.

Stage 2 disputes:

Nature of Stage 2 Dispute (WNC Monitoring Officer)	Date received	Date Decision Due	Stage 1 Decision: Upheld/not upheld/partially upheld	Date of Decision
Disputing recipients of death grants paid.	16/03/2023	13 September 2023 (extended from 14 July and 15 May 2023)	Upheld	13 September 2023
Challenging refusal to pay Deferred Benefit early on ill health grounds	10/3/2023	28 July 2023 (extended from 23 June and 9 May 2023)	Upheld	28 July 2023

5.4.5 In the period 1 June to 30 September 2023 no new employing authority disputes were raised and/or responded.

5.5 Material Data Breaches

5.5.1 None.

5.6 Significant overpayment of pension

5.6.1 A death was identified as part of the National Fraud Initiative exercise dating back to June 2021. The overpayment period is from 29 June 2021 to 31 March 2023 and amounts to a net overpayment amount of £7,728.01. A death certificate is currently awaited to be able to progress this case further.

5.7 Employers Admissions and Cessations

5.7.1 The following employers have entered the Northamptonshire Pension Fund as an admitted body:

- Grange Transport Services
- Dolce Limited (Little Harrowden Community Primary School)
- Fresh Start Catering Limited (Innovate Multi Academy Trust)

5.7.2 The following bodies have ceased to be an employer within the Northamptonshire Pension Fund:

- Compass Contract Services Limited (Innovate Multi Academy Trust)
- Alliance in Partnership Limited (Magdalen College School)
- Caterlink UK Limited (Grange Primary Academy)
- Compass Contract Services Limited (Fairfields School)
- Champion School & Language College (Single Academy Trust)
- Catch22 Multi Academy Trust

5.7.3 There are no previously reported cessations to consider.

6 **Implications (including financial implications)**

6.1 **Resources and Financial**

6.1.1 Aon conducted the Key Performance Indicator review.

6.2 **Legal**

6.2.1 There are no legal implications arising from the proposals.

6.3 **Risk**

6.3.1 The mitigated risks associated with this report has been captured in the Fund's risk register as detailed below -

Risk	Residual risk rating
Information may not be provided to stakeholders as required.	Green
Those charged with governance are unable to fulfil their responsibilities effectively	Green
Failure to provide relevant information to the Pension Fund Committee/Pension Board to enable informed decision making	Green

6.3.2 The executive summary can be found on the Fund's website at the following link:

[Northamptonshire Risk Register](#)

6.4 **Relevant Pension Fund Objectives**

6.4.1 The following objectives as per the Business Plan have been considered in this report -

- To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.
- To ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
- To continually monitor and measure clearly articulated objectives through business planning.
- To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.

- To put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary.
- To administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration.

6.5 Consultation

6.5.1 Not applicable.

Appendix A - Key Performance Indicators – June, July, August and September 2023

Function/Task	Indicator	Target	Month	Completed	Within Target	Over Target	% Within Target	RAG	Comments
Notify leavers of deferred benefit entitlements or concurrent amalgamation within 15 working days of receiving all relevant information.		90%	June	176	174	2	99	Green	SLA target met
			July	165	164	1	99	Green	SLA target met
			August	156	140	16	90	Green	SLA target met
			September	175	172	3	98	Green	SLA target met
Payment of retirement benefits from active employment.	Notify employees retiring from active membership of benefits award, from date payable or date of receiving all necessary information if later within 5 working days.	95%	June	33	32	1	97	Green	SLA target met
			July	24	18	6	75	Red	SLA target not met*
			August	26	17	9	65	Red	SLA target not met*
			September	48	35	13	73	Red	SLA target not met*
Payment of pension benefits from deferred membership status.	Notify members retiring from deferred membership status of benefits award, from date payable or date of receiving all necessary information if later within 10 working days.	90%	June	61	49	12	80	Amber	SLA target not met*
			July	66	61	5	92	Green	SLA target met
			August	85	64	21	75	Red	SLA target not met*
			September	50	36	14	72	Red	SLA target not met*
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	June	20	20	0	100	Green	SLA target met
			July	32	32	0	100	Green	SLA target met
			August	18	18	0	100	Green	SLA target met
			September	29	29	0	100	Green	SLA target met
Provide a maximum of one estimate of benefits to employees per year on request.	Estimate in agreed format provided within 10 working days from receipt of all information.	80%	June	64	62	2	97	Green	SLA target met
			July	47	44	3	94	Green	SLA target met
			August	50	45	5	90	Green	SLA target met
			September	23	21	2	91	Green	SLA target met

Appendix A - Key Performance Indicators – June, July, August and September 2023

Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	June	46	45	1	98	Green	SLA target met
			July	42	42	0	100	Green	SLA target met
			August	17	17	0	100	Green	SLA target met
			September	22	20	2	91	Amber	SLA target not met**
Payment of transfer out.	Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	June	35	35	0	100	Green	SLA target met
			July	25	25	0	100	Green	SLA target met
			August	37	36	1	97	Green	SLA target met
			September	23	22	1	96	Green	SLA target met

* Payment of retirement benefits from active employment/payment of pension benefits from deferred membership status – several contributing factors that led to KPIs being missed for June, July, August and September. The team contended with periods of annual leave and sickness and two inexperienced team leaders were receiving training in preparation to replace a leaver and a maternity cover in August. The team itself is inexperienced with ongoing training continuing to be delivered at different levels.

Maternity leave across the wider Operations Team has impacted the ability to divert resources as required due to the back filing of those positions. In addition, following the release of the GAD factors, resource was allocated to clearing a divorce backlog.

Performance is expected to improve once the training requirements reduce at both officer and team leader level and skills and experience are embedded within the team. The medium to long term plan is to increase multi skilling to help with service resilience across teams.

** Provide transfer-in quote to scheme member – two cases were not processed in time leading to a missed KPI target for September. This was due to the volume of work within the team during a period of team leader annual leave.

Green: Equal to or above Service Level Agreement (SLA) target.

Amber: Below SLA target, but number completed within target is within 10% of the SLA target.

Red: Below SLA target and number completed within target is not within 10% of the SLA target.

Appendix B – Development of Key Performance Indicators during 2023/2024

Activity	Statutory deadline	Current reporting	Proposal	Comment/progress
Provide basic scheme information to new joiners	2 months from date of joining / members request or within 1 month of being provided with 'Job holder information'	No specific KPI but breaches are identified and reported	To introduce a new KPI measured from the date of notification.	Reporting being developed.
Inform members who leave the scheme before retirement age of their rights and options	As soon as practical and no more than 2 months from date of initial notification	Measured from the date that all relevant information is received.	To introduce a supplementary KPI measured from date of notification.	Testing in progress – results expected for December Committee meeting.
Inform members who leave the scheme at or after retirement age of the benefits due	Within 1 month of retirement date where the member retires on or after normal pension age or within 2 months of retirement where the member retires before normal pension age	Measured from the date that all relevant information is received.	To introduce a supplementary KPI measured from date of retirement.	Reporting being developed.
Provide transfer details for transfer in	2 months from date of request	Measured from the date that all relevant information is received.	To introduce a supplementary KPI measured from date of request.	Testing in progress – results expected for December Committee meeting.
Provide details of transfer value for transfer out	3 months from date of request	Measured from the date that all relevant information is received.	To introduce a supplementary KPI measured from date of request.	Testing in progress – results expected for December Committee meeting.
Calculate and notify dependant(s) of amount of death benefits	As soon as possible, but in any event no more than 2 months of date or becoming aware of death	Measured from the date that all relevant information is received.	To introduce a supplementary KPI measured from date of death notification.	Reporting being developed.

Appendix B – Development of Key Performance Indicators during 2023/2024

Activity	Statutory deadline	Current reporting	Proposal	Comment/progress
Provide a CETV quotation for divorce purposes	Within 3 months of the request (or shorter deadline as specified in a court order)	Not currently reported on. There is a target in the Administration Strategy.	To introduce a new KPI measured from date of request.	Reporting being developed.
Notify implementation information after receiving a pension sharing order (and no outstanding information)	Within 21 days of the later of, the date of receipt of the pension sharing order or the day on which the order takes affect or the date of receipt of the relevant documents / information.	Not currently reported on.	To introduce a new KPI measured from the relevant date.	Reporting being developed.

Appendix C – Timeliness of payment of scheme employer and member pension contributions

Month/Year	% of Employers Paid on Time	% of Employers Paid Late	% of Employers that Submitted Schedule on Time	% of Employers that Submitted Schedule Late
September 2022	100	0	100	0
October 2022	100	0	99.5	0.5
November 2022	100	0	99.8	0.2
December 2022	100	0	100	0
January 2023	100	0	99.5	0.5
February 2023	100	0	99.5	0.5
March 2023	99.4	0.6	100	0
April 2023	100	0	99.3	0.7
May 2023	100	0	100	0
June 2023	100	0	99.7	0.3
July 2023	100	0	97.9	2.1*
August 2023	100	0	100	0
Average for period	99.9	0.1	99.6	0.4

*Higher than expected number of schedules submitted late for July due to an academy trust changing payroll providers.

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West Northamptonshire Council

Local Pension Board

2 November 2023

Mark Whitby – Head of Pensions

Report Title	Northamptonshire Pension Fund Business Plan and Medium-Term Strategy Business Plan Update report
Report Author	Michelle Oakensen Governance and Regulations Manager michelle.oakensen@westnorthants.gov.uk

Contributors/Checkers/Approvers

Head of Pensions	Mark Whitby	19/10/2023
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List of Appendices

Appendix A –Variances against the forecast of investments and administration expenses based on original setting of assumptions.

Appendix B – Cyber activity action plan – **exempt**

Appendix C – Northamptonshire Pension Fund Climate Action Plan

1. Purpose of Report

- 1.1 Good governance requires that updates to the pre-agreed Annual Business Plan and Medium-Term Strategy are provided to the Committee and Board on a regular basis. This update highlights the progress made on the key activities for the period.

2. Executive Summary

- 2.1 The Northamptonshire Pension Fund have for many years considered it good governance to have in place a Business Plan and Medium-Term Strategy that is agreed annually and regularly monitored by the Committee and Board.
- 2.2 The report summarises the progress made on each activity for the period under review.
- 2.3 Section 6 of this report provides a progress update for each business plan activity. The table below provides an overview of the RAG status of each activity.

Paragraph	Activity	RAG status
6.1	Re-tender for benefits and governance consultancy services.	Green
6.2	Re-tender for actuarial consultancy services.	Green
6.3	Re-tender for legal services provider.	Green
6.4	Re-tender for pensions administration and pensioner payroll platform.	Green
6.5	Address and mortality screening Services.	Green
6.6	Review and implement changes required from the Pension Regulator's new Code of Practice.	Green
6.7	Continue to review cyber resilience.	Green
6.8	Implement the best practice recommendations of the good governance review.	Green
6.9	Review the administrative performance of the Fund's additional voluntary contribution providers.	Green
6.10	Complete the Guaranteed Minimum Pension Rectification.	Green
6.11	Application of the McCloud age discrimination remedy.	Amber
6.12	Prepare for the implementation of Pension Dashboards.	Green
6.13	Processing of undecided leaver records.	Green
6.14	Continue development of the ACCESS asset pool.	Amber
6.15	Continue activities within the Fund's Climate Action Plan.	Green
6.16	Implement the revised Investment Strategy.	Green
6.17	Implement recommendations from the review of the website and digital communications.	Green
6.18	New activity – Implement equality, diversity and inclusion (EDI) best practices.	Green
6.19	New activity – Review of investment consultancy contract.	Green

2.4 The tables in appendix A provide an update of the Fund account, investment and administration income and expenditure against the cash flow projection outlined in the Annual Business Plan as agreed by the Pension Committee in March 2023. There are no material variances identified.

2.5 The link to the full Business Plan approved by the Committee in March 2023 is provided in section 7 for full context and reference.

3. Recommendation

3.1 The Board is asked to note the Business Plan Update.

3.2 The Board is asked to note the new Business Plan activities at 6.18 and 6.19.

4. Reasons for Recommendation

- To ensure adequate oversight of the key activities of the Northamptonshire Pension Fund.
- To ensure good governance and compliance with the Local Government Pension Scheme Regulations and other relevant legislation and guidance.

5. Report Background

5.1 The Pension Committee approved the Business Plan and Medium-Term Strategy 2023/24 on 29 March 2023.

6. Progress against business plan activities

Procurement of Services

6.1 Re-tender for benefits and governance consultancy services

6.1.1 Activity: To re-tender for the supplier of benefits and governance consultancy services currently with Aon due to expire 31 March 2024.

6.1.2 Key milestones:

Key Milestones	Dates	On target for completion?
Register to access national LGPS Frameworks.	May 2023.	Completed.
Draft specification of services required an associated documentation.	June – July 2023.	Completed.
Issue invitation to tender to suppliers on the Framework.	September 2023.	Completed.
Evaluate tender responses.	October - November 2023.	On target.
Award contract.	January 2024.	On target.

6.1.3 Update: The invitation to tender documentation was published at the end of August with prospective bidders invited to submit responses by midday on 27 October 2023.

6.2 Re-tender for actuarial consultancy services

6.2.1 Activity: To re-tender for the supplier of actuarial services currently with Hymans Robertson due to expire 31 March 2024.

6.2.2 Key milestones:

Key Milestones	Dates	On target for completion?
Register to access national LGPS Frameworks.	May 2023.	Completed.
Draft specification of services required and associated documentation.	June – July 2023.	Completed.
Issue invitation to tender to suppliers on the Framework.	October 2023.	Completed.
Evaluate Tender responses.	December 2023.	On target for rescheduled date
Clarification interview/presentation	January 2023	On target

Award Contract.	February 2024.	On target.
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6.2.3 Update: The invitation to tender documentation was published in October with prospective bidders invited to submit responses by the end of November. The evaluation stage has been rescheduled for December and a stage has now been added to the process where bidders will be invited for an in-person clarification interview and presentation. The chair of the pension committee will be invited to join and will be able to ask questions to inform the evaluation process but will not be part of the evaluation panel.

6.3 Re-tender for legal services provider

6.3.1 Activity: To re-tender for the supplier of legal services currently with Squire Patten Boggs due to expire 31 March 2024.

6.3.2 Key milestones:

Key Milestones	Dates	On target for completion?
Register to access national LGPS Frameworks.	July 2023.	Completed.
Draft specification of services required an associated documentation.	July – August 2023.	Completed.
Issue invitation to tender to suppliers on the Framework.	September 2023.	Completed.
Evaluate tender responses.	October - November 2023.	On target.
Award contract.	December 2023.	On target.

6.3.3 Update: The invitation to tender documentation was published in October with prospective bidders invited to submit responses by the end of November.

6.4 Re-tender for pensions administration and pensioner payroll platform

6.4.1 Activity: To re-tender for pensions administration and pensioner payroll platform currently with Heywood that is due to cease in September 2024.

6.4.2 Key milestones:

Key Milestones	Dates	On target for completion?
Invitation to Further Competition exercise using National LGPS Frameworks.	April - June 2023.	Completed.
Evaluation and award.	July - September 2023.	Completed.
Year 0 transitional period.	October 2023 - September 2024.	Not applicable
Go Live.	1 October 2024.	On target.

6.4.3 Update: Invitation to further competition was published 24 April 2023 with a closing date for responses of 19 June 2023. All suppliers on the framework submitted a bid and following the scoring and moderation process the contract was awarded to the incumbent supplier, Heywood Pension Technologies.

6.5 Review address and mortality screening services

6.5.1 Activity: The current contract for address tracing and mortality screening ceases in June 2023 with no ability to extend.

Following the 12 month extension of the contract a long term approach is now required from June 2024 onwards.

6.5.2 Key milestones:

	Key Milestones	Dates	On target for completion?
	Develop a contract to enable the continuation of services past June 2023 (with the assistance of legal services).	April - May 2023.	Completed.
	Both parties to sign up to new contract on existing terms.	May 2023.	Completed.
6.5.3	Review new LGPS Framework offerings and internal Fraud Hub options.	Rescheduled to January 2024 (assuming Framework is released on schedule).	On target for rescheduled date
	Develop approach for procurement of address and mortality screening services.	March 2024.	On target.

Update: A new contract has been entered into with Accurate Data Services on existing terms for a period of 12 months. In December 2023 the LGPS National Framework is due to be released and Officers will review alongside the Government Fraud Hub. The procurement approach will subsequently be developed by the end of March.

Core governance activities

6.6 Review and implement changes required from the Pension Regulator's new Code of Practice

6.6.1 Activity: In March 2021 the Pensions Regulator launched a consultation on its revised code of practice for the pensions industry. The responses to the consultation have taken the Pensions Regulator longer than expected to digest and as such the new code of practice was expected to come into force early 2023. Once the code of practice is in force, the Fund will have six months to achieve full compliance with its contents.

6.6.2 Key milestones:

	Key Milestones	Dates	On target for completion?
	Develop an action plan of changes required on launch of code of practice.	TBC.	Awaiting release of the Code.
	Present action plan to the Pension Fund Committee and Pension Board.	TBC.	Awaiting release of the Code.
	Present update on progress on action plan to the Pension Fund Committee and Pension Board.	TBC.	Awaiting release of the Code.

6.6.3 Update: The singular Code of Practice was due to be released by the Pensions Regulator in April 2023, but it did not materialise at this time. Once the Code is released funds will have 6 months to become fully compliant and an action plan will be developed to ensure this is achieved.

6.7 Continue to review cyber resilience

6.7.1 Activity: Cyber-crime will continue to evolve and become increasingly sophisticated and as such this area will be regularly reviewed and monitored. The cyber action plan will be updated as and when necessary.

6.7.2 Key milestones

6.7.3 Key Milestones	Dates	On target for completion?
Ongoing monitoring and development of the cyber strategy and action plan via the Business Plan Updates at each meeting of the Pension Committee and Pension Board.	April 2023 – March 2024.	On target.

Update: Activities are continuing to be undertaken against the Cyber Resilience Action Plan and three additional activities have also been added. The plan can be located in appendix B of the report (exempt).

6.8 Implement the best practice recommendations of the good governance review

6.8.1 Activity: Following consultation with LGPS stakeholders, in February 2021, a number of recommendations for improvement were identified. Some would require the input of DLUHC to amend scheme regulations and publish statutory guidance, others by SAB and others for Funds to implement as best practice. The standards are due to be issued in 2023.

Key Milestones	Dates	On target for completion?
Develop an action plan to implement the best practice activities.	TBC.	Awaiting release of the standards.
Present update on progress on action plan to the Pension Fund Committee and Pension Board.	TBC.	Awaiting release of the standards.

6.8.2	Implementation of activities requiring SAB and DLUHC guidance.	TBC.	Awaiting release of the standards.
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Key milestones:

6.8.3 Update: The good governance review standards are now due to be released early 2024.

6.9 Review the administrative performance of the Fund’s additional voluntary contribution providers

6.9.1 Activity: The administrative performance of Prudential began to deteriorate in mid-2020 and in February 2022, Prudential’s performance had still not improved. Aon was commissioned to undertake a further review of both Standard Life and Prudential’s administrative performance in October 2022.

The decision was to review again in a further 12 months and to include investment performance.

6.9.2 Key milestones:

6.9.3	Key Milestones	Dates	On target for completion?
	Present to the Pension Committee the findings of the independent review alongside any recommendations for action (the timing of this will depend on the co-operation of the AVC providers in providing the necessary information for analysis by Aon.	October 2023.	Completed.

Update: A separate report on the findings of the AVC review is being presented as an agenda item at this meeting.

Scheme member and data projects

6.10 Complete the Guaranteed Minimum Pension Rectification

6.10.1 Activity: To complete the rectification stage for scheme members, making adjustments to pensions in payment where necessary.

6.10.2 Key milestones:

	Key Milestones	Dates	On target for completion?
	Manual rectification of outstanding records.	April 2023 – March 2024.	On target.

6.10.3 Update: Following the completion of the annual pensions increase exercise, the rectification has recommenced, and the project is on track to complete by 31 March 2024. As at 30 September, 31% of cases completed and the project remains on track to complete by the deadline.

6.11 Application of the McCloud age discrimination remedy

6.11.1 Activity: The pension records of scheme members within scope of the McCloud ruling will be rectified following the implementation of the age discrimination remedy, expected via amendment to legislation on 1st October 2023.

6.11.2 Key milestones:

Key Milestones	Dates	On target for completion?
Respond to DLUHC consultation on draft regulations (delayed from 2022 and still pending release).	June 2023.	Completed.
Devise communication plan for members and scheme employers.	September 2023 (rescheduled from May 2023).	Completed.
Undertake scheme member record preparations to identify members in scope of remedy in readiness for the application of the underpin.	April 2023 – September 2023.	Completed.
Application of the revised underpin following release of amended LGPS Regulations.	October 2023 onwards.	Ongoing.

6.11.3 Update: DLUHC launched a further consultation on supplementary McCloud issues and draft regulations in May 2023 and a response was submitted on behalf of the Cambridgeshire Pension Fund. DLUHC subsequently announced the outcome of the consultation on 8 September, and laid The Local Government Pension Scheme Regulations 2023, which took effect from 1 October 2023.

Officers received training from Aon on 12 September 2023 in preparation of the changes. The Northamptonshire Pension Fund has 13,897 members (15,119 employment records) in scope of the remedy for which further guidance is awaited from DLUHC to apply the remedy and calculate any retrospective adjustments. Additional cases may come to light when other LGPS and Public Sector Service is identified putting current non eligible members into scope.

The Fund's administration system is largely applying the underpin as expected. There will be some continued development in this area where issues are identified. In the meantime, there will be elements of manual intervention to ensure there is no detriment to members or backlogs accruing.

McCloud web pages have been created for members and employers, which link through to centrally produced McCloud resources and wording provided by the LGA has been inserted into existing letters for cases from 1 October 2023 where the underpin applies. The next step is to review LGA template letters received that satisfy the disclosure requirements and communicate these in the most effective manner.

A draft version of the ‘McCloud prioritisation policy’ was circulated by LGA on behalf of DLUHC on 12 October with the intention to release the final version early 2024. Officers will review the draft policy ahead of the release date and start preparations where possible. The administrator guidance is currently in development and due to be released at the end of October 2023.

6.12 Prepare for the implementation of Pension Dashboards

6.12.1 Activity: In the 2016 Budget, the Government made a commitment that Pension Dashboards would be created by the pensions industry, enabling pension savers to view details of all their pensions together.

The activity will be updated following the DWP announcement to reset the Pension Dashboard Programme and the delay to connection deadlines.

6.12.2 Key milestones:

Key Milestones	Dates	On target for completion?
Continue to work with the pensions administration software supplier to connect to a Pensions Dashboard by revised deadline which is TBC.	TBC following project reset.	TBC once DLUHC issue staging guidance.
Undertake project plan activities to enable connection to the Dashboard including data cleansing activities.	TBC.	TBC once DLUHC issue staging guidance.

Key Milestones	Dates	On target for completion?
Connect to the Dashboard.	31 October 2026	On target.
Pension Dashboard Go Live.	TBC.	TBC.

6.12.3 Update: A staging timetable will be set out in connection guidance and is due to be released late 2023. The staging timetable will indicate when schemes are scheduled to connect, based on their size and type. The table will be updated when the guidance is published to ensure the Fund is compliant with the new requirements. In the meantime, PASA has published value data guidance which provides schemes with good practice approaches to providing data to the dashboards.

6.13 Processing of undecided leaver records

6.13.1 Activity: To reduce the backlog by 2,500 cases per year for the next 2.5 years from a baseline of approximately 8,300 at March 2023.

6.13.2 Key milestones:

Key Milestones	Dates	On target for completion?
Reduce aged cases by 2,500.	April 2023 – March 2024.	On target.
Reduce aged cases by 2,500.	April 2024 – March 2025.	On target.
Reduce aged cases to BAU baseline (<2,000).	April 2025 – September 2025.	On target.

6.13.3 Update: The baseline at April 2023 was just under 8,500 cases. Progress on achieving the number of aged cases had slowed due to new factors being needed from the Government Actuary’s Department (GAD) following a change in discount rate. These factors were made available later than expected but are now in place and bulk processing of cases impacted, refunds and cash transfer value calculations, have recommenced. As at 30 September 2023 the aged cases outstanding are down to 7,282, a drop of 1,191 cases (14%) from the revised April 2023 baseline and 1,627 cases (18.3%) down from the high point in November 2022.

Investment related activities

6.14 Continue development of the ACCESS asset pool

6.14.1 Activity: The ACCESS asset pool Authorised Contractual Scheme (ACS) sub-fund structure is now at a mature stage with ongoing developments prioritising completing the sub-fund pipeline and putting in place supplementary sub-funds as and when required. Other developments within the ACCESS pool include the non-listed work programme, Operator re-procurement, and the Phase II ESG/RI procurement.

6.14.2 Key milestones:

Key Milestones	Dates	On target for completion?
Development of ACS sub-fund pipeline.	April 2023 – October 2024.	On target.
Non-listed (property, infrastructure, private equity, private debt) programme development.	April 2023 – December 2024.	Not on target.
ESG/RI Phase II procurement and reporting developments.	April 2023 – March 2024.	On target.
Operator re-procurement.	April 2023 – March 2025.	On target.

6.14.3 Update: UK Core Real Estate Mandate has been awarded to CBRE. For the UK Alternative Building Blocks, Apex/ACCESS focus will be on impact investing, affordable housing and long lease investments. Mercer has been commissioned to provide assurance that JP Morgan and IFM Infrastructure can be classified as “Pool Aligned” assets. PIRC has been appointed to provide external advice and support in respect of the implementation of the RI Guidelines and, in particular, delivery of the reporting requirements.

6.15 Continue activities within the Fund’s Climate Action Plan

6.15.1 Activity: During 2023-24 the Fund will continue to focus on the milestone dates within the plan which are key to ensure the Fund is on the correct path to achieve “net-zero” carbon emissions by 2050 at the latest.

6.15.2 Key milestones:

Key Milestones	Dates	On target for completion?
To complete the activities against the Climate Action Plan	April 2023 to March 2024	On target.

6.15.3 Update: Implementation of the Climate Aware Passive equities has been completed and this has been reported to the Sept ISC (UBS Climate Aware and Osmosis). In May 2023 the Investment Sub Committee reviewed the progress against decarbonisation targets, adopted a new primary metric for monitoring progress against the existing decarbonisation targets and agreed to include Scope 3 emissions in the Fund’s target setting once reporting improves. This paper will be taken again to the November ISC for further update.

6.16 Implement the revised Investment Strategy

6.16.1 Activity: A review of the Fund’s investment strategy was undertaken in March 2023 resulting in changes to its strategic asset allocation (SAA). Work will be undertaken throughout 2023-24 to implement these changes.

6.16.2 Key milestones:

Key Milestones	Dates	On target for completion?
Listed (UK) equity sales to fund increase in index-linked Gilts allocation.	June 2023.	Complete.
Consideration of preferred characteristics of new commitments for Infrastructure.	May 2023.	Complete.

Investment into M&G MAC fund following equity sales.	June 2023.	Complete.
ACCESS puts in place long lease property building block.	Q4 2023.	Yes, for revised target
Revised draft Investment Strategy to be presented to Pensions Committee.	December 2023.	Yes, for revised target.
Committee makes allocation decision in connection with long lease property.	Q4 2023/Q1 2024.	Yes, for revised target
Investment into BlueBay ESG MAC once launched on ACCESS.	Q3 2023.	On target.
Wider reviews of options for Infrastructure if required.	Q4 2023.	On target.

6.16.3 Update: Work has been completed to increase asset allocation to Index-Linked Gilts at UBS by 5%, through sales of UK Equity held in Liontrust. During Q3 2023 the ISC was provided with training on timberland asset class in order to approve a 1% allocation to the asset class. In August 2023, further sales of UK Equity and Global Equity were used to fund a +2.5% increase in allocation to M&G Multi-Asset Credit, with a further +2.5% to be allocated to BlueBay MAC once the sub-fund is launched within ACCESS, expected January 2024. The ACCESS-led Long Lease manager selection exercise has been completed in September 2023 and will be reported as a separate agenda item to the November ISC.

Communications

6.17 Implement recommendations from the review of the website and digital communications

6.17.1 Activity: A review of the Fund's websites was carried out in 2022/23, the review assessed whether the website was still fit for purpose in meeting the needs of stakeholders and explored alternative options including moving the hosting of the member related information pages away from our software supplier Heywood and hosting both member and employer pages internally on a single website.

Approval from the Pension Committee was granted to implement the recommendation from the review.

6.17.2 Key milestones:

Key Milestones	Dates	On target for completion?
Funding for the website development approved.	March 2023.	Completed.
Resources in place eg recruitment.	May 2023.	Completed.
High fidelity designs created.	August 2023.	Completed.
New website built.	March 2024.	Completed.

6.17.3 Update: High fidelity designs partly based on the .gov.uk approach to web design have been created and user testing of the different options has begun. The project is currently and expected to remain within the agreed budget of £30,000.

6.18 New activity – Implement equality, diversity and inclusion (EDI) best practices

6.18.1 Activity: The Pensions Regulator has published guidance to help improve pension schemes' equality, diversity and inclusion. Pension schemes have legal duties to scheme members, and good decision making is key to ensuring those duties are met. EDI supports robust discussion and effective decision making and is an important consideration for schemes. The Northamptonshire Pension Fund will be aiming to improve its equality, diversity and inclusion via these best practices.

6.18.2 Key milestones:

Key Milestones.	Dates.	On target for completion?
Fully review TPR guidance and produce an action plan, including delivery of relevant training.	October 2023– March 2024.	On target.

6.18.3 Update: The Pensions Regulator issued a survey to Board members in July 2023 with the intention to collect views on equality, diversity and inclusion. The responses were anonymised and used to improve EDI for pension scheme governing bodies. The next stage is to produce an action plan of the activities the Fund needs to undertake to improve EDI outcomes.

6.19 New activity – Review of investment consultancy contract

6.19.1 Activity: To consider an extension to the contract with the Fund's Investment Consultant from the expiry date of September 2024.

6.19.2 Key Milestones:

Key Milestones	Dates	On target for completion?
For the Committee to consider an extension to the current contract by up to 3 years.	December 2023.	On target.

6.19.3 Update: The Pension Committee will be asked to formally consider an extension at the December Committee meeting. The maximum available extension is 3 years.

7 Implications (including financial implications)

7.1 Resources and Financial

7.1.1 The financial estimates and associated budgets included with the Business Plan and Medium-Term Strategy were approved by the Pension Committee on 29 March 2023.

7.1.1 Performance against the financial estimates in the Business Plan will be presented to the Pension Committee and Board each meeting. The Business Plan sets out the cost of each activity where known and where costs become known during the course of the year the Pension Committee and Board will be updated accordingly.

7.2 Legal

7.2.1 There are no legal implications arising from the proposals. All procurement undertaken has been in line with procurement legislation and procedures.

7.3 Risk

7.3.1 The mitigated risks associated with this report has been captured in the Fund's risk register as detailed below –

Risk	Residual risk rating
Those charged with the governance of the Fund and scheme are unable to fulfil their responsibilities effectively	Green
Pension Fund objectives are not defined and agreed.	Green
Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making.	Green

7.3.2 Please see the [Northamptonshire Pension Fund Risk Register Executive Summary](#).

7.4 Relevant Pension Fund Objectives

7.4.1 The following objectives as per the Business Plan have been considered in this report -

- To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- To continually monitor and measure clearly articulated objectives through business planning.
- To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.

7.5 Consultation

7.5.1 Not applicable. The Business Plan is best practice to ensure the Fund is managed appropriately and transparently.

8. Background Papers

8.1 [Agenda for Pensions Fund Committee on Wednesday 29th March 2023, 4.00 pm - West Northamptonshire Council \(modern.gov.co.uk\)](#)

Appendix A – Variances against the forecast of investments and administration expenses based on original setting of assumptions

Fund Account	2023/24 Budget	2023/24 Forecast	Variance	Comments
	£000	£000	£000	
Contributions	(117,000)	(119,000)	(2,000)	Contributions in line with current membership numbers.
Transfers in from other pension funds	(10,500)	(18,000)	(7,500)	Demand led.
Total income	(127,500)	(137,000)	(9,500)	
Benefits payable	118,000	115,000	(3,000)	Benefits in line with current membership numbers.
Payments to and on account of leavers	10,000	10,300	300	Demand led.
Total Payments	128,000	125,300	(2,700)	
Net (additions)/withdrawals from dealings with members	500	(11,700)	(12,200)	
Management Expenses (Invoiced)	4,078	4,137	59	See below
Management Expenses (Non-Invoiced)	13,100	12,200	(900)	Fees from prior year plus actuarial growth assumption on AUM at June 23 to March 24.
Total Management Expenses	17,178	16,337	(841)	
Total income less expenditure	17,678	4,637	(13,041)	
Investment income	(31,000)	(24,600)	6,400	Actual income received to Q1 plus three estimated quarters.
Taxes on income	-	-	-	
(profit) and losses on disposal of investments and changes in the market value of investments	(138,000)	(158,000)	(20,000)	Actual Q1 return followed by actuarial long term growth assumption
Net return on investments	(169,000)	(182,600)	(13,600)	

Net (increase)/decrease in the net assets available for benefits during the year	(151,322)	(177,963)	(26,641)	
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Management Expenses	2023-24 Budget	2023-24 Forecast	Variance	Comments
	£000	£000	£000	
Total Administration Expenses	2,784	2,795	11	See below.
Total Governance Expenses	814	873	59	Payroll for final IHLI termination account from 2021 - not included in 23/24 budget. ¹
Total Investment Invoiced Expenses	480	469	(11)	
Total Management Expenses	4,078	4,137	59	

¹ Settlement of ill health insurance with Legal and General. Delays in payments are due to allowing for an extended period after the policy end date to ensure no further claims will arise and updates to the data provided that required several iterations before accurately calculating the final settlement figure.

Administration Expenses Analysis	2023-24 Budget	2023-24 Forecast	Variance	Comments
	£000	£000	£000	
Staff Related	1,819	1,843	24	Budget based on estimated 23/24 pay rates, higher than expected pay awards received.
Altair administration and payroll system	397	381	(16)	
Data assurance	21	30	9	A more proactive approach to address tracing has been undertaken in preparation for Dashboards.
Communications	51	49	(2)	
Other Non-Pay and Income	29	25	(4)	
County Council Overhead Recovery	467	467	-	
Total Administration Expenses	2,784	2,795	11	

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Northamptonshire Pension Fund - Climate Action Plan

Calendar Year

Quarter 1 2022

Agree decarbonisation pathway and targets that align the beliefs and ambitions of the Investment Sub Committee (ISC). The ISC agreed target reductions in absolute carbon emissions of the Fund's listed equity holdings of at least: <ul style="list-style-type: none">• 23% from June 2021 baseline by 2024• 57% from June 2021 baseline by 2030	✓
Communicate agreed targets and aspirations to investment managers	✓
Instruct advisers to investigate high level approaches to climate aware passive equity investing	✓
Publish Climate Action Plan	✓

Quarter 2/3 2022

ISC receive training on strategic options to decarbonise the Pension Fund's active equity portfolio, including setting targets for existing managers and considering sustainable and impact equity and/or UN Sustainable Development Goals (SDG) alignment	✓
ISC receive report on high level climate aware passive equity options	✓

Quarter 3/4 2022

Receive implementable proposal on carbon aware passive equity portfolio	✓
Prepare and publish reporting in line with the Task-Force on Climate-Related Financial Disclosures (TCFD) disclosure requirements for the 2021-22 Fund annual report	✓

2023

Quarter 1 2023

Agree managers and portfolio structures for climate aware passive investing	✓
Analysis of climate metrics as at 30/06/22	✓

Quarter 2 2023

Review progress against targets and appropriateness of metrics.	✓
Continue to engage with existing active equity managers around decarbonisation approaches - as required	✓
Engage with private asset managers to improve carbon data provision for portfolios and increased ESG integration	
Implement carbon aware passive equity in Q2 2023	✓
ISC consider proposals for impact investing in private markets - Infrastructure	✓

Quarter 3 2023

Engage with ACCESS on sustainable/impact infrastructure managers (based on Committee preferences following Q2 2022 discussion)	✓
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Quarter 4 2023

Analysis of climate metrics as at 30/06/23	
ISC consider proposals for sustainable/impact investing in listed equity as part of equity portfolio review	

2024

Quarter 1 2024

ISC consider proposals for including asset classes beyond listed equity in climate reporting and target setting	
Consider setting more granular targets across: - Sustainable/Climate solutions - Transition alignment - Stewardship	
ISC receive report on availability of data and approach on alternatives assets	
ISC consider proposals for sustainable/impact investing in private markets (Private equity/property)	
Review progress against targets and appropriateness of metrics	
Consider draft UK Stewardship Report ahead of submission to FRC	
ISC consider feasibility of including Scope 3 within emissions reduction reporting and targets	

Quarter 2 2024

Use insights and recommendations to shape discussions and support climate change reporting (TCFD) - awaiting outcomes of consultation	
Consider potential connections to biodiversity/natural capital	
Submit approved UK Stewardship Report to FRC	

Quarter 3 2024

Continuation of the work with active managers to implement carbon reduction measures and increase the sustainability of the portfolios they manage	
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West Northamptonshire Council

Local Pension Board

3/11/2023

Mark Whitby – Head of Pensions

Report Title	Governance and Compliance Report
Report Author	Michelle Oakensen Governance and Regulations Manager michelle.oakensen@westnorthants.gov.uk

Contributors/Checkers/Approvers

Head of Pensions	Mark Whitby	13/10/23
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List of Appendices

Appendix A Northamptonshire Pension Fund Training Plan

1. Purpose of Report

1.1 This is a standing report that identifies issues and developments relevant to West Northamptonshire Council’s management and administration of the Northamptonshire Pension Fund.

2. Executive Summary

2.1 This report provides the Board with information on the following significant current issues which have an impact on the governance, management and administration of the Northamptonshire Pension Fund.

- Pensions Dashboards (6.1)
- McCloud (6.2)
- Scheme Advisory Board (6.3)
- The Pensions Regulator (6.4)
- SCAPE discount rate and impact on actuarial factors (6.5)
- Mansion House Speech 2023 (6.6)
- DLUHC consultation on investment reforms (6.7)
- Abolishing the lifetime allowance consultation (6.8)
- DWP pension scam regulations (6.9)
- Additional Voluntary Contributions (6.10)
- Apprenticeship and qualification: next steps survey (6.11)

2.2 The report also provides details of immaterial amendments made to policies or strategies as a result of Officer reviews (6.12).

3. Recommendation

3.1 The Pension Local Pension Board is asked to note the Governance and Compliance Report.

4. Reasons for Recommendation

- To ensure adequate oversight of the issues impacting the Northamptonshire Pension Fund.
- To ensure that the Committee and Board are aware of government consultations and responses provided.
- To comply with the CIPFA Skills and Knowledge Framework.
- To ensure good governance and compliance with the Local Government Pension Scheme Regulations and other relevant legislation and guidance.

5. Report Background

5.1 This report provides an update on developments and issues that impact the LGPS that members of the Pension Board need to be aware of to fulfil their responsibilities to the Fund's key stakeholders.

6. Issues and Choices

6.1 Pensions Dashboards

6.1.1 Pension Dashboards Amendment Regulations 2023

6.1.1.1 The Department for Work and Pensions (DWP) has laid [the Pensions Dashboards \(Amendment\) Regulations 2023](#) . A revised staging timetable will be set out in guidance and all schemes in scope will need to connect by 31 October 2026. The staging timetable will indicate when schemes are scheduled to connect, based on their size and type.

6.1.2 Staging dates – TPR expectations

6.1.2.1 The Pensions Regulator (TPR) has updated its [failing to comply with pensions dashboards duties guidance](#). The purpose of the updates is to outline what schemes will need to do to demonstrate that they have had regard to the staging timetable. The staging timetable will be set out in connection guidance.

6.1.2.2 TPR expects schemes to do the following to show that they 'have regard to the connection guidance':

- Connect to dashboards by the connection deadline of 31 October 2026 that is set out in legislation. Failure to do so could result in regulatory action by TPR.
- A revised staging timetable will be set out in guidance which will indicate when schemes are scheduled to connect. All trustees and scheme managers must have regard to this guidance. Failure to do so will be a breach.
- Although the timelines in guidance will not be mandatory, schemes will be expected to demonstrate how they have had regard to the guidance. Amongst other considerations, this means that scheme managers:
 - should not make decisions about connection until they have engaged with the guidance
 - must be able to demonstrate that they have adequate governance and processes for making such decisions. The reasoning for the decisions should be clearly considered and documented, as should how relevant risks are identified, evaluated and managed
 - should make sure that they have access to all the relevant information before making decisions and acting on them. This includes engaging with those who are supporting them to develop a practical delivery plan. Clear and accurate audit trails need to be kept demonstrating the decisions made, the reasons for them and the actions taken

- A phased approach to staging enables a controlled and well-planned connection, reduces the risk of provider capacity constraints and means savers can realise the benefits of pension dashboards as early as possible
- Continuing to prepare for dashboards by engaging with those who will support them with their dashboards duties, such as integrated service providers and administrators to:
 - assess the potential impact of these changes on their schemes
 - agree a practical delivery plan, and
 - continue activity on getting to grips with member data.

6.1.3 PASA publishes dashboards value data guidance

6.1.3.1 On 8 June 2023, the Pensions Administration Standards Association (PASA) published [value data guidance](#).

6.1.3.2 The guidance provides pension schemes with ‘good practice’ approaches to providing value data to dashboards. It is designed for use by both defined benefit and defined contribution schemes and covers twenty topics. It includes possible approaches for dealing with issues such as late retirements, underpins, partial retirements and split normal retirement ages.

6.1.3.3 The LGPC secretariat contributed to this guidance and ensured there were specific recommendations for public service pension schemes. The Pensions Regulator (TPR) encourages administering authorities to read and consider the guidance to provide a consistent approach across schemes Further guidance is expected over the coming months.

6.2 McCloud

6.2.1 McCloud remedy consultation

6.2.1.1 On 30 May 2023, DLUHC published a consultation and draft regulations concerning the McCloud remedy. The consultation closed on 30 June 2023 and sought views on proposals to address discrimination found by the courts in the McCloud case.

6.2.2.2 DLUHC sought views on the following proposals:

- No aggregation requirement: underpin protection will extend to a new pension account that started before 1 April 2022, even if the earlier period of membership is not aggregated, as long as there has not been a disqualifying break.
- Previous membership of another public service pension scheme on or before 31 March 2012: a member will qualify for underpin protection because of earlier membership of another public service pension scheme, even if the pension rights from the other scheme have not been transferred to the LGPS, as long as there has not been a disqualifying break.
- Flexible retirement: a member with underpin protection who takes flexible retirement before 1 April 2022 will also have underpin protection on any benefits built up after flexible retirement and before the end of the underpin period.

6.2.2.3 The consultation covered topics that were not included in the 2020 consultation. These included:

- policies for individuals with excess teacher service
- when a member may be paid compensation if they have suffered a loss relating to the discrimination found in the McCloud case or the McCloud remedy
- the interest terms that will apply when payments are made late due to the McCloud discrimination.

6.2.2 Consultation outcome and regulations laid

6.2.2.1 The Department for Levelling Up, Housing and Communities (DLUHC) subsequently announced the outcome of the consultation on supplementary McCloud issues and draft regulations on 8 September 2023. It also laid The Local Government Pension Scheme Regulations 2023, which took effect from 1 October 2023.

6.2.2.2 The regulations implement the McCloud remedy and amend the underpin rules to make sure they work correctly. Part 2 of the regulations replaces the underpin rules in the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014. It also makes some related changes to the LGPS Regulations 2013. Part 3 requires administering authorities to check past calculations for events that happened between 1 April 2014 and 30 September 2023.

6.2.3 Statutory guidance for administering authorities

6.2.3.1 The Fund has identified cases in scope of the remedy and to encourage a broadly consistent approach, DLUHC will be providing statutory guidance on how authorities should prioritise this work. It is also in the process of setting up an implementation group to decide what other statutory guidance is needed. The Government Actuary's Department is updating actuarial guidance to reflect the changes.

6.3 Scheme Advisory Board

6.3.1 Scheme Advisory Board Committees

6.3.1.1 The SAB has three subcommittees and one advisory group formed underneath the main SAB body. The committees are:

- Compliance and Reporting Committee (CRC)
- Cost Management, Benefit Design and Administration (CMBDA) Committee
- Investment, Governance and Engagement (IGE) Committee
- Responsible Investment Advisory Group (RIAG) Each committee looks at a specific area of the LGPS.

6.3.1.2 Each has its own terms of reference and membership profile made up of practitioners, advisors, scheme member and employer representatives.

6.3.1.3 On behalf of the SAB and Committee chairs, the secretariat team would like to thank the volunteers on each of the committees and working groups who devote their time and knowledge to support this important work.

6.3.1.4 The CRC was established following the disbandment of the Chartered Institute of Public Finance and Accountancy (CIPFA) pensions panel in 2021. It aims to coproduce statutory guidance for LGPS administering authorities on a range of issues. The CRC has five workstreams looking at drafting new or updating existing statutory guidance. The workstreams are:

- Good governance
- Knowledge and skills
- Funding strategy statements
- audit issues
- producing the Annual Report.

6.3.2 Annual Report

6.3.2.1 The Board has published its tenth [Annual Report](#) and provides a single source of information about the status of the LGPS for its members, employers and other stakeholders. Continually improving key information about the Scheme as a whole is one of the top priorities of the Board.

6.3.2.2 The report combines information supplied in 86 fund annual reports, as at 31st March 2022.

6.3.2.3 Key highlights for 2022 are:

- total membership of the LGPS increased slightly, growing by 161,871 (2.6 per cent) to 6.39 million members in 2022 from 6.23 million in 2021.
- total assets of the LGPS increased to £369 billion (a change of 7.8 per cent), invested in
 - pooled investment vehicles – 67%
 - public equities – 12%
 - bonds – 3%
 - direct property – 3%
 - other asset classes – 15%.
- local authority returns on investment over 2021/22 was 8.1 per cent. This compares to UK CPI year on year inflation of 8.8 per cent (Sept to Sept).
- the Scheme maintained a positive cash-flow position overall, including investment income
- over 1.95 million pensioners were paid over the year.
- life expectancy rebounded to pre-covid levels with an increase of 0.8 years for males and 0.6 years for females (2021 figures versus 2022).
- total management charges increased by £385 million (22.5 per cent) from £1,711 million. This was primarily driven by a £381 million (25.6 per cent) rise in investment management charges, while administration and oversight and governance costs remained broadly stable.

6.3.3 Preparing the Annual Report guidance - review

- 6.3.3.1 The Compliance and Reporting Committee has identified several areas in the 2019 CIPFA ‘preparing the Annual Report guidance’ that require updating and clarification. A priority is to streamline the guidance and reduce duplication with other reporting obligations, wherever possible. This message is fully endorsed by DLUHC.
- 6.3.3.2 Another key area for improvement is how funds should report and categorise the allocation of assets. This area is covered in the Department for Levelling up, Housing and Communities (DLUHC) consultation on LGPS investment reform. This proposes a requirement for ‘a single standard set of data on investments across Annual Reports and LGPS statistics. The new guidance will suggest that administering authorities follow a ‘worked example’ template provided by the SAB. The aim is to improve consistency and scheme-level reporting of asset allocation in the SAB Annual Report. Using standard data to report asset classes should make the Annual Report process simpler for funds and more consistent, allowing readers to compare data directly. A ‘worked example’ template for the categorisation of assets will shortly be shared by the SAB secretariat team. Administering authorities should incorporate this into reporting as soon as possible while the new guidance is being prepared.
- 6.3.3.3 The administrative Key Performance Indicators (KPIs) are under review. The SAB has invited fund officers and software suppliers to comment on the current guidance. The aim is to define the KPIs better and allow for standardised reporting. This will enable funds to benchmark themselves properly against others. SAB aims to have the guidance in place for the 2023/24 reporting period but hopes that some reporting changes can be implemented on a voluntary basis for 2022/23 Annual Reports.

6.3.4 Gender pensions gap report

- 6.3.4.1 The LGPS Gender Pensions Gap report produced in January 2023 identified a substantial difference between the average level of pension benefits built up by male and female scheme members. The difference is 34.7 percent for benefits in the CARE scheme and 46.4 percent for benefits in the final salary scheme. For benefits in payment, the difference is even greater at 49 percent.
- 6.3.4.2 The Board asked the Government Actuary’s Department (GAD) to explore these gender gaps in more depth. The Board asked them to focus on:
- career patterns, in particular evidence of recent and past part-time working.
 - differences relating to employers or categories of employer.

- comparing the analysis of LGA's 2019 gender pay gap report.

6.3.4.3 GAD issued their [findings](#) in June 2023 and concluded that:

- 1) Part-time working patterns are closely related to gender pension (and pay) gaps for members. However, the observed differences between men and women in terms of both their current and historic part-time working patterns are not sufficient to account fully for these gender gaps.
- 2) Pay and pension gender gaps can be seen for staff working with the same employer. The size of the gap at scheme-level is also due to the difference in the proportion of males and females working at higher paying employers, as well as between different categories of employers.

6.3.4.4 There is no settled approach to data and methodological issues that would allow detailed comparisons to be drawn between gender gaps in different public sector pension schemes. The Board has proposed that GAD puts in place a common reporting framework for all the public sector schemes. Potentially this could be worked into the quadrennial scheme valuation process. The Board believes that the relationship between gender pay and pension gaps reporting needs to be addressed to allow for greater transparency and understanding.

6.3.4.5 The Board has now set up a small working group to consider next steps and was due to hold its first meeting in October. Areas for consideration included:

- Are there any in-scheme changes that would help address the levels of inequality eg around the ability to buy back service?
- Can we direct employers to best practice in managing the career paths of those who take time off for caring responsibilities?
- How do we communicate with members to ensure they are informed about the potential pension implications of the career choices they make?
- How can we mainstream this kind of analysis so we can properly evaluate what works and how much is left to do?

6.3.5 [Economic Activity of Public Bodies \(Overseas Matters\) Bill](#)

6.3.5.1 The [Economic Activity of Public Bodies Bill](#), also known as the Boycotts, Divestments and Sanctions Bill had its second reading in the House of Commons on 3 July 2023. The Bill seeks to ban LGPS administering authorities from making investment decisions influenced by political and moral disapproval of foreign state conduct, except where this is required by formal Government legal sanctions, embargoes and restrictions.

6.3.5.2 During the debate, significant concerns were raised about the Bill. These centered around its rationale, practicability and whether it constituted a significant over-reach of Ministerial authority.

6.3.5.3 The LGA has published a [technical brief](#) on the Bill. The technical brief includes a section on the Bill's effect on pensions and the LGA view of the Bill.

6.3.5.4 The SAB will provide written evidence on the Bill to the Public Bill Committee which will scrutinise the draft Bill. The Vice-Chair of the Board, Jon Richards, and LGA's Head of Pensions, Jo Donnelly, have also been invited to give evidence to that Committee. As far as the Board is aware, there is no evidence that any LGPS fund has instituted inappropriate politically motivated boycott or divestment policies.

6.4 The Pensions Regulator

6.4.1 Protecting savers from economic volatility

6.4.1.1 On 6 June 2023, the Pensions Regulator published a [blog](#) on protecting savers from economic volatility. Although there are signs of recovery from some financial markets, TPR reminds trustees to stay focussed to protect savers. The impact on defined benefit schemes appears to have settled, though trustees must remain vigilant. TPR reminds trustees to continue to act on their guidance on managing risks in liability-driven investments.

6.4.2 Working more closely with administrators

6.4.2.1 On 13 September 2023, the Pensions Regulator (TPR) published a blog titled ‘Why we are building relationships with pension administrators’.

6.4.2.2 The blog emphasises the importance of fostering closer relationships with administrators, as it allows TPR to gain a better understanding of the challenges they face and address risks more effectively.

6.4.2.3 The blog also highlights several instances of TPR’s work in this area. For example, TPR has been actively supervising several strategically important administrators and has initiated voluntary engagements with third-party administrators.

6.4.3 Independent review of TPR

6.4.3.1 The Department for Work and Pensions published the results of the Independent Review of TPR on 19 September 2023. The review assessed whether TPR remains fit for purpose, and whether it is still required as a public body. It found that TPR is broadly well-run and well-regarded, with notable achievements, such as automatic enrolment. It also made seventeen recommendations across three themes: risk and growth, compliance and enforcement, digital transformation and value for money.

6.5 SCAPE discount rate and impact on actuarial factors

6.5.1 On 30 March 2023, administering authorities in England and Wales were informed that the superannuation contributions adjusted for past experience (SCAPE) discount rate reduced on 30 March 2023 to the consumer price index (CPI) plus 1.7 per cent. This was a change from CPI plus 2.4 per cent.

6.5.2 Subsequently three batches of actuarial factors were provided, the first batch in June and batches two and three in July and were effective from 1 June 2023. The June 2023 transitional measures set out when to apply the new factors and / or how to process cases on hold.

6.5.3 The Northamptonshire Pension Fund put on hold cases from 30 April 2023 to the relevant release date for each category, which resulted in a backlog for this period of time and shortly after.

6.6 Mansion House Speech 2023

6.6.1 On 10 July 2023, the [Chancellor delivered a speech at Mansion House](#). The Chancellor announced a number of measures aimed at increasing returns for savers and encouraging growth.

The announcements included launching a consultation on accelerating the consolidation of LGPS assets in England and Wales (please see 6.7).

6.7 DLUHC consultation on investment reforms

6.7.1 On 11 July 2023, the Department for Levelling Up, Housing and Communities (DLUHC) launched a consultation on LGPS investment reforms [consultation on LGPS investment reforms](#). The consultation was announced by the Chancellor in his Mansion House Speech.

6.7.2 The consultation seeks views on proposals in five areas:

- Pooling: a deadline of 31 March 2025 for funds to transition all listed assets to their pool and a move to fewer, larger pools, each with assets in excess of £50 billion, to maximise benefits of scale
- Levelling up: requiring that funds have a plan to invest up to 5 percent of assets to support levelling up in the UK
- Private equity: an ambition to increase investment into high growth companies via unlisted equity
 - Investment consultants: regulations to implement the requirements set out in an order made by the Competition and Markets Authority in respect of the LGPS
 - Definition of investments: a technical change to the definition in the LGPS Investment Regulations 2016.

6.7.3 The consultation closed on 2 October 2023. A response was submitted on behalf of the Northamptonshire Pension Fund and the Scheme Advisory Board have responded to the consultation. The Fund response was agreed with the s151 Officer and Chair and supported the ACCESS response, which had been developed with the agreement of the ACCESS Joint Committee, s151 Officer Group and Officer Working Group.

6.8 Abolishing the lifetime allowance – consultation

- 6.8.1 On 18 July 2023, HM Revenue and Customs (HMRC) launched a consultation on [abolishing the pensions lifetime allowance](#). The consultation included draft legislation that aims to:
- abolish the lifetime allowance from pension legislation from 6 April 2024
 - limit the amount of tax-free cash an individual can receive to a maximum of £268,275, unless they hold valid lifetime allowance or lump sum protection
 - limit the total amount of lump sums an individual can receive before marginal rate taxation applies to £1,073,100 unless they hold a valid lifetime allowance protection, and
 - clarify how lump sums and lump sum death benefits will be taxed in the absence of the LTA.
- 6.8.2 On 12 September 2023, LGA responded to the policy paper from HM Revenue and Customs (HMRC) on abolishing the lifetime allowance (LTA).
- 6.8.3 The Government announced in the Spring Budget 2023 that it will abolish the LTA completely from April 2024. HMRC then released draft legislation and a policy paper on 18 July 2023 to achieve this and asked for responses by 12 September 2023.
- 6.8.4 The response said:
- they do not think the proposals simplify the pension tax regime for the local authority workforce and other LGPS employers.
 - having two limits for lump sums will be confusing for members.
 - the limit for pension commencement lump sums should go up with inflation (instead of being frozen).
 - trivial commutation lump sums should not be part of the £1.073 million limit.
 - it will be difficult to get relevant information from members.
 - there is no rule on how to value lump sums paid before 6 April 2006.
 - there is not enough time to implement the changes for April 2024, especially for public service schemes who are already busy implementing the McCloud remedy.
 - it will be tough to explain the changes to members as the policy, in our view, is confused and unclear.

6.9 DWP pension scam regulations

- 6.9.1 On 21 June 2023, DWP published a review of the Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021. DWP agreed to publish the review within 18 months of the regulations being operational. The review considered the following questions:
- are the regulations effective?

- are there any unintended consequences?
- what does the pension fraud landscape look like following the regulations?
- are the red and amber flags still appropriate?

6.9.2 The report concludes that the original policy intent remains appropriate. However, there is concern about applying the regulations, in particular regarding the incentive red flag and overseas investment amber flag. DWP will work with industry and TPR to consider if changes could be made to the regulations to improve the transfer experience, without undermining the policy intent. The full report can be found on the relevant page of [Gov.uk](#).

6.10 Additional Voluntary Contributions

6.10.1 Transfer from Standard Life to Phoenix Life

6.10.1.1 Standard Life is proposing to transfer all business to Phoenix Life Limited. Standard Life has been part of Phoenix Group since 2018. Standard Life have published [FAQs](#) about the transfer. Funds have the right to raise concerns about the transfer or object in the High Court in London or the Court of Session in Edinburgh. Subject to the approval of the Courts, the transfer is expected to happen in October 2023.

6.10.2 LGPS Frameworks – provision of AVC services

6.10.2.1 National LGPS Frameworks intends to launch a new framework for AVC services later this year. They have recently published a [Prior Information Notice for the AVC framework](#).

6.10.2.2 The purpose of the prior information notice is to inform providers about the opportunity and express an interest in the project. The information has already been shared with all current AVC providers operating within the LGPS.

6.11 Apprenticeship and qualification: next steps survey

6.11.1 The LGA is looking at ways to help administering authorities access relevant pensions administration apprenticeships and qualifications. They have been researching how best to do this and have put together an LGPS apprenticeship and qualification proposal setting out their plan for England and Wales.

6.11.2 The apprenticeship and qualification: next steps survey was issued in August to seek views on the proposal, as the proposed approach will involve significant resource from the LGA pensions team were only willing to proceed if 75 per cent of administering authorities in England and Wales agree to it in principle.

6.11.3 A response was submitted for the Northamptonshire Pension Fund supporting the proposal.

6.11.4 LGA received 57 responses representing 69 administering authorities, 48 responses were from in house administrators, 7 from shared service providers and 6 from third party administrators. The summary of results was as follows:

- 54 per cent of respondents think they will use the new pensions administrator apprenticeship, a further 29 per cent said that they may use the apprenticeship in the future.
- 84 per cent of respondents are interested in attending an information session or webinar giving further information about the pensions administrator apprenticeship.
- Some of the additional comments about the apprenticeship related to needing more information on the content, time commitments, structure, funding and assessment methods.
- All respondents support our proposal to partner with the Pensions Management Institute (PMI) to provide a level three LGPS specific qualification.
- Some of the additional comments relating to the LGPS specific qualification expressed interest in a level 4 or 5 qualification in the future. Some administering authorities stated that they would prefer the qualification to cover pensions more broadly and not just the LGPS.

- 78 per cent of respondents would like to see a session at the Pension Managers’ Conference in Torquay covering the pensions administrator apprenticeship and our proposal for an LGPS specific qualification.
- LGA received 37 offers to participate in a qualification working group to shape the LGPS specific qualification.

6.11.4 LGA will now:

- start talking to the PMI about the LGPS specific qualification.
- run an information session at the Pension Managers’ Conference about the apprenticeship and the qualification.
- facilitate a webinar to give more information about the apprenticeship and answer some of the questions from the survey.
- set up a working group to make sure the new qualification meets the needs of the sector.

6.12 Northamptonshire Pension Fund Policy/Strategy updates

6.12.1 In March 2023 the Pension Fund Committee agreed for all policies and strategies to be reviewed by the Committee on a three year cycle (unless stated otherwise) with Officer reviews to be conducted on an annual basis or as deemed necessary.

6.12.2 For the period the following non material amendments were applied:

Policy/Strategy	Review reason	Amendments made
Governance Policy and Compliance Statement.	Officer review due to ensure it remains synchronised with the Constitution and Inter Authority Agreement	<ol style="list-style-type: none"> 1) Chairman replaced with Chair throughout. 2) Governance structure diagram updated. 3) Overpayment of Pension Entitlement Policy title updated. 4) ACCESS Joint Committee arrangements updated to reflect the IAA. 5) Substitute and Local Pension Board observers added to the AJC standing orders. 6) Working arrangements and meetings added to the S151 Officer terms of reference
Investment Strategy Statement (ISS).	To reflect strategic asset allocation changes within the ISS.	Updated strategic asset allocation within the ISS to that agreed at the March 2023 Pensions Committee. A full review of the ISS will follow the active equity review.

6.12.3 The Monitoring Officer and Section 151 Officer have reviewed the Governance Policy and Compliance Statement with no further comments ahead of the Committee and Board oversight.

6.12.4 The updated policies were published on the Pension Service website following the noting of these changes.

6.13 Skills and knowledge opportunities

6.13.1 The Public Services Pensions Act 2013 and the Pensions Regulator’s Code of Practice (Governance and administration of public service pension schemes) require all members of the Pension Fund Committee to maintain the necessary skills and knowledge to undertake their role effectively.

6.13.2 In addition, in order to facilitate the acquisition of skills and knowledge for members of the Pension Fund Committee, appendix A lists the main events that are deemed useful and appropriate.

- 6.13.3 If members of the Pension Committee would like to attend any of the events listed in appendix A, please contact a member of the Fund’s governance team who will make the necessary arrangements if an invitation has not already been sent.
- 6.13.4 The Training Strategy was approved at the July meeting of the Pension Committee and members have until 24 July 2024 to complete the mandatory training modules. Here is a copy of the [Training Strategy](#) for reference.

7 Implications (including financial implications)

7.1 Resources and Financial

7.1.1 There are no resources or financial implications arising from the report.

7.2 Legal

7.2.1 The ACCESS Pool is liaising with advisors in connection with the consultation response. Relevant legislation is referenced in the main body of the report.

7.3 Risk

7.3.1 The Constitution Section 4.8 para 1.3 states that the Pension Committee has “Authority to develop and maintain a skills and knowledge framework for all Pension Committee and Investment sub-committee members and for all officers of the Fund including;

- (i) Determining the Fund’s knowledge and skills framework;
- (ii) Identifying training requirements;
- (iii) Developing training plans; and
- (iv) Monitoring attendance at training events.

7.3.2 This report ensures on-going compliance with the above and that the Pension Committee is up to date with:

- New or amending legislation affecting the LGPS;
- Relevant activities of the LGPS Scheme Advisory Board and the Pensions Regulator that concern the governance of the (LGPS) on a national and local basis; and
- Skills and knowledge opportunities.

7.3.3 The risks associated with the Pension Committee not having the required level of knowledge and understanding have been captured in the Fund’s risk register as detailed below.

Risk	Residual risk rating
Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively	Green
Failure to administer the scheme in line with regulations and guidance.	Green
Failure to provide relevant information to the Pension Fund Committee to enable informed decision making.	Green

The Fund’s full risk register can be found on the Fund’s website at the following link: [Northamptonshire Risk Register](#)

7.4 Relevant Pension Fund Objectives

7.4.1 The following objectives as per the Business Plan have been considered in this report –

- To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.
- To ensure that the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
- To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.

7.5 Consultation

7.5.1 The Fund is kept updated with developments and consultations via various sources such as the Local Government Association, The Pensions Regulator and Scheme Advisory Board. No consultation was required for this report.

Appendix A

Training plan 2023/24

Date	Training	Method of delivery	Delivered by	Target audience	Additional Information
APR					
MAY					
JUN	Local Authority Conference 2023	Conference – face to face	Pension and Lifetime Savings Association (PLSA)	Committee, Board & Officer	26-28 Local Authority Conference PLSA (Cotswolds)
JULY	Heywood Officer Conference	Conference – face to face	Heywood	Officer	12-13 July in Manchester
AUGUST					
SEPTEMBER	Investment and Pensions Summit	Conference – face to face	Local Government Chronicle (LGC)	Committee, Board & Officer	7-8 September in Leeds. LGC Investment & Pensions Summit 2023 - Home Page (lgcplus.com)
	McCloud training for administration teams	Virtual	Aon	Officer	12 September 2023
	Pooling Consultation	Virtual	In House	Committee & Board	19 September 2023
	Timberland training	Virtual	Mercer	Committee & Board	19 September 2023
OCTOBER	Property asset class training	TBC	Mercer	Investment Sub Committee	Date TBC
NOVEMBER	Investor Day	Conference – face to face	LINK (Waystone)	Committee & Officer	30 November 2023 London

Northamptonshire Pension Fund

Appendix A

Date	Training	Method of delivery	Delivered by	Target audience	Additional Information
DECEMBER	Annual Conference 2022	Conference – face to face	Local Authority Pension Fund Forum (LAPFF)	Committee, Board & Officer	6-8 December 2023 Bournemouth.
JANUARY	Governance Conference	Conference – hybrid	Local Government Association (LGA)	Committee, Board & Officer	18-19 January 2024 (online/York)
FEBRUARY	Equality, Diversity and Inclusion (EDI)	TBC	Aon	Committee, Board & Officers	TBC
MARCH					



West Northamptonshire Council

Pension Fund Board

2 November 2023

Mark Whitby – Head of Pensions

Report Title	Northamptonshire Pension Fund Potential Breaches of the Law Report
Report Author	Michelle Oakensen Governance and Regulations Manager michelle.oakensen@westnorthants.gov.uk

Contributors/Checkers/Approvers

Head of Pensions	Mark Whitby	19 October 2023
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List of Appendices

Appendix A - Details of potential breaches that fall within the LGPS Regulations.

Appendix B - Other regulatory requirements the Northamptonshire Pension Fund must adhere to.

1. Purpose of Report

1.1 The purpose of this report is to highlight potential breaches of the law in relation to the management and administration of the Fund. The report aims to provide assurance to the Northamptonshire Pension Board that adequate controls are in place for both identifying and reporting such breaches.

2. Executive Summary

2.1 The below potential breach areas are covered by the Pensions Act 2004 and the Pensions Regulator's (TPR) Code of Practice and the detail for each can be found in sections 6.1-6.8 of the report.

- Knowledge and understanding
- Conflicts of interest
- Publishing information about schemes
- Scheme record keeping
- Internal controls
- Contributions

- Providing information to members
- Internal dispute resolution

2.2 The below potential breach areas are covered by the LGPS Regulations, the detail can be found in Appendix A of the report.

- Membership
- Contributions
- Pension accounts and benefits
- Strategies, statements and reports
- Actuarial valuations
- Payments
- Decisions
- Transfers
- Governance
- Investment

2.3 There are other regulatory requirements the Northamptonshire Pension Fund must adhere to; these are listed below. Details of the requirements in these areas are covered in Appendix B of the report.

- Finance Act and HMRC requirements
- Public Sector accessibility requirements
- Pensions Dashboards
- Data protection and information requests
- Data breaches

2.4 Section 6.9 of the report highlights potential Pensions Regulator consequences from breaches of the law.

3. Recommendation

3.1 The Pension Fund Board is asked to note the potential breaches of the Northamptonshire Pension Fund and associated control measures.

4. Reasons for Recommendation

- To ensure adequate oversight of potential breaches for the Northamptonshire Pension Fund.
- To ensure good governance and compliance with the Local Government Pension Scheme Regulations and other relevant legislation and guidance.

5. Report Background

5.1 As required by clause 70 of the Pensions Act 2004, and laid out in the TPR Code of Practice for Public Service Pension Schemes 14, certain individuals are required to report breaches of the law to TPR where they have reasonable cause to believe that:

- A legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with.
- The failure to comply is likely to be of material significance to the regulator in the exercise of any of its function.

5.2 Those who are subject to the reporting requirements (“reporters”) for public service pension schemes are:

- Scheme Managers i.e., pension committee members and officers involved in the management of the fund at the administering authority
- Members of pension boards
- Participating employers
- Professional advisers (this includes individuals such as the Fund’s external auditor, actuary, investment consultant, governance/benefit consultant and legal adviser)
- Any person who is otherwise involved in advising the managers of the scheme in relation to the scheme
- Any person who is otherwise involved in the administration of a public service pension scheme.

5.3 In addition to the legal requirements, TPR’s Code of Practice provides expectations that schemes should be satisfied that:

- those responsible for reporting breaches are made aware of the legal requirements and their guidance
- they have a sufficient level of knowledge and understanding to fulfil that duty and
- they have appropriate procedures in place to identify and assess

5.4 The Northamptonshire Pension Fund has in place a ‘Reporting Breaches of the Law to the Pensions Regulator Policy’ and this report is designed to be supplementary in providing detail of the types of potential breaches the Fund may encounter.

6. Issues and Choices

Details of potential breaches that fall within the Pensions Act 2004 and TPR’s Code of Practice are outlined below:

6.1 Knowledge and Understanding

6.1.1 Requirement: A member of the pension board of a public service pension scheme:

- must be conversant with the rules of the scheme, and any document recording policy about the administration of the scheme.
- must have knowledge and understanding of the law relating to pensions, and any other matters which are prescribed in regulations.

Controls in place	Measures against the controls & oversight
Training Strategy in place.	Regularly reviewed in line with approved review cycle and published on the Pensions Service website. Prescribed timescales for mandatory training to be undertaken and the Chair of respective Committee/Board is notified of non-compliance.
Training recorded in the Annual Report and statement of Accounts.	Annual Report published by 1 December each year. Draft and final report presented to the Committee and Board each year.

Controls in place	Measures against the controls & oversight
Adequate policies and strategies in place.	Regularly reviewed in line with approved review cycle and published on the Pension Service website (except Cyber).
Activities undertaken by the Committee and Board are reported to Full Council.	An annual report is approved by the Chair of the Pension Committee and taken to Full Council for oversight purposes. The Board's annual report is produced by Democratic Services and presented at a Board meeting prior to being taken to Full Council.

6.2 Conflicts of Interest

6.2.1 Requirement: The scheme manager must be satisfied:

- that a person to be appointed as a member of the pension board does not have a conflict of interest.
- from time to time, that none of the members of the pension board have a conflict of interest.
- each member or proposed member of a pension board must provide the scheme manager with such information as the scheme manager reasonably requires for the purposes of meeting the requirements referred to above.
- the pension board must include employer representatives and member representatives in equal numbers.

Controls in place	Measures against the controls & oversight
Conflicts of Interest Policy in place.	Regularly reviewed in line with approved review cycle and published on the Pension Service website.
Conflicts of Interest Register in place.	Declarations issued annually and the respective Chair is notified of any non-compliance.
Conflicts of interest training in place.	A link to COI training is sent with all declaration requests.
Constitution in place.	A Governance Policy and Compliance Statement is in place that reflects the WNC Constitution and is reviewed by officers annually. The Committee and Board structures are reflective of the Constitution.

6.3 Publishing information about Schemes

6.3.1 Requirement: The scheme manager for a public service scheme must publish information about the pension board for the scheme(s) and keep that information up to date. The information must include:

- who the members of the pension board are.
- representation on the board of members of the scheme(s).
- the matters falling within the pension board's responsibility.

Controls in place	Measures against the controls & oversight
Published information on the Committee and Board.	The Pensions Service website contains details of membership and remit of the Committee, ISC and Board. Democratic Services also publish membership details.
WNC Constitution in place.	The responsibility of the WNC Monitoring Officer and is maintained and reviewed by Democratic Services. The Constitution is published and contains the roles and responsibilities of the Committee, ISC and Board.
Governance Policy and Compliance Statement in place.	Regularly reviewed by Officers and material changes are approved by the Monitoring Officer. The Policy is published on the Pensions Service website and contains roles and responsibilities of the Committee, ISC and Board.

6.4 Scheme Record Keeping

6.4.1 Requirement: Scheme managers must keep records of information relating to:

- member information.
- transactions.
- pension board meetings and decisions.

Controls in place	Measures against the controls & oversight
Pension Administration System in place.	Holds information on all membership types and contains transactional information for all events such as transfers and retirements. Heywood is contracted to ensure the system is fit for purpose, data is secure and the Fund continually cleanses data for accuracy. The administration system provides an audit trail of all activity undertaken and stores associated documentation.
Data Improvement Policy in place.	Regularly reviewed in line with approved review cycle and published on the Pensions Service website.
Data Improvement Plan in place.	Updated annually and presented to the Committee and Board.
Data scoring undertaken.	Common and Conditional data scores are a component of the Pension Regulator's annual Scheme Return which is mandatory.

Controls in place	Measures against the controls & oversight
Meetings undertaken in line with statutory obligations.	Meetings are co-ordinated by Democratic Services who ensure statutory obligations are adhered to in line with the Constitution. Minutes are taken at each meeting for a clear audit trail of any decisions made. Public items are published for transparency.

6.5 Internal Controls

6.5.1 Requirement: The scheme manager of a public service pension scheme must establish and operate internal controls. These must be adequate for the purpose of ensuring that the scheme is administered and managed in accordance with the scheme rules and in accordance with the requirements of the law. Internal controls refer to:

- arrangements and procedures to be followed in the administration and management of the scheme.
- systems and arrangements for monitoring that administration and management.
- arrangements and procedures to be followed for the safe custody and security of the assets of the scheme.

Controls in place	Measures against the controls & oversight
Task Management Processing.	The task management system contains procedural notes and checklists that are continually reviewed and updated by the Quality Assurance Officer. Training is also provided on procedural changes.
Policies and Strategies in place.	Regularly reviewed in line with approved review cycle and published on the Pensions Service website.
System reporting.	Workflow monitoring reports are produced by the Quality Assurance Officer on a weekly basis. Key Performance Indicator statistics are reported to the Committee and Board at every meeting via the Administration Report and operate under a RAG system basis.
Financial Transactions	Transactions entered within the system require managerial approval, staff who input the transaction cannot approve the transaction. These approvals are contingent upon the value associated with each transaction, with varying approval thresholds requiring different levels of authorisation. On a monthly basis, the approval hierarchy is subject to scrutiny and assessment by the Fund Accounting team.
Custodian in place.	Robust procurement process to appoint an appropriate custodian. Oversight from both the Investment Sub Committee and Pension Fund Committee.

6.6 Contributions

6.6.1 Requirement: Where employee contributions are deducted from a member's pay, the amount deducted must be paid to the managers of the scheme at the latest by the 19th day of the month following the deduction, or by the 22nd day if paid electronically (the 'prescribed period'), or earlier if required by scheme regulations.

Controls in place	Measures against the controls & oversight
Payment of Employee and Employer Contribution Policy in place.	Regularly reviewed in line with approved review cycle and published on the Pensions Service website.
Automated reconciliation process.	A defined process is in place to monitor the employer contribution payments to the Fund. An electronic return is completed by the employer and an automated check is carried out against the return and compares the amount received. The database flags any missed payments and/or returns for resolution.
Internal escalation Policy in place.	Where issues are not resolved within the Funding Team the issue is referred to the Employer's Team who will deal with the employer directly.
Pension Regulator Report where applicable.	Persistent late/non-payment of contributions may result in a late payment report being submitted to the Pensions Regulator. All employers reported to the Pensions Regulator are notified to the Committee and Board via the Administration Report.

6.7 Providing information to members

6.7.1 Requirement: The law requires schemes to disclose information about benefits and scheme administration to scheme members and others, this includes:

- Benefit Statements – both timescales and requirements relating to the content of annual benefit statements
- other information to be provided in other circumstances within defined timescales including:
 - basic scheme information
 - information about the scheme that has materially altered.
 - information about the constitution of the scheme.
 - information about transfer credits.
 - information about life styling.
 - information about accessing benefits.
 - information about benefits in payment.

Controls in place	Measures against the controls & oversight
Communication Plan in place.	<p>Reviewed annually and presented to the Committee and Board for comment.</p> <p>The Communications Officer is responsible for delivering timely and accurate communications to appropriate audiences in a suitable manner. Scheme changes are covered by the disclosure regulations and must be communicated to affected members within 3 months, these are managed by the Communications Officer with support from the regulations team.</p>
Constitution in place.	<p>The WNC Monitoring Officer/Democratic Services are responsible for maintaining and publishing the constitution.</p> <p>There is a Fund specific Governance Policy & Compliance Statement in place that reflects the Constitution.</p>

Controls in place	Measures against the controls & oversight
Pensions Service website in place.	Basis scheme information is accessible via the Pensions Service website. Officers are responsible for keeping it updated with current and accurate information obtained via national bodies such as the Local Government Association, Scheme Advisory Board and the Fund's governance advisors.
Cyclical processes.	Yearly processes built into work planning to ensure benefit statements are accurate and issued on time. These processes include reconciling year end data, the production of the statements and that effective communications are in place to ensure members are aware when they have been issued.
Key performance indicators.	A suite of KPI measures is in place to monitor both administrative performance against service level targets and statutory targets that measure the overall customer experience. The KPI measures ensure action can be taken at particular pressure points (within the service or with employers) and ensure members receive timely and accurate information.
Technical guidance.	The LGPC Annual Benefit Statements technical guide is used as a reference tool for ensuring the content of the statements is compliant.

6.8 Internal Dispute Resolution

- 6.8.1 Requirement: Scheme managers must make and implement dispute resolution arrangements that comply with the requirements of the law and help resolve pension disputes between the scheme manager and a person with an interest in the scheme. Scheme managers and specified persons must take the decision required on the matters in dispute within a reasonable period of receiving the application. They must notify the applicant of the decision within a reasonable period of having taken it.
- 6.8.2 Internal dispute resolution procedures must state the manner in which an application for the resolution of a pension dispute is to be made, the particulars which must be included in such an application and the manner in which any decisions required in relation to such an application are to be reached and given. The procedure must specify a reasonable period within which applications must be made by certain people.
- 6.8.3 Scheme managers must provide information about the scheme's dispute resolution procedure as well as information about the Money and Pensions Service and the Pensions Ombudsman to certain people at certain stages.

Controls in place	Measures against the controls & oversight
Internal Dispute Resolution Procedure published and accessible.	The full process and statutory timescales are detailed in the administering authority decision guide. An internal control log to monitor stage 1 & 2 cases is managed by the Governance and Regulations Manager. Letters to the member include details on the Pensions Ombudsman and information on the Money and Pensions Service.
Comprehensive documentation.	IDRP documentation including guidance, claim forms and determinations cover all regulatory requirements and timescales. Appropriate adjudicators in place at stage 1 and 2 with clear separation of processes. Information on the Pensions Ombudsman and MAPS provided at relevant stages.
Continual monitoring.	A monitoring log is in place to ensure that all stage 1 & 2 disputes are managed appropriately adhering to prescribed timescales.

6.9 Potential Pensions Regulator breach of the law consequences

6.9.1 The Pensions Regulator ensures that their decisions are proportionate, accountable, consistent, transparent and targeted. A risk based and proportional approach is taken when deciding whether to take enforcement action. The role of the regulator is to support those that they regulate and to change behaviours.

6.9.2 Enforcement options are considered once any evidence that has been obtained is analysed. The decision is based on the most proportionate means to achieve the desired outcome, taking into consideration how long enforcement action might take.

6.9.3 The potential outcomes fall into 5 categories as detailed below:

Prevention – an improvement notice may be issued to mitigate a breach being repeated in the future. The notice sets out the steps that must be taken to remedy the breach within a prescribed timeframe.

Remedy – an improvement notice may be issued as with above or a financial penalty may be imposed. A fixed penalty notice can be issued to encourage compliance, if this is not successful an escalating penalty notice can be issued. For persistent or subsequent non-compliance, a criminal sanction may be appropriate.

Restoration – if an act has detrimentally affected scheme benefits the aim will be for the members pension benefits to be put back to where they would have been if the breach had not occurred. A notice maybe issued to the Fund, and potentially penalty or criminal powers under the Pensions Act 2004 may be used in addition.

Deterrence – some contravention of pensions legislation cannot be put right or remedied. When these contraventions are persistent, indicate intentional non-compliance or that a criminal offence has been committed, powers may be used to punish and deter. In this scenario financial penalty or prosecution proceedings may be immediately pursued. The prosecution powers are generally reserved for the most serious behaviour, in particular dishonest, wilful or fraudulent. In some instances, these can lead to a criminal conviction. Each prosecution case is tested against the criteria set out in TPR prosecution policy.

Settlement – in some circumstances it may be appropriate to not pursue or continue action, this will not apply where civil or regulatory proceedings have commenced. The settlement should offer a fair and appropriate outcome having regard to the circumstances of the case and the statutory objectives. Each case will offer its own unique challenges and circumstances, so an acceptable settlement for one case may be very different from that for another, even if the same regulatory power is being used.

7 Implications (including financial implications)

7.1 Resources and Financial

7.1.1 The Fund governance advisors Aon produced an initial report that highlighted potential breach areas.

7.1 Legal

7.1.1 There could be legal implications if a breach of the law was to occur.

7.2 Risk

7.3.1 The mitigated risks associated with this report has been captured in the Fund’s risk register as detailed below –

Risk	Residual risk rating
Those charged with the governance of the Fund and scheme are unable to fulfil their responsibilities effectively	Green
Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making.	Green
Risk of fraud and error.	Green
Failure to understand and monitor risk compliance.	Green
Lack of understanding of employer responsibilities which could result in statutory and non-statutory deadlines being missed	Green
Failure to recognise and manage conflicts of interest.	Green
Failure to administer the scheme in line with regulations and guidance.	Green
Failure to act appropriately upon expert advice and/or risk of poor advice.	Green

7.3.2 Please see the [Northamptonshire Pension Fund Risk Register Executive Summary](#).

7.4 Relevant Pension Fund Objectives

7.4.1 The following objectives as per the Business Plan have been considered in this report -

- To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund’s stakeholders, particularly the scheme members and employers.
- To ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.

- To put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary.
- To maintain accurate records and ensure data is protected and used for authorised purposes only.
- To provide scheme members with up-to-date information about the scheme in order that they can make informed decisions about their benefits.
- To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.

7.5 Consultation

7.5.1 Not applicable.

8. Background Papers

8.1 Internal Audit Report - [Agenda for Pensions Fund Committee on Wednesday 12th October 2022, 1.00 pm - West Northamptonshire Council \(moderngov.co.uk\)](#)

Appendix A - Details of potential breaches that fall within the LGPS Regulations.

Potential breach area	Potential breach	Comments
Membership.	An employer not entering eligible employees into the scheme.	Employer responsibility. The Fund will communicate responsibilities with scheme employers and provide training and support.
Contributions.	Incorrect contribution rates applied by an employer.	Employer responsibility. Limited validation checks will be carried out by the Fund.
	Incorrect application of assumed pensionable pay by an employer.	
	Not deducting contributions correctly from what is defined as pensionable pay.	
Pension accounts and benefits.	Errors in calculating benefits.	Checking processes. Skills and knowledge. Pension software system. Quality Assurance Officer in post to check processes are fit for purpose. Escalation to Governance and Regulations team if any queries/unusual cases.
Strategies, statements and reports.	Missing the 1 December deadline for publishing the annual report.	The annual report is managed as a project to ensure all activities are undertaken to allow the annual report to be published on time. Relevant Committee and Board oversight factored in to meet the deadline.
	Not having all policies/statements in place as required by the regulations.	The Fund has in place an approved policy/strategy review cycle that the Committee and Board have oversight of. The Funds governance advisors provide advice in this area.
	Not publishing any policy/statement that is required to be published.	All policies and strategies are published on the Pension Service website.
Actuarial valuations	Not having triennial actuarial valuation documents finalised by the first anniversary from valuation date.	The Valuation Report is published following each triennial valuation. The Actuary is in place to ensure the process and delivery is adhered to. Committee and Board engagement on prescribed timescales to meet the deadline. Professional actuarial guidance and advice.

Potential breach area	Potential breach	Comments
	Not having appropriate revised rates and adjustment certificates for existing employers or not publishing/providing copies in accordance with Regulation 66.	The rates and adjustments certificate is incorporated in the Valuation Report and therefore published in accordance with the above. Employers in the Fund are sent their individual rates alongside the Valuation Report.
Payments	Incorrect amounts of contributions paid by employers.	Employer responsibility.
	Late payment of contributions.	Payment of Employee and Employer Contribution Policy in place. Reconciliation of contributions. Escalation process in place.
	Late or non-provision of a remittance advice with payment.	Payment of Employee and Employer Contribution Policy in place. Reconciliation of contributions. Escalation process in place.
Decisions	Delays in decisions being made (noting the “as soon as reasonably practicable” requirement).	Monitoring of all complaints and IDRP stage 1 and 2 cases to ensure compliance with internal policy and statutory obligations. Performance monitoring in place to establish any delays to processes and subsequent delays in decisions being made.
	Not including appropriate information in notifications of decisions.	Comprehensive determination letters including sequence of events, reason for decision and what to do next if the member does not agree the decision.
	Employer not meeting notification procedures for required information on an ongoing basis and at year end in accordance with Regulation 80(2) (Regulation 80 – LGPS Regulations 2013).	Employer responsibility. Escalation and penalties in line with the Fund’s Administration Strategy.
	Not issuing annual benefit statements to all active, deferred and pension credit members and/or missing the 31 August deadline.	As per TPR Code of Practice response in main report (6.7).

Potential breach area	Potential breach	Comments
Transfers	Paying a transfer which is not a “recognised transfer” under the meaning of the Finance Act 2004.	LGPC technical transfer guidance is incorporated into business processes and adhered to. Internal processes in place to protect members.
	Not complying with the provisions of the Club Memorandum when paying a club transfer.	LGPC technical transfer guidance is incorporated into business processes and adhered to. Internal processes in place to identify the types of transfer arrangements and associated guidance notes.
	During a bulk transfer, not providing members with sufficient information in writing before agreement.	Communication work streams between the employer and pension funds are set up at the start of a bulk transfer process. Staged approach with information and guidance provided as well as actions to be undertaken flagged. All communication is documented and discussed at progress meetings.
	Not calculating a transfer to another administering authority in accordance with actuarial guidance issued by the Secretary of State (unless it relates to 10 or more members).	LGPC technical transfer guidance is incorporated into business processes and adhered to. Internal processes in place to identify the types of transfer arrangements and associated guidance notes.
Governance	Not appointing at least 4 members to the local pension board, in equal numbers of employer representatives and member representatives	3 member representatives and 3 employer representatives appointed to the Board as per the Constitution.
	Not being satisfied from time to time that none of the local pension board members has a conflict of interest.	Conflicts of Interest Register in place.

Potential breach area	Potential breach	Comments
Investment	Not holding a separate bank account for all fund money.	The Northamptonshire Pension Fund has a separate bank account.
	Not taking proper advice when formulating an investment strategy or the strategy not being in accordance with the Secretary of State's guidance.	Appropriate procurements of a Fund Investment consultant and Independent Investment Consultant. As part of that procurement all organisations must be authorised by the FCA, and individual advisors should have the relevant experience and qualifications.
	Not investing in accordance with the investment strategy, any fund money that is not needed immediately to make payments from the fund.	All investment decisions are delegated and approved by the Investment Sub- Committee.
	Not setting out within the investment strategy, the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment.	The Funds strategic asset allocation is set out in the Fund's investment strategy statement and reviewed periodically by the Investment Sub-Committee and approved by the Pension Committee.
	Not reviewing the investment strategy at least every 3 years or not publishing it.	The investment strategy statement is reviewed and approved by the Pension Committee of the Fund at least every 3 years.
	The authority borrowing money if, at the time of the borrowing, the authority does not reasonably believe that the sum borrowed, and interest charged in respect of that sum can be repaid out of its pension fund within 90 days of the borrowing.	No applicable as the Fund does not borrow money for its operations.

Appendix B - Other regulatory requirements the Northamptonshire Pension Fund must adhere to

Regulatory area	Potential breach	Comment
Finance Act and HMRC requirements	Missing deadlines for Pension Saving Statements (PSSs)	The issuing of PSSs is part of the cyclical annual allowance process. The Committee and Board are notified of any breaches via the Administration Report.
	Missing other notifiable events requirements	Quarterly reports are submitted to the HMRC that cover annual allowance charges/lifetime allowance charges/short service refund lump sum charges and special lump sum death benefit changes which are all generated through BAU processes and actioned by the Funding Team. Event reporting which includes PSS statements, benefit crystallisation and lifetime allowance, ceased ill health pensions and unauthorised payments is undertaken on an annual basis and are generated through BAU processes and actioned by the Funding Team.
Public Sector accessibility requirements	Not meeting accessibility standards or not publishing an accessibility statement on the Pensions Service website.	Accessibility checks are made on all website content and an accessibility statement is published on the website. Accessibility statement for Cambridgeshire and Northamptonshire LGPS
Pensions Dashboards	Missing the staging date for pensions dashboards.	Following TPR checklist and guidance to be prepared for the 31 October 2026. Further guidance is awaited on the staging timescale since the project reset. National guidance and regional group support.
	Not providing information to the dashboards in line with the prescribed deadlines set.	Following TPR checklist and guidance to be prepared for the 31 October 2026. Further guidance is awaited on the staging timescale since the project reset. National guidance and regional group support.

Regulatory area	Potential breach	Comment
Data protection and information requests	Not responding to requests from members in line with GDPR requirements including data subject access requests and right to withdraw.	<p>The Northamptonshire Pension Fund follows the West Northamptonshire Council Data Protection Policy and has a privacy notice published on the Pensions Service website stating how the Fund uses personal data. Data protection policy West Northamptonshire Council (westnorthants.gov.uk).</p> <p>Privacy summary Northamptonshire Pension Fund</p> <p>Subject access requests and rights are covered by the West Northamptonshire Council FOI process. Make a Freedom of Information (FOI) request West Northamptonshire Council (westnorthants.gov.uk)</p>
	Not complying with UK General Data Protection Regulations.	<p>The Northamptonshire Pension Fund follows the West Northamptonshire Council Data Protection Policy and has a privacy notice published on the Pension Service website stating how the Fund uses personal data. Data protection policy West Northamptonshire Council (westnorthants.gov.uk).</p> <p>Privacy summary Northamptonshire Pension Fund</p>
Data breaches	Not notifying the Information Commissioners Office (ICO) within 72 hours of becoming aware of a network and information systems (NIS) incident where there is substantial impact on the provision of your digital service	<p>The Northamptonshire Pension Fund follows the West Northamptonshire Council Data Protection Policy on reporting data breaches which is compliant with the ICO reporting requirements. Data protection policy West Northamptonshire Council (westnorthants.gov.uk).</p>

Item no:



West Northamptonshire Council

Pension Fund Board

2 November 2023

Mark Whitby – Head of Pensions

Report Title	Northamptonshire Pension Fund Cash Management Strategy
Report Author	Ben Barlow, Funding and Investment Manager Ben.Barlow@westnorthants.gov.uk

Contributors/Checkers/Approvers

Head of Pensions	Mark Whitby	19 October 2023
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List of Appendices

Appendix A – Cash Management Strategy 2023 clean

Appendix B – Cash Management Strategy 2023 tracked

1. Purpose of Report

- 1.1 To ensure the Northamptonshire Pension Fund has an adequate Cash Management Strategy in place.

2. Executive Summary

- 2.1 The purpose of the Cash Management Strategy is to manage Fund's cash efficiently, ensuring adequate cash is available in the Fund's accounts held at Barclays Bank to meet the day to day cash requirements of the Fund, and to ensure timely payment of surplus cash to Northern Trust for investment in line with the Fund's Investment Strategy.
- 2.2 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations") came into force on 1 November 2016 and require the Fund to review its cash management strategy on a regular basis.
- 2.3 The key changes to the strategy, approved by Pension Fund Committee 28 June 2023, include removal of references to LGSS and formatting issues. There have been no changes to internal processes since the Strategy's approval.

3. Recommendations

- 3.1 The Pension Fund Board is asked to note the updates to the Northamptonshire Pension Fund Cash Management Strategy.

4. Report Background

- 4.1 Under the Regulations, the Fund is required to have its own separate bank account, may only borrow by way of temporary loan or overdraft for the purpose of paying benefits due under the scheme or to meet investment commitments, and must invest, in accordance with its Investment Strategy, any fund money that is not needed immediately to make payments from the Fund.
- 4.2 To meet the requirements of the Regulations, the Fund has identified objectives and key principles to govern the Fund’s approach to cash management, as can be seen in sections 3 and 4 of the Cash Management Strategy.
- 4.3 The processes set up in response to the strategy include, daily forecasting and monitoring from the finance team using Public Sector Live software; monthly forecasting and reporting to management; and periodically moving cash to and from NatWest and Northern Trust when there is a surplus or deficit.
- 4.4 The strategy allows officers the ability to react efficiently to the cash requirements of the Fund.

5. Changes to the existing policy

- 5.1 Following approval in June, the following changes have taken place:

Section	Proposed change
Operational Issues	- Remove reference to LGSS
Flow Chart	- Moved from section 8 Operational Issues to Section 7 Key Cash Flow Movements/Timings - Includes refunds in cash flow out of Barclays
Throughout	- Formatting issues
Key Cash Flow Movements/Timings	- Includes refunds in cash flow out of Barclays
New section 9	- Effective date and reviews of the policy
Glossary	- Moved from section 9 to 10

- 5.2 The Pension Fund Committee approved the Strategy at its meeting on 28 June 2023, since the meeting the Strategy has been published online and the Board notified.

6. Implications (including financial implications)

6.1 Resources and Financial

- 6.1.1 There are no finance or resources implications arising from the proposals in this paper.

6.2 Legal

- 6.2.1 There are no legal implications arising from the report.

6.3 Risk

- 6.3.1 The mitigated risks associated with this report has been captured in the Fund’s risk register as detailed below –

Risk	Residual risk rating
Contributions to the Fund are not received on the correct date and/or for the correct amount.	Amber
Fund assets are not sufficient to meet obligations and liabilities.	Amber
Risk of fraud and error.	Green
Custody arrangements may not be sufficient to safeguard Pension Fund assets.	Green
Failure to administer the scheme in line with regulations and guidance.	Green

6.3.2 The Fund's full risk register can be found on the Fund's website at the following link: [Northamptonshire Risk Register](#)

6.4 Relevant Pension Fund Objectives

6.4.1 The following objectives have been considered in this report -

- To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies, and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.
- To ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
- To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
- To administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration.
- To ensure cash flows in to and out of the Fund are timely and of the correct amount.
- To ensure the long-term solvency of the Fund, taking a prudent long-term view, so that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment.
- To ensure an appropriate cash management strategy is in place so that net cash outgoings can be met as and when required.

6.5 Consultation

6.5.1 No consultation was required in connection with this review.

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Cash Management Strategy

Published XX XXX2023



1. Regulations

9.1. Under The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 the Fund is required to have its own separate bank account (paragraph 6.1). A number of other instructions are set out in the regulations regarding managing the Funds cash, these are listed below.

1.1.1. Regulation 5 – Restriction on power to borrow. This regulation states that an authority may only borrow by way of temporary loan or overdraft for the purpose of paying benefits due under the scheme or to meet investment commitments. The authority may only borrow if it reasonably believes that the sum borrowed and interest charged can be repaid by the pension fund within 90 days of borrowing.

1.1.2. Regulation 7.8 – Investment Strategy Statement. The authority must invest, in accordance with its investment strategy, any fund money that is not needed immediately to make payments from the fund.

2. Other Regulatory Influences

2.1. The Fund will also have regard to:

2.1.1. [Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes \(Treasury Management Code\) \(2011\)](#),

2.1.2. MHCLG Investment Guidance,

2.1.3. The UK Money Markets Code,

2.1.4. EU Money Market Funds (MMF) Regulation.

3. Objectives

3.1. The main objectives of a Cash Management Strategy are to ensure that:

3.1.1. The Fund is compliant with The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016,

3.1.2. Cash is available as and when required,

3.1.3. Surplus cash is invested,

3.1.4. Risks inherent within the Key Principles are managed.

4. Key Principles

4.1. There are three key principles relating to cash management:

4.1.1. Security – Safeguarding Pension Fund assets,

4.1.2. Liquidity – Ensuring the Pension Fund has cash available as and when required,

4.1.3. Yield – To achieve a market return.

5. Overdraft

5.1. An overdraft is a form of borrowing and the 2016 Regulations specify only two reasons that the Fund can legally overdraw, as set out in paragraph 1.1.1. above.

5.2. The Fund bank accounts operate with a zero aggregate overdraft facility, with strong financial control processes over cash activities.

6. Cash Arrangements

6.1. The Fund currently holds cash at Barclays and at the Fund's Custodian Northern Trust, both of which have access to interest bearing accounts. There is **no** cash held with the Administering Authority.

6.2. Barclays Bank Plc

Operational cash is held at Barclays Bank, managed directly by Officers. A minimal balance is maintained, varying upon the information available from the three key interfaces:

6.2.1. Accounts Receivable - this account receives all contributions, transfers and invoiced income.

6.2.2. Payroll Account – Pension benefits are paid from this account monthly.

6.2.3. Payables Account – All invoice payments, grants and lump sums are payments are made from this account.

At close of business each day any surplus/shortfall on the above accounts are swept into an overarching interest bearing Liquidity Account to ensure a residual balance of £10,000 on each.

6.3. Northern Trust (Custodian)

The Fund will transfer surplus money from Barclays Bank accounts to the Fund's account at the Custodian for investment in line with the Fund's Investment Strategy. This account also acts as a gateway to receive and pay monies to Investment Managers, for example, cash from Investment distributions. The Fund has a contractual agreement with the Custodian to sweep excess cash into Money Market Funds.

6.4. Investment Managers

Investment managers hold cash at Northern Trust as part of their mandates. Whilst this cash is under the managers' control, it can be recalled by the Fund.

7. Key Cash Flow Movements/Timings

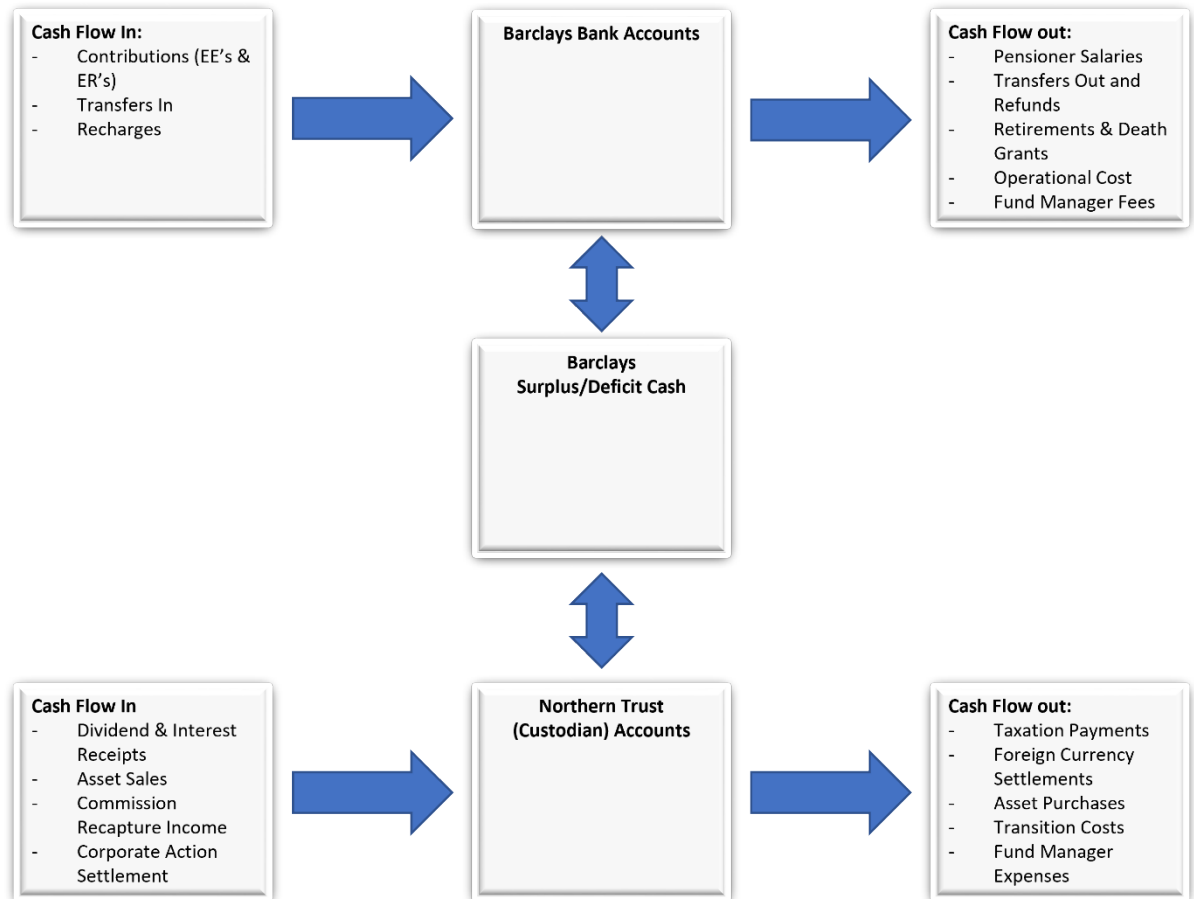
7.1. Barclays Bank

The key activities that occur within the Barclay's accounts, noted at 6.2. above are monitored by Officers through regular profiling of cash movements, which identifies surplus balances or forecast shortfalls, prompting a transfer of cash to, or from, the Custodian.

There are three streams of activity; receipt of income through Accounts Receivable, payment of pension benefits through payroll and ad hoc payments through Accounts Payable. Contribution income is required to be received by the 19th of the month. This is important as it represents the receipt of income prior to the payment of the pensioners' payroll on the 25th of the month. The payments through Accounts Payable occur on an irregular pattern dependent upon demand, with the main activity being the payment of new pension liabilities such as retirement grants, in addition to death grants, transfers out and refunds.

7.2. Custodian

Officers manage the Fund's cash requirements and will first recall cash from the Custodian cash account, then from Investment Managers, giving regard to the asset allocation, liquidity and exit costs of investment assets, as required. Similarly, investing of Fund surpluses will also be in line with the Fund's Investment Strategy.



8. Operational Issues

Risk	Implication	Mitigation
Exit payments, where cash is due to Employers within the Fund who have a contribution surplus, and Employers transferring their assets and liabilities out of the Fund, generate risks to cash flows and the balance of cash within the Fund.	- Becoming overdrawn - Lack of liquidity to fund payments	- Clear inter-team communication - Segregation of duties - Sale of assets
Timing of payments result in payments exceeding the working balance held at Barclays Bank, requiring a recall of cash from the Custodian.	- Becoming overdrawn - Lack of liquidity to fund payments	- Stringent cash management and forecasting - Ability to delay non-essential payments to ease cashflow

A dependency upon Treasury to action instructions from the Pension Fund in a timely manner.	- Lack of liquidity to fund payments	-Stringent cash management and forecasting -Segregation of duties
An investment draw down where insufficient cash is held by the Custodian on behalf of the Fund.	- Becoming overdrawn - Lack of liquidity to fund payments	- Stringent cash management and forecasting
County Council officers, with access to Pensions systems, can action fraudulent or erroneous cash movements.	- Becoming overdrawn - Payments made to/from wrong bank account - Fraudulent activities	- Segregation of duties - Approval from Pension Senior Management required for cash movements
Surplus cash is not invested in line with the Investment Strategy Statement on a timely basis.	- Loss of economic benefit to the Fund	-Stringent cash management -Clear inter-team Communication

9. Effective date and reviews

- 9.1. The policy was first approved by the Pension Fund Committee on 23 March 2019 and was effective from 24 March 2019. The policy has since been subject to the following reviews:

Date of review	Policy effective date:
28 June 2023	29 June 2023
2 November 2023	

10. Glossary

Custodian – An external body responsible for ensuring the investing Fund’s assets are registered in the name of the Fund, managing the settlement of trades, collecting income arising and reporting transactions and values to the Fund on a regular basis.

Deficit – An outcome where expenses exceed income.

Investment Manager – An external organisation that makes investments in assets on behalf of clients.

Money Market – A mutual fund that invests in cash and cash equivalent securities.

Surplus – An outcome where income exceeds expenditure.

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Cash Management Strategy

Published ~~XX23rd~~ ~~XXX~~ ~~March~~

~~2023~~
2023~~19~~



1. Regulations

9.1. Under The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 the Fund is required to have its own separate bank account (paragraph 6.1). A number of other instructions are set out in the regulations regarding managing the Funds cash, these are listed below.

1.1.1. Regulation 5 – Restriction on power to borrow. This regulation states that an authority may only borrow by way of temporary loan or overdraft for the purpose of paying benefits due under the scheme or to meet investment commitments. The authority may only borrow if it reasonably believes that the sum borrowed and interest charged can be repaid by the pension fund within 90 days of borrowing.

1.1.2. Regulation 7.8 – Investment Strategy Statement. The authority must invest, in accordance with its investment strategy, any fund money that is not needed immediately to make payments from the fund.

2. Other Regulatory Influences

2.1. The Fund will also have regard to:

2.1.1. [Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes \(Treasury Management Code\) \(2011\)](#),

2.1.2. MHCLG Investment Guidance,

2.1.3. The UK Money Markets Code,

2.1.4. EU Money Market Funds (MMF) Regulation.

3. Objectives

3.1. The main objectives of a Cash Management Strategy are to ensure that:

3.1.1. The Fund is compliant with The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016,

3.1.2. Cash is available as and when required,

3.1.3. Surplus cash is invested,

3.1.4. Risks inherent within the Key Principles are managed.

4. Key Principles

4.1. There are three key principles relating to cash management:

4.1.1. Security – Safeguarding Pension Fund assets,

4.1.2. Liquidity – Ensuring the Pension Fund has cash available as and when required,

4.1.3. Yield – To achieve a market return.

5. Overdraft

5.1. An overdraft is a form of borrowing and the 2016 Regulations specify only two reasons that the Fund can legally overdraw, as set out in paragraph 1.1.1. above.

5.2. The Fund bank accounts operate with a zero aggregate overdraft facility, with strong financial control processes over cash activities.

6. Cash Arrangements

6.1. The Fund currently holds cash at Barclays and at the Fund's Custodian Northern Trust, both of which have access to interest bearing accounts. There is **no** cash held with the Administering Authority.

6.2. Barclays Bank Plc

Operational cash is held at Barclays Bank, managed directly by Officers. A minimal balance is maintained, varying upon the information available from the three key interfaces:

6.2.1. Accounts Receivable - this account receives all contributions, transfers and invoiced income.

6.2.2. Payroll Account – Pension benefits are paid from this account monthly.

6.2.3. Payables Account – All invoice payments, grants and lump sums are payments are made from this account.

At close of business each day any surplus/shortfall on the above accounts are swept into an overarching interest bearing Liquidity Account to ensure a residual balance of £10,000 on each.

6.3. Northern Trust (Custodian)

The Fund will transfer surplus money from Barclays Bank accounts to the Fund's account at the Custodian for investment in line with the Fund's Investment Strategy. This account also acts as a gateway to receive and pay monies to Investment Managers, for example, cash from Investment distributions. The Fund has a contractual agreement with the Custodian to sweep excess cash into Money Market Funds.

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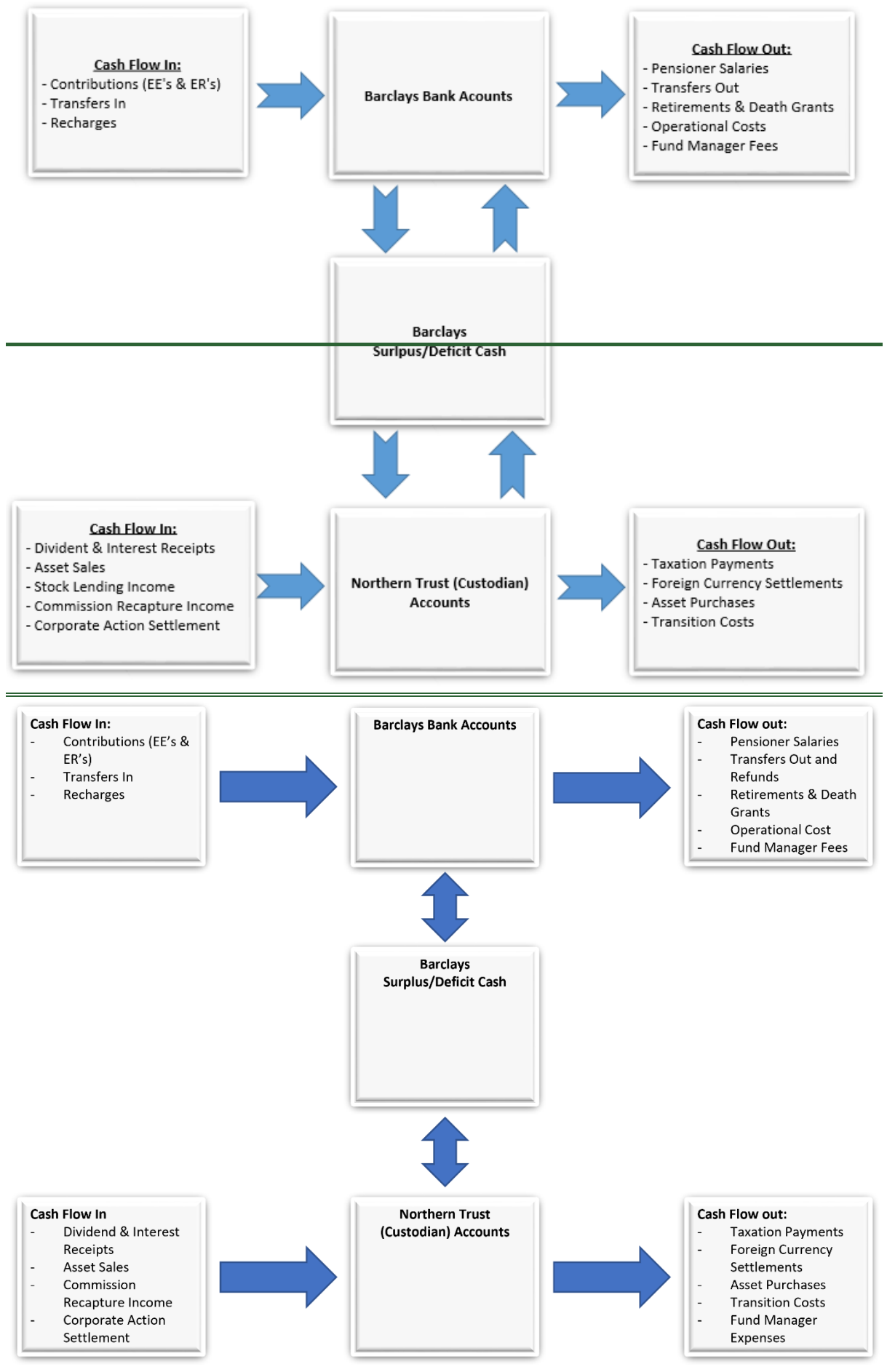
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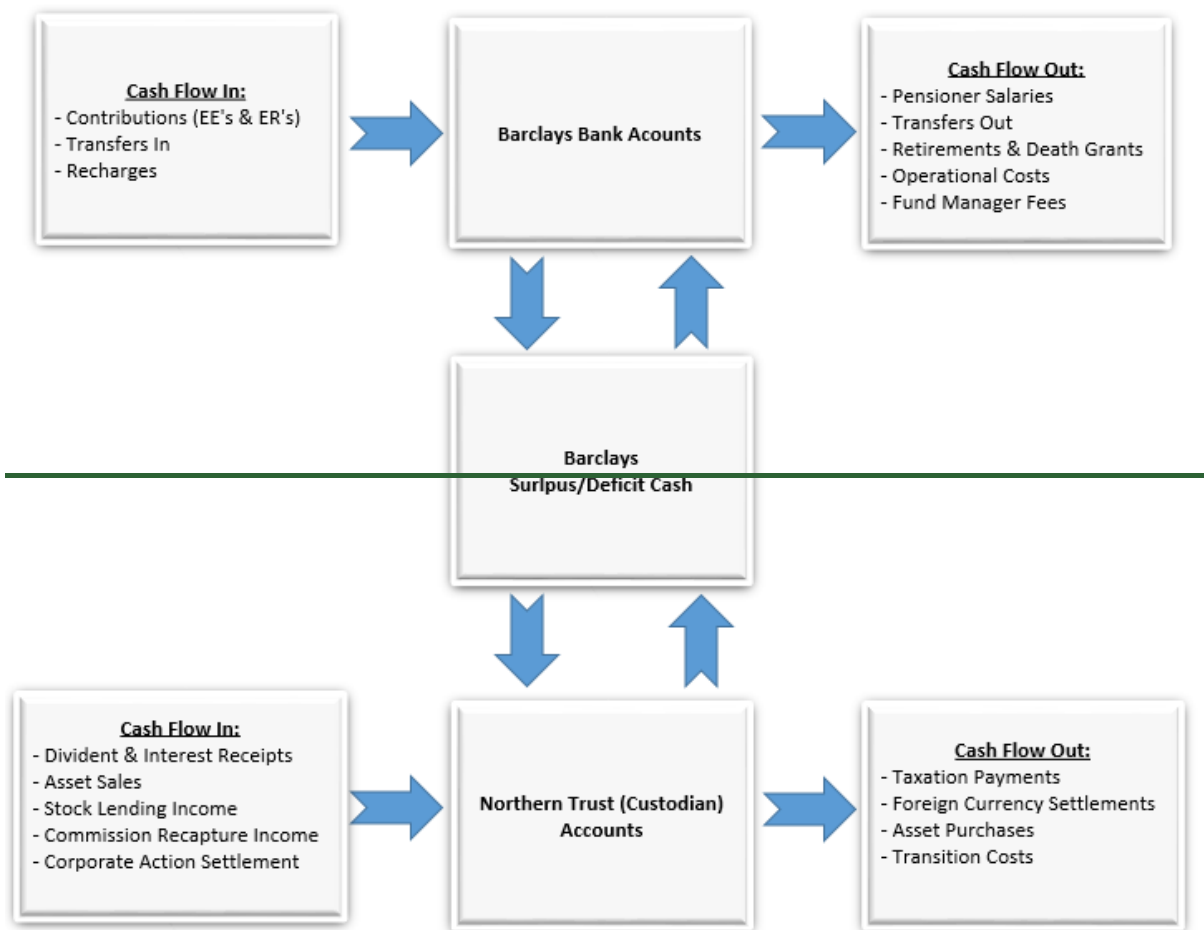
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Northamptonshire Pension Fund Board Agenda Plan

Meeting date	Agenda item	Lead officer
2/11/2023	Administration Report [standing item]	M Oakensen
	Business Plan Update [standing item]	M Whitby
	Governance and Compliance Report [standing item]	M Oakensen
	External Audit Plan and Draft Accounts [to note]	B Barlow
	Cash Management Strategy [post scrutiny]	B Barlow
	Investment Strategy Statement [post scrutiny]	B Barlow
	Code of Practice Action Plan [to note]	M Oakensen
	Good Governance Review Action Plan [to note]	M Oakensen
	AVC Review [post scrutiny] - exempt	M Oakensen
	Risk Monitoring [standing item] – exempt	M Oakensen
	ACCESS Update [standing item] exempt	M Whitby
25/1/2024	Administration Report [standing item]	M Oakensen
	Business Plan Update [standing item]	M Whitby
	Governance and Compliance Report [standing item]	M Oakensen
	External Audit Results and Final Accounts	B Barlow
	Administration Strategy [pre scrutiny]	C Blose
	Northamptonshire Pension Fund Assurance Report on Potential Breaches of the Law [to note]	M Oakensen

Meeting date	Agenda item	Lead officer
	Risk Monitoring [standing item] – exempt	M Oakensen
	ACCESS Update [standing item] exempt	M Whitby
25/4/ 2024	Administration Report [standing item]	M Oakensen
	Business Plan Update [standing item]	M Whitby
	Governance and Compliance Report [standing item]	M Oakensen
	Communication Strategy [pre scrutiny]	C Blose
	Risk Monitoring – exempt	M Oakensen
	ACCESS Update – exempt	M Whitby



WEST NORTHAMPTONSHIRE COUNCIL

Local Pension Board

2 November 2023

Report Title	Annual Report of the Local Pension Board
Report Author	Paul Hanson, Head of Democratic and Elections paul.hanson@westnorthants.gov.uk

List of Approvers

Monitoring Officer	Catherine Whitehead	
Chief Finance Officer (S.151)	Martin Henry	11/10/2023
Other Director	Mark Whitby	18/10/2023
Communications Lead/Head of Communications	Becky Hutson	12/10/2023

List of Appendices

None

1. Purpose of Report

- 1.1. The Local Government Scheme Advisory Board Guidance on the creation and operation of Local Pension Boards in England and Wales suggests that it is good practice for the Local Pension Board to consider publishing an annual report of the Board's activities for that year. It is consistent with good governance practices that the Board should submit this report to the Council in its capacity as the Administering Authority.

2. Executive Summary

- 1.2. The report provides a summary of the work of the Board over the past year. Council is asked to note the Annual Report and raise any comments accordingly. The report has been published on the Council's website and the Pension Fund website.

3. Recommendations

- 3.1 It is recommended that the Local Pension Board recommends the annual report to Council, set out at Section 6 below.

4. Reason for Recommendations (NOTE: this section is mandatory and must be completed)

- 4.1 As stated above, it is good practice for the Local Pension Board to publish an annual report and that this report be submitted to the Council in its capacity as the Administering Authority.

5. Report Background

- 5.1 The Public Services Pensions Act 2013 requires all Public Service Pension Schemes to establish a Local Pension Board. The role of the Board is to assist the Administering Authority (West Northamptonshire Council) to:
- Secure compliance with the Local Government Pension Scheme (LGPS) regulations and other legislation relating to the governance and administration of the LGPS and also the requirements imposed by the Pensions Regulator in relation to the LGPS; and
 - Ensure the effective and efficient governance and administration of the LGPS.
- 5.2 The Local Pension Board is expected to complement and enhance the Council's existing arrangements for administering the pension scheme. It does not replace the existing arrangements and it is not a decision-making body. Rather, it is designed to act as a critical friend to the existing Pension Committee and Investment Sub-Committee.
- 5.3 The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 were laid before Parliament on 28th January 2015 and came into force on 20th February 2015. These regulations required the Administering Authority (then Northamptonshire County Council) to agree the establishment of a Local Pension Board by 1st April 2015. The Northamptonshire Local Pension Board was established on 19 March 2015 and held its first meeting on 6 July 2015. The first meeting of the Board under West Northamptonshire Council was held on 1 July 2021.
- 5.4 The Board's annual report focuses on demonstrating to the Administering Authority that the Board is fulfilling its statutory role by helping the Administering Authority to:
- secure compliance with the Local Government Pension Scheme (LGPS) regulations and other legislation relating to the governance and administration of the LGPS and also the requirements imposed by the Pensions Regulator in relation to the LGPS; and
 - ensure the effective and efficient governance and administration of the LGPS.
- 5.5 Over the course of the past year, the Board has reviewed a range of issues and policies relevant to the scheme, including:
- Internal Audit updates;
 - Administration Performance;
 - Governance and Compliance;
 - Business Plan updates;
 - The Overpayment of Pension Entitlement Policy;
 - Communication Strategy and Plan;

- Annual Report and Statement of Accounts;
- Conflict of Interest Policy;
- Valuation Update;
- Business Plan and Medium-Term Strategy; and
- Training Strategy.

5.6 The report provides a digest of this activity to the Administering Authority for information.

6. Board Membership

6.1 The Board is composed of three employer representatives and three employee representatives:

Employer representatives

- Councillor Greg Lunn (WNC)
- Councillor Andrew Weatherill (NNC)
- Julie Petrie (Northampton Partnership Homes)

Employee representatives

- Alicia Bruce (active member, Moulton College)
- Katy Downes (deferred member)
- Kev Standishday (active member, Unison)

6.2 Members who are not appointed by their authorities are recruited via open advertisement to all employers or employees respectively. This ensures the widest possible range of employers or members have the opportunity to apply. Selection is conducted by officers from Finance and Democratic Services teams.

7. Issues and Choices

7.1 The Board's work programme for 2022-23 is set out below.

7.2 Internal Audit

7.2.1 At its meeting in November 2022, the Board received an update on the Internal Audit of the administration of the Fund. The Board noted the control environment received substantial assurance and compliance received satisfactory assurance. The Board sought assurance that process had been made towards implementing the findings of the audit. Members of the Board reviewed the report and recommended that the risk register should also be subject to audit.

7.3 Administration Performance

7.3.1 A core function of the Local Pension Board is to assist the Administering Authority in ensuring the effective and efficient administration of the Scheme. The Board received information on and discussed the following areas:

- Details of key performance indicators (KPIs), whether they had been met and the reasons if they were not met;

- Details of employee and employer contributions timescales and targets;
- Details of new employer Admissions and Cessations.
- Occurrences of breaches of the law and material data breaches, if any;
- Details of significant overpayments, if any; and
- Internal Dispute Resolution Procedure cases.

7.3.2 These reports provided the Board with an oversight of the administration of the fund and the plans in place to monitor and manage performance. Through these reports, the Board have had the opportunity to challenge performance, note progress against KPIs and also receive information about issues such as breaches of the law. The Board were advised of missed KPIs at their meetings in April and June and were advised these were largely due to staff turnover and the need to develop the skills and experience of members of the team.

7.3.3 Throughout the period covered by this report, the Board were advised that none of the breaches of the law that had occurred were considered to be material in nature. Non-material breaches were reported to the Board as well.

7.3.4 At their meeting in April 2023, the Board were advised of additional KPIs designed to measure the customer journey of scheme members from event dates such as the date of retirement and will encompass the performance not just of the administering authority but also the scheme employer, payroll contractor and other payroll funds.

7.3.5 The Board reviewed disputes raised through the Internal Dispute Resolution Procedure (IDRP), the route through which scheme members can raise their concerns and challenge decisions. The Board were advised of the nature of each dispute, as well as the dates decisions on the disputes were made and the outcomes.

7.4 Business Plan updates

7.4.1 The Northamptonshire Pension Fund has adopted a Business Plan and Medium-Term Strategy that is agreed annually and is monitored by both the Committee and the Board. The business plan sets out a range of activities being undertaken by the service for which regular updates are provided to the Board. The most recent list of activities considered were:

- Re-tendering for benefits and governance consultancy services
- Re-tendering for actuarial consultancy services
- Re-tendering for legal services provider
- Re-tendering for pensions administration and pensioner payroll platform
- Address and mortality screening Services
- Review and implement changes required from the Pension Regulator's new Code of Practice
- Continue to review cyber resilience
- Implement the best practice recommendations of the good governance review
- Review the administrative performance of the Fund's additional voluntary contribution providers
- Complete the Guaranteed Minimum Pension Rectification
- Application of the McCloud age discrimination remedy

- Prepare for the implementation of Pension Dashboards
- Processing of undecided leaver records
- Continue development of the ACCESS asset pool
- Continue activities within the Fund's Climate Action Plan
- Implement the revised Investment Strategy
- Implement recommendations from the review of the website and digital communications.

7.4.2 At their meeting in November 2022, the Board received information about the performance of external providers, as well as changes in the marketplace. The Board also received information about changes to practice in processing leavers which had increased the speed and efficiency of the process.

7.4.3 At their meeting in January 2023, the Board heard that project resource had been redirected to support retirements activity, which resulted in a delay to work on the Guaranteed Minimum Pensions Rectification Activity. The Board heard that this would be restarted early this year. At the April meeting the Board were advised that changes to Government-set discount rate had impacted on benefit calculations, resulting in delays processing undecided leavers. This was an issue for all administering authorities. At the June meeting, the Board received an update on software procurement.

7.5 Governance and Compliance

7.5.1 It is a requirement for each Administering Authority to have in place a Governance Compliance Statement that sets out whether it delegates its functions, or part of its functions under the Regulations to a committee, a sub-committee or an officer of the authority. Each Administering Authority is required keep the policy and statement under review and, if revisions are made, the policy should be published and a copy sent to the Secretary of State.

7.5.2 The Board received regular updates on Governance and Compliance, with a focus on issues that have an impact on the governance, management and administration of the Northamptonshire Fund. In November 2022, the Board received a detailed update about the Pensions Dashboard Regulations 2022, which had been laid before Parliament. The Board received assurance that a project plan was in place, underpinned by data. The Board also heard that the Department for Levelling Up, Housing and Communities had launched a taskforce on Climate Related Financial Disclosures, to which the Northamptonshire Fund would respond. The Board made enquires about the increase in management costs and were advised that these related to the value of Assets Under Management, which fluctuated.

7.5.3 At their meeting in January 2023 the Board received a further update on the Pensions Dashboard Regulations, including the work that was underway to connect the Fund's systems to the dashboard. Clarification on detailed points from the Government was awaited. The Board also heard about policies developed by the Pensions Regulator in response to increased risk of scams related to the increased cost of living. This would require a review of processes for transfers out of the scheme, which was underway.

7.5.4 At their meeting in April 2023, the Board received an update about the impact of the McCloud remedy. The Board heard that some instructors may be required to move between the Teachers scheme and the Local Government Pensions Scheme, with some teachers being retrospectively eligible for the LGPS from April 2015 to March 2022. The Board also heard that online training was now available for Committee and Board members. At their June meeting, the Board received further updates on the new dashboard regulations and the McCloud Remedy.

7.6 Overpayment of Pension Entitlement Policy

7.6.1 At the meeting in January 2023, the Board reviewed the Overpayment of Pension Entitlement Policy. The policy aims to ensure the Fund:

- Has robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- Manages the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.
- Ensures benefits are paid to, and income collected from, the right people at the right time in the right amount;
- Identifies errors as soon as possible;
- Rectifies overpayments with the co-operation of the individual;
- Encourages individuals to take an active role in checking payslips/payments for obvious errors; and
- Avoids the Internal Dispute Resolution Procedure (IDRP), where possible, by managing the process effectively.

7.6.2 The policy is designed to provide assurance to the Fund's stakeholders that:

- All overpayments are treated in a fair and equitable manner;
- The Fund seeks to recover overpayments that have occurred, but, acknowledges that there may be legal reasons and/or other circumstances which mean that an overpayment may not, in practice, be able to be recovered (in whole or in part); and
- has steps in place to prevent and also investigate potentially fraudulent activity.

7.6.3 This was an important piece of pre-scrutiny where the Board had the opportunity to review the policy prior to adoption by the Pensions Committee. The Board reviewed the policy and it was agreed that all policies should be reviewed on a three-yearly cycle.

7.7 Communication Strategy and Plan

7.7.1 The Communication Strategy and Plan is produced in accordance with regulation 61 of the Local Government Pension Scheme regulations 2013. This requires administering authorities to:

- Prepare, maintain and publish a written statement setting out their policy concerning communications with:
 - scheme members (active, deferred, retired and dependant)
 - representatives of scheme members
 - prospective scheme members
 - scheme employers

- Set out their policy on:
 - the provision of information and publicity about the scheme
 - the format, frequency and method of distributing such information or publicity the promotion of the scheme to prospective scheme members and their employers.
- Keep the statement under review and make such revisions as are appropriate following a material change in the policy on any of the matters included. If revisions are made, a revised statement must be published.

7.7.2 The Board reviewed the Strategy at their January meeting and heard that news ways of communicating with members had been incorporated into the Strategy. The Board queried the percentage change in the performance indicators and were advised this section of the report would be clarified.

7.8 Annual Plan and Statement of Accounts 2021-22

7.8.1 The Board received the statement of accounts shortly before their consideration by the Audit and Governance Committee. The Board queried how the fund management expenses compared to other funds and heard this would form part of the analysis provided to the Pensions Committee later in the year. The Board sought assurances that value for money was being achieved.

7.9 Conflicts of Interest Policy

7.9.1 The Board reviewed the Conflicts of Interest Policy at their meeting in January following training provided in November.

7.10 Valuation Update

7.10.1 The Board received an update on progress made towards completing the valuation of the Pension Fund and setting of employer contribution rates at their meeting in January. In April the Board received a further update advising on the satisfactory completion of the project.

7.11 Training Strategy

7.11.1 The Board received an update on the new mandatory training framework, which would provide a significant improvement in terms of measuring knowledge of decision makers and maintaining audit trails.

7.12 The Board considered a number of items that were exempt from publication, including cyber resilience, updates relating to the ACCESS asset pool and the investment strategy.

7.13 Work Programme

7.14 The Board's work programme for future meetings is flexible, but is planned to include the following:

Standing items:

- Update on progress in achieving key activities in the Fund's Annual Business Plan and Medium Term Strategy.
- Review of the Fund's administrative performance (KPIs on core activities and timeliness of receipt of employer contributions).
- Update on governance, compliance and legislative changes affecting the administration and management of the LGPS.
- Update on progress made in the government's LGPS asset pooling agenda.
- Review of the Fund's risk register and associated changes.

January 2024

TBC

April 2024

TBC

June 2024

TBC

November 2024

TBC

8. Implications (including financial implications)

8.1 Resources and Financial

8.1.1 The report is for information only. There are no resources or financial implications arising from the proposals.

8.2 Legal

8.2.1 The report is for information only. There are no legal implications arising from the proposals.

8.3 Risk

8.3.1 The report is for information only. There are no significant risks arising from the proposed recommendations in this report.

8.4 Consultation and Communications

8.4.1 Consultation on the content of the report is undertaken with the Local Pension Board prior to submission to full Council.

8.5 Consideration by Overview and Scrutiny

8.5.1 The administration of the Local Government Pension Scheme is a non-executive matter and therefore consideration by Overview and Scrutiny is not required.

8.6 **Climate Impact**

8.6.1 The report is for information only. There is no significant climate impact arising from the proposed recommendations in this report.

8.7 **Community Impact**

8.7.1 The report is for information only. There is no significant community impact arising from the proposed recommendations in this report.

9. **Background Papers**

9.1 The agendas and reports of the Local Pension Board are published here: [Browse meetings - Local Pension Board - West Northamptonshire Council \(moderngov.co.uk\)](#)

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