



## Pensions Fund Committee

**A meeting of the Pensions Fund Committee will be held at the Holding Room, The Guildhall, St Giles Street, Northampton, NN1 1DE on Monday 2 October 2023 at 4.00 pm**

### Agenda

<b>1.</b>	<b>Apologies for Absence and Notification of Substitute Members</b>
<b>2.</b>	<b>Declarations of Interest</b> 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.
<b>3.</b>	<b>Minutes</b> (Pages 5 - 8) To confirm the Minutes of the meeting of the Committee held on 24 July 2023.
<b>4.</b>	<b>Chair's Announcements</b> To receive communications from the Chair.
<b>5.</b>	<b>Internal Audit Report</b> (Pages 9 - 26)
<b>6.</b>	<b>Administration Performance Report</b> (Pages 27 - 40)
<b>7.</b>	<b>Business Plan Update</b> (Pages 41 - 62)
<b>8.</b>	<b>Governance and Compliance Report</b> (Pages 63 - 74)
<b>9.</b>	<b>Employers Admissions and Cessations</b> (Pages 75 - 82)

10.	<b>Forward Agenda Plan</b> (Pages 83 - 86)
11.	<p><b>Exclusion of Press and Public</b></p> <p>The following report(s) contain exempt information as defined in the following paragraph(s) of Part 1, Schedule 12A of Local Government Act 1972.</p> <p>Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information).</p> <p>Members are reminded that whilst the following item(s) have been marked as exempt, it is for the meeting to decide whether or not to consider each of them in private or in public. In making the decision, members should balance the interests of individuals or the Council itself in having access to the information. In considering their discretion members should also be mindful of the advice of Council Officers.</p> <p>Should Members decide not to make a decision in public, they are recommended to resolve as follows:</p> <p>“That under Section 100A of the Local Government Act 1972, the public and press be excluded from the meeting for the following item(s) of business on the grounds that, if the public and press were present, it would be likely that exempt information falling under the provisions of Schedule 12A, Part I, Paragraph(s) 3 would be disclosed to them, and that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.”</p>
12.	<p><b>Private Minutes</b> (Pages 87 - 90)</p> <p>To confirm the Private Minutes of the meeting held on 24 July 2023.</p>
13.	<p><b>Northamptonshire Pension Fund - Additional Contribution Provider (AVC) Administration and Investment Performance Review</b> (Pages 91 - 136)</p>
14.	<p><b>ACCESS Update</b> (Pages 137 - 142)</p>
15.	<p><b>Urgent Business</b></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  
22 September 2023

**Pensions Fund Committee Members:**

Councillor Malcolm Longley (Chair)

Councillor Phil Bignell

Councillor Janice Duffy

Councillor Graham Lawman

Councillor Cathrine Russell

Peter Borley-Cox

Andy Langford

Councillor Charles Morton (Vice-Chair)

Councillor Lloyd Bunday

Councillor Jamie Lane

Councillor Peter Matten

Robert Austin

Paul Wheeler

Elnora Latchman

## **Information about this Agenda**

### **Apologies for Absence**

Apologies for absence and the appointment of substitute Members should be notified to [democraticservices@westnorthants.gov.uk](mailto: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 via the following:

Tel: 01327 302324

Email: [democraticservices@westnorthants.gov.uk](mailto:democraticservices@westnorthants.gov.uk)

Or by writing to:

West Northamptonshire Council

The Guildhall

St Giles Street

Northampton

NN1 1DE

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### **Pensions Fund Committee**

Minutes of a meeting of the Pensions Fund Committee held at Jeffrey Room, The Guildhall, St Giles Street, Northampton, NN1 1DE on Monday 24 July 2023 at 4.00 pm.

#### **Present:**

Councillor Malcolm Longley (Chair)  
Councillor Charles Morton (Vice-Chair)  
Councillor Phil Bignell  
Councillor Lloyd Bunday  
Councillor Janice Duffy  
Councillor Graham Lawman  
Councillor Peter Matten  
Councillor Cathrine Russell  
Robert Austin  
Peter Borley-Cox  
Paul Wheeler  
Elnora Latchman

David Crum  
Chris West – Mercer  
Peter Gent - Mercer

#### **Apologies for Absence:**

Councillor Jamie Lane  
James Smith, Assistant Director of Finance

#### **Officers:**

Fiona Coates, Pension Services Financial Manager  
Cory Blose, Employer Services and Communications Manager  
Jeverly Findlay, Committee Officer  
Mark Whitby, Head of Pensions

#### 160. **Declarations of Interest**

Councillor Graham Lawman declared an interest as his wife was a deferred member of the LGPS.

#### 161. **Minutes**

Councillor Phil Bignell clarified that his wife was an active, not a deferred member of the LGPS.

**RESOLVED:**

That the minutes of the Investment sub-committee of 28 June 2023, subject to the amendment above, be approved and signed as a correct record.

162. **Review of Employer Contributions**

The Employer Services and Communications Manager presented the Review of Employer Contribution Rates policy which set out the circumstances under which the Fund may review employer contribution rates between triennial valuations. The policy had previously been approved as part of the 2019 Funding Strategy Statement. There were some minor changes and out of date references removed but the substance and effect of the policy had not been changed.

Further to enquiries, the Employer Services and Communications Manager advised that if an employer wanted to review their contributions this would be done in consultation with an actuary. The Head of Pensions added that they did not know of any employers seeking to do this currently.

The Fund would consider requests from employers to review their contribution rates but only where there was a material change in the strength of covenant, if there was a change in the ability of the employer to pay their contributions or where there was a significant restructure which impacted their membership and consequently liabilities.

**RESOLVED:**

That the Pension Committee approve the Review of Employer Contribution Rates policy.

163. **Training Strategy**

The Head of Pensions advised that there had been fundamental changes made to the Fund's training approach following the introduction of LOLA, the LGPS Online Learning Academy provide by Hymans Robertson. All Members of the Committee should have received their invites from Hymans to enable them to undertake their core training. The mandatory modules would need to be completed in 12 months and it was suggested that current issue modules be undertaken in 3 months. Potentially, bespoke training may also be provided. The training strategy had been approved at the Local Pension Board in June with no changes.

**RESOLVED:**

That the Pension Committee approve the Northamptonshire Pension Fund Training Strategy.

164. **Northamptonshire Pension Fund Audit Plan 2022-23**

The Pension Services Financial Manager highlighted the main areas of risk on page 57 of the report, which were Level 3 investments, management overrides of controls and triennial valuation. The planning materiality for investment related transactions was £48.1 million and non-investment related transactions £12.9 million.

The key milestones were set out on page 65, an interim audit had been undertaken in February, the year end audit is currently underway and weekly meetings are being held with the auditors.

William Howard from Grant Thornton provided a presentation on the Northamptonshire Pension Fund Audit Plan 2022-23. Significant risks were consistent with previous years. The audit fees were set out on page 66 and 67 and had been agreed. William Howard thanked the Finance team for their assistance with the audit.

Councillor Lawman queried the size of the materiality for non-investment related transactions at 10%. William Howard advised that it was the biggest risk and deemed to be an appropriate threshold. This year the percentage had reduced on materiality of transactions compared to previous years.

**RESOLVED:**

That the Committee note the External Audit Plan 2022-23 and the presentation by Grant Thornton.

165. **Draft Annual Report and Statement of Accounts 2022-23**

The Pension Services Financial Manager presented the Statement of Accounts 2022-23 which had been produced in line with CIPFA guidelines. There were some sections that were yet to be completed, as this information was yet to be provided by third parties. The contributions, benefits and investment income for 2022-23 had increased since prior year.

Paul Wheeler highlighted that there was a reference to the Audit Commission on page 95 and believed that this terminology was now out of date. The Head of Pensions agreed that this should be amended.

With regard to the Internal Dispute Resolution Procedure, the Head of Pensions explained that he was the stage 1 adjudicator and disputes often escalated to stage 2, despite being upheld at stage 1, due to the financial award being deemed inadequate. Financial awards are generally made with reference to Pensions Ombudsman guidance on redress payments.

Councillor Graham Lawman considered that the report was comprehensive but highlighted that it did not mention liabilities. The Head of Pensions noted that the funding levels and liabilities were included in the actuary's report.

**RESOLVED:**

That the Pension Committee note the Draft Annual Report and Draft Statement of Accounts of the Pension Fund for the 2022-23 financial year.

166. **Northamptonshire Pension Fund Forward Agenda Plan**

The Pension Services Financial Manager drew Members' attention to the Pension Fund Forward Agenda Plan.

**RESOLVED:**

That the Northamptonshire Pension Fund Forward Agenda Plan be noted.

167. **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 5.25 pm

Chair: \_\_\_\_\_

Date: \_\_\_\_\_

## West Northamptonshire Council

### Pension Committee

02/10/2023

### Mark Whitby – Head of Pensions

Report Title	Internal Audit Report 2022-23
Report Author	Scott Peasland – Audit Manager <a href="mailto:Scott.Peasland@westnorthants.gov.uk">Scott.Peasland@westnorthants.gov.uk</a>

#### Contributors/Checkers/Approvers

West MO	Sarah Hall on behalf of Catherine Whitehead	12/9/2023
West S151	James Smith on behalf of Martin Henry	6/9/2023
Head of Pensions	Mark Whitby	17/8/2023

#### List of Appendices

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

##### 1. Purpose of Report

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

##### 2. Executive Summary

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- 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. Recommendation

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

#### **4. Reasons for the Recommendation**

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- To ensure adequate oversight of the administrative performance 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**

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- 5.1 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.
- 5.2 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.

#### **6. Issues and Choices**

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- 6.1 Not Applicable

#### **7. Implications (including financial implications)**

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##### **7.1 Resources and Financial**

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

##### **7.2 Legal**

- 7.2.1 The Constitution section 4.8 para 1.3 (b) (vi) Risk Management Strategy states the Committee is responsible for maintaining policies and procedures and for the regular monitoring of the Fund's key risks and agreeing how they should be managed and/or mitigated of which the Internal Audit forms a part.
- 7.2.2 The requirement for an Internal Audit function derives from section 151 of the Local Government Act 1972 and the requirement to make arrangements for the proper administration of its affairs. 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 public sector internal auditing standards or guidance.

### 7.3 Risk

7.3.1 Good governance ensures that the Pension Fund is appropriately managed and has oversight by audit to ensure transparency.

7.3.2 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:  
<https://pensions.northamptonshire.gov.uk/governance/key-documents/northamptonshire/>

### 7.4 Relevant Pension Fund Objectives

7.4.1 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, in particular.

- 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.

### 7.5 Consultation

7.5.1 Consultation was not required for this report.

## 8. Background Papers

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8.1 Not Applicable

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# Internal Audit Final Report

## Administration of the Northamptonshire Pension Fund 2022/23

### Governance Opinion

<b>Adequacy of System</b>	<b>Substantial</b>
<b>Compliance</b>	<b>Substantial</b>
<b>Organisational Impact of Findings</b>	<b>Minor</b>

<b>Report Issued</b>	<b>21/07/2023</b>
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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

### Pension Fund Committee

2/10/2023

### Mark Whitby – Head of Pensions

<b>Report Title</b>	Northamptonshire Pension Fund – Administration Performance Report for the period 1 May to 31 July 2023.
<b>Report Author</b>	Michelle Oakensen Governance and Regulations Manager <a href="mailto:michelle.oakensen@westnorthants.gov.uk">michelle.oakensen@westnorthants.gov.uk</a>

#### Contributors/Checkers/Approvers

<b>MO</b>	Sarah Hall on behalf of Catherine Whitehead	12/9/2023
<b>S151</b>	James Smith on behalf of Martin Henry	6/9/2023
<b>Head of Pensions</b>	Mark Whitby	17/8/2023

#### 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 Fund Committee 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 on the following areas of administration:
- 2.1.1 The achievement against the Key Performance Indicators for the period 1 May to 31 July 2023. For the period, 17 of the 21 KPI targets were achieved, with 2 amber and 2 red (section 6.1.1 & appendix A).
- 2.1.2 Progress on the development of the Pension Service Key Performance Indicators (section 6.1.2 & appendix B).
- 2.1.3 Timeliness of receipt of employee and employer pension contributions for the period 1 April to 30 June 2023, 100% of payments were received on time (section 6.2 & appendix C).

- 2.1.4 Occurrences of breaches of the law for the period 1 May to 31 July 2023. There were no material breaches in the period (section 6.3).
- 2.1.5 Details of any Internal Dispute Resolution Procedure cases during the period 1 May to 31 July 2023. There were no new employer authority disputes raised (section 6.4).
- 2.1.6 Occurrences of material data breaches for the period of 1 May to 31 July 2023. There were no material data breaches in the period (section 6.5).
- 2.1.7 Details of any significant overpayment of pension for the period 1 May to 31 July 2023. There was one significant overpayment (over £3k) in the period (section 6.6).

### **3. Recommendation**

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

### **4. Reasons for Recommendation**

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- To ensure adequate oversight of the administrative performance 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**

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- 5.1 Pursuant to s101 of the Local Government Act 1972 and the Council's Constitution section 4.8 Para 1.1 the Pension Fund Committee's remit includes responsibility for dealing with all matters relating to the Northamptonshire Pension Fund Local Government Pension Scheme.
- 5.2 One of the core functions of the Pension Fund Committee 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 Committee.

### **6. Issues and Choices**

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#### **6.1 Key Performance Indicators**

##### **6.1.1 Pension Service performance against Key Performance Indicators**

- 6.1.1.1 The Pension Committee 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 May to 31 July 2023 can be found in appendix A along with the explanations for any underperformance.
- 6.1.1.2 Over the 3-month period, 17 of the 21 KPI targets have been met.
- 6.1.1.3 The team that processes the payment of retirements benefits from active employment and deferred membership status had several contributing factors that led to KPIs being missed for May, June, and July. The team contended with periods of annual leave and sickness over the period 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.
- 6.1.1.4 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 the divorce backlog which also sits within this team.
- 6.1.1.5 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 for officers to be developed to become multi skilled to help with service resilience across teams.

- 6.1.1.6 In May the target was missed for awarding dependent benefits due to cases not being completed and allocated correctly, the issue was addressed and no recurrence for June or July.
- 6.1.2 Development of the Pension Service Key Performance Indicators
- 6.1.2.1 New and supplementary KPIs are being developed during 2023-24 to measure the overall customer journey as approved by the Committee in March.
- 6.1.2.2 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.
- 6.1.2.3 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. In the meantime, the full suite of KPIs being developed can be seen at appendix B.
- 6.2 Receipt of employee and employer contributions
- 6.2.1 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.
- 6.2.2 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 July 2022 to 30 June 2023.
- 6.2.3 In April, May and June 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 99.7%.
- 6.3 Breaches of the Law
- 6.3.1 There are many laws relating to the Local Government Pension Scheme, with various individuals, including the Pension Committee and Local Pension Board 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.
- 6.3.2 For the period 1 May to 31 July 2023 having regard to the above, the following breaches of the law occurred.

Type of breach	Detail of breach	Course of action
Material	None	None
Non-material	11 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.

- 6.4 Internal Dispute Resolution Procedure cases
- 6.4.1 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.

6.4.2 The following tables detail that activity undertaken during the period 1 May to 31 July 2023 with regards to administering authority disputes.

6.4.3 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	13 June 2023 (extended from 30 May 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 20 September 2023)		Ongoing

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

6.4.4 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 March 2023	13 September 2023 (extended from 14 July and 15 May 2023)	Upheld	13 September 2023
Disputing NCC's refusal to pay ill health pension on ill health grounds.	10 March 2023	28 July 2023 (extended from 23 June and 9 May 2023)	Upheld	28 July 2023
Claim of maladministration in paying pension and AVCs.	21 March 2023	20 May 2023	Upheld*	18 May 2023

\*Stage 1 decision upheld with no further redress due.

6.4.5 In the period 1 May to 31 July 2023 no new employing authority disputes were raised and/or responded.

6.5 Material Data Breaches

6.5.1 None.

6.6 Significant overpayments of pension

6.6.1 A death was identified as part of the National Fraud Initiative exercise dating back to June 2021. The 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.

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**7 Implications (including financial implications)**

**7.1 Resources and Financial**

7.1.1 Aon conducted the Key Performance Indicator review.

**7.2 Legal**

7.2.1 There are no legal implications arising from the proposals, as it is the view of Officers having taken into account all relevant legislation/regulation that the breaches reported in section 5.3.2 would not constitute a material breach and for the purpose of reporting to the Pension Regulator.

**7.3 Risk**

7.3.1 The mitigated risks associated with this report have 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

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 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.

## **7.5 Consultation**

7.5.1 Not applicable. The Administration Report is a best practice report to ensure the Fund is managed appropriately and transparently.

Appendix A - Key Performance Indicators – May, June & July 2023

Function/Task	Indicator	Target	Month	Completed	Within Target	Over Target	% Within Target	RAG	Comments
Notify leavers of deferred benefit entitlement.	Notify leavers of deferred benefit entitlements or concurrent amalgamation within 15 working days of receiving all relevant information.	90%	May June July	203 176 165	201 174 164	2 2 1	99 99 99	Green Green Green	SLA target met SLA target met 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%	May June July	46 33 24	44 32 18	2 1 6	96 97 75	Green Green Red	SLA target met SLA target met 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%	May June July	58 61 66	47 49 61	11 12 5	81 80 92	Red Amber Green	SLA target not met* SLA target not met* SLA target met
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	May June July	36 20 32	34 20 32	2 0 0	94 100 100	Amber Green Green	SLA target not met** SLA target met 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%	May June July	56 64 47	49 62 44	7 2 3	88 97 94	Green Green Green	SLA target met SLA target met SLA target met

Appendix A - Key Performance Indicators – May, June & July 2023

Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	May	21	21	0	100	Green	SLA target met
			June	46	45	1	98	Green	SLA target met
			July	42	42	0	100	Green	SLA target 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%	May	9	9	0	100	Green	SLA target met
			June	35	35	0	100	Green	SLA target met
			July	25	25	0	100	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 May, June, and July. The team contended with periods of annual leave and sickness over the period 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 the divorce backlog which also sits within this team.

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 for officers to be developed to become multi skilled to help with service resilience across teams.

\*\*Award dependant benefits – target missed for May due to cases not being completed and allocated correctly which resulted in a missed SLA target.

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

Amber: If there is a statutory target - below SLA target, but all within statutory target.  
If there is no statutory target - below SLA target, but number completed within target is within 10% of the SLA target.

Red: If there is a statutory target - below SLA target and not within statutory target.  
If there is no statutory target - below SLA target and number completed within target is not within 10% of the SLA target.



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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
July 2022	100	0	99.8	0.2
August 2022	100	0	100	0
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
Average for period	99.9	0.1	99.7	0.3

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**West Northamptonshire Council**

**Pension Fund Committee**

**2 October 2023**

**Mark Whitby – Head of Pensions**

<b>Report Title</b>	Northamptonshire Pension Fund Business Plan and Medium-Term Strategy Business Plan Update report
<b>Report Author</b>	Michelle Oakensen Governance and Regulations Manager <a href="mailto:michelle.oakensen@westnorthants.gov.uk">michelle.oakensen@westnorthants.gov.uk</a>

**Contributors/Checkers/Approvers**

<b>MO</b>	Sarah Hall on behalf of Catherine Whitehead	12/9/2023
<b>S151</b>	James Smith on behalf of Martin Henry	6/9/2023
<b>Head of Pensions</b>	Mark Whitby	17/8/2023

**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 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.

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	<b>New activity</b> – Implement equality, diversity and inclusion (EDI) best practices.	Green
6.19	<b>New activity</b> – 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 Committee is asked to note the Business Plan Update.

3.2 The Committee is asked to approve 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.	September 2023.	Completed.
Evaluate Tender responses.	October – November 2023.	On target.
Award Contract.	January 2024.	On target.

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

### 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 September with prospective bidders invited to submit responses by the end of October.

### 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?
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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.
Review new LGPS Framework offerings and internal Fraud Hub options.	December 2023 (assuming Framework is released on schedule).	On target.

6.5.3 Update: A new contract has been entered into with Accurate Data Services on existing terms for a period of 12 months. In December 2023 Officers will review the LGPS National Framework and the Government Fraud Hub. Further milestones will be added once a decision has been made in December as to which long term route to take.

#### 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

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.

6.7.3 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.

6.8.2 Key milestones:

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.
Implementation of activities requiring SAB and DLUHC guidance.	TBC.	Awaiting release of the standards.

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:

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.

6.9.3 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 31 July, 26% 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).	TBC.	
Devise communication plan for members and scheme employers.	September 2023 (rescheduled from May 2023).	Completed.

Key Milestones	Dates	On target for completion?
Undertake scheme member record preparations to identify members in scope of remedy in readiness for the application of the underpin.	April 2023 – September 2023.	Verbal update to be provided.
Application of the revised underpin following release of amended LGPS Regulations.	October 2023 onwards.	Not on target.

6.11.3 Update: DLUHC launched a further consultation in May 2023 and the communication plan was subsequently devised in September. Data preparation activities have been undertaken with employers on hour changes and service breaks to ensure the correct information is held on the administration system in readiness for the implementation of the remedy.

Due to the delayed government consultation and the formal government consultation response, this activity has been moved to an amber rag status. This is because the second consultation highlighted additional data to be collected from scheme employers (day before age 65 final pay) and members (previous public service pension scheme membership) where applicable. In addition, the pensions administration software was, at the time of writing, not yet ready to fully implement the remedy (based on the draft regulations and pre 2nd government consultation), due to waiting for a software update release in September. Any changes to the draft regulations are likely to result in further changes to the pensions administration software and potentially manual work-arounds.

Officers received training from Aon on 12<sup>th</sup> September 2023 as part of the preparation process.

## 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.

Key Milestones	Dates	On target for completion?

Undertake project plan activities to enable connection to the Dashboard including data cleansing activities.	TBC.	TBC once DLUHC issue staging guidance.
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 31 August 2023 the aged cases outstanding are down to 7,323, a drop of 1,150 cases (13.6%) from the revised April 2023 baseline and 1,638 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: An updated non-listed programme is expected to be developed after the September Joint Committee. Milestones will then be re-aligned to the revised programme.

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 (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.

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.	September 2023.	Complete.
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. In May 2023, the Investment Sub Committee was provided with an overview of the infrastructure options available, with further training being arranged in Q3 2023. 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% allocated to BlueBay MAC once the ESG MAC is launched within ACCESS, expected November 2023. There is a delay to the consideration of managers in long lease property as there will be an ACCESS-led manager selection exercise finalising in Q4 2023 – the related milestones have been appropriately updated.

#### 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**

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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**

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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)	(118,000)	(1,000)	Contributions in line with current membership numbers. Demand led.
Transfers in from other pension funds	(10,500)	(17,000)	(6,500)	
<b>Total income</b>	<b>(127,500)</b>	<b>(135,000)</b>	<b>(7,500)</b>	
Benefits payable	118,000	116,000	(2,000)	Benefits in line with current membership numbers. Demand led.
Payments to and on account of leavers	10,000	6,900	(3,100)	
<b>Total Payments</b>	<b>128,000</b>	<b>122,900</b>	<b>(5,100)</b>	
<b>Net (additions)/withdrawals from dealings with members</b>	<b>500</b>	<b>(12,100)</b>	<b>(12,600)</b>	
Management Expenses (Invoiced)	4,078	4,140	62	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.
<b>Total Management Expenses</b>	<b>17,178</b>	<b>16,340</b>	<b>(838)</b>	
<b>Total income less expenditure</b>	<b>17,678</b>	<b>4,240</b>	<b>(13,438)</b>	
Investment income	(31,000)	(24,600)	6,400	Actual income received to Q1 plus three estimated quarters. Actual Q1 return followed by actuarial long term growth assumption
Taxes on income (profit) and losses on disposal of investments and changes in the market value of investments	(138,000)	(158,000)	(20,000)	
<b>Net return on investments</b>	<b>(169,000)</b>	<b>(182,600)</b>	<b>(13,600)</b>	

Net (increase)/decrease in the net assets available for benefits during the year	<b>(151,322)</b>	<b>(178,360)</b>	<b>(27,038)</b>	
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Management Expenses	2023-24 Budget	2023-24 Forecast	Variance	Comments
	£000	£000	£000	
Total Administration Expenses	2,784	2,787	3	
Total Governance Expenses	814	873	59	Payroll for final IHLI termination account from 2021 - not included in 23/24 budget. <sup>1</sup>
Total Investment Invoiced Expenses	480	480	-	
<b>Total Management Expenses</b>	<b>4,078</b>	<b>4,140</b>	<b>62</b>	

Administration Expenses Analysis	2023-24 Budget	2023-24 Forecast	Variance	Comments
	£000	£000	£000	
Staff Related	1,819	1,822	3	
Altair administration and payroll system	397	386	(11)	
Data assurance	21	34	13	A more proactive approach to address tracing has been undertaken in preparation for Dashboards.
Communications	51	51	-	
Other Non-Pay and Income	29	27	(2)	
County Council Overhead Recovery	467	467	-	
<b>Total Administration Expenses</b>	<b>2,784</b>	<b>2,787</b>	<b>3</b>	

<sup>1</sup> 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.

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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"><li>• 23% from June 2021 baseline by 2024</li><li>• 57% from June 2021 baseline by 2030</li></ul>	✓
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**

**Pension Fund Committee**

**2/10/2023**

**Mark Whitby – Head of Pensions**

<b>Report Title</b>	Governance and Compliance Report
<b>Report Author</b>	Michelle Oakensen Governance and Regulations Manager <a href="mailto:michelle.oakensen@westnorthants.gov.uk">michelle.oakensen@westnorthants.gov.uk</a>

**Contributors/Checkers/Approvers**

<b>MO</b>	Sarah Hall on behalf of Catherine Whitehead	12/6/2023
<b>S151</b>	James Smith on behalf of Martin Henry	6/9/2023
<b>Head of Pensions</b>	Mark Whitby	17/8/2023

**List of Appendices**

Appendix A Skills and knowledge complementary training schedule

**1. Purpose of Report**

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- 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**

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- 2.1 This report provides the Pension Fund Committee 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 any proposed immaterial amendments due to be made to policies or strategies as a result of Officer reviews (6.12).

### **3. Recommendation**

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- 3.1 The Pension Fund Committee is asked to:
- 1) Note the Governance and Compliance Report.
  - 2) Note the immaterial amendments to be applied to the policies in section 6.12.2.

### **4. Reasons for Recommendation**

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- To ensure adequate oversight of the issues impacting the Northamptonshire Pension Fund.
- To ensure that the Committee is 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**

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

### **6. Issues and Choices**

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#### **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.

6.2.2.4 The Northamptonshire Pension Fund responded, and the consultation response is currently awaited. High level guidance is expected from DLUHC regarding the implementation of the remedy.

### 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 decided to set up a small working group to consider next steps. For example:

- 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 scrutinize 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 239

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.

## 6.5 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.

## 6.9 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](https://www.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 they will only 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.

## 6.12 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 are due to be 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"> <li>1) Chairman replaced with Chair throughout.</li> <li>2) Governance structure diagram updated.</li> <li>3) Overpayment of Pension Entitlement Policy title updated.</li> <li>4) ACCESS Joint Committee arrangements updated to reflect the IAA.</li> <li>5) Substitute and Local Pension Board observers added to the AJC standing orders.</li> <li>6) Working arrangements and meetings added to the S151 Officer terms of reference</li> </ol>
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 policy with no further comments.

6.12.4 The updated policy will be 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
<b>APR</b>					
<b>MAY</b>					
<b>JUN</b>	Local Authority Conference 2023	Conference – face to face	Pension and Lifetime Savings Association (PLSA)	Committee, Board & Officer	26-28 <a href="#">Local Authority Conference   PLSA (Cotswolds)</a>
<b>JULY</b>	Heywood Officer Conference	Conference – face to face	Heywood	Officer	12-13 July in Manchester
<b>AUGUST</b>					
<b>SEPTEMBER</b>	Investment and Pensions Summit	Conference – face to face	Local Government Chronicle (LGC)	Committee, Board & Officer	7-8 September in Leeds. <a href="#">LGC Investment &amp; Pensions Summit 2023 - Home Page (lgcplus.com)</a>
	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
<b>OCTOBER</b>	Property asset class training	TBC	Mercer	Investment Sub Committee	Date TBC
<b>NOVEMBER</b>	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
<b>DECEMBER</b>	Annual Conference 2022	Conference – face to face	Local Authority Pension Fund Forum (LAPFF)	Committee, Board & Officer	6-8 December 2023 Bournemouth.
<b>JANUARY</b>	Governance Conference	Conference – hybrid	Local Government Association (LGA)	Committee, Board & Officer	18-19 January 2024 (online/York)
<b>FEBRUARY</b>	Equality, Diversity and Inclusion (EDI)	TBC	Aon	Committee, Board & Officers	TBC
<b>MARCH</b>					

## West Northamptonshire Council

### Pension Committee

2/10/2023

### Mark Whitby – Head of Pensions

<b>Report Title</b>	<b>Employer Admissions and Cessations Report</b>
<b>Report Author</b>	<b>Cory Blose, Pensions Service Employer and Communications Manager, <a href="mailto:Cory.Blose@westnorthants.gov.uk">Cory.Blose@westnorthants.gov.uk</a></b>

#### Contributors/Checkers/Approvers

<b>MO</b>	Sarah Hall on behalf of Catherine Whitehead	12/9/2023
<b>S151</b>	James Smith on behalf of Martin Henry	6/9/2023
<b>Head of Pensions</b>	Mark Whitby	17/8/2023

#### List of Appendices

None

#### 1. Purpose of Report

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- 1.1 To report the admission of three admitted bodies to the Northamptonshire Pension Fund
- 1.2 To notify the Committee of six employers ceasing participation in the Northamptonshire Pension Fund.

#### 2. Executive Summary

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- 2.1 The Pension Fund Committee is asked to note the admission of three transferee admission bodies across three admission agreements and to approve the sealing of the admission agreements.
- 2.2 The Committee is also asked to note the exit of six employers from the Fund.

### **3. Recommendations**

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3.1 The Pension Committee is asked to:

3.1.1 Note the admission of the following admitted bodies to the Northamptonshire Pension Fund and approve the sealing of the following admission agreements;

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

3.1.2 Note the exit of the following bodies from 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

### **3.2 Reason for Recommendations**

3.2.1 All three admissions fall under paragraph 1(d)(i) of Part 3 of Schedule 2 to the Local Government Pension Scheme Regulations 2013 (the Regulations) and have signed admission agreements where they agree to meet the requirements of the Regulations. The Pension Fund Committee therefore must admit these bodies to the Fund, as required by Part 3, 13 of the Regulations.

3.2.2 The minutes confirming The Committee's approval are required as evidence alongside any agreements before sealing can be arranged by the Fund's legal support.

3.2.3 It is good practice to ensure that The Pension Fund Committee are aware of any employer movements within the scheme, to ensure any financial implications (7.1), risk implications (7.8) and decisions in relation to Relevant Pension Fund Objectives (7.11) are appropriately managed.

## 4 Report Background

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- 4.1 The Local Government Pension Scheme Regulations 2013 (as amended) [the Regulations] provide for the admission of a number of different types of body to the Local Government Pension Scheme; scheduled bodies, designating bodies, and admission bodies.
- 4.2 The Regulations also require that, following the exit of an employer from the Fund, the administering authority carry out an assessment of its funding position on the date of exit.
- 4.3 The Fund's cessations policy sets out how the Fund will assess the funding position of an exiting employer and the Fund's policies on the collection of exit debits and determination of the value of any exit credit payable to the exiting employer.
- 4.4 This report provides an update on admissions to and cessations from the Northamptonshire Pension Fund since the last meeting of the Pension Committee, including the collection and payment of any exit debits or credits.

## 5 Issues and Choices

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### 5.1 New Admission Bodies

- 5.1.1 Paragraph 1 of Part 3 of Schedule 2 to the Regulations provides for an Administering Authority to make an admission agreement with an admission body, enabling employees of the admission body to be active members of the Local Government Pension Scheme.
- 5.1.2 A body which falls under paragraph 1(d)(i) of Part 3 of Schedule 2 is an admission body that is providing a service, in connection with the function of a scheme employer, as the result of a transfer of service or assets by means of a contract or other arrangement.
- 5.1.3 Where an admission body of the description in paragraph 1(d)(i) undertakes to meet the requirements of these Regulations, the appropriate administering authority must admit to the Scheme the eligible employees of that body.
- 5.1.4 The Pension Committee is asked to note the admission of the following bodies into the Northamptonshire Pension Fund and to approve the sealing of the admission agreements.

<b>Date of admission</b>	<b>New Admission Body</b>	<b>Background Information</b>
1 January 2023	Grange Transport Services	West Northamptonshire Council has awarded a contract to Grange Transport Limited for the provision of passenger transport services. The Passenger Transport Contract has been procured by West Northamptonshire Council on behalf of itself and North Northamptonshire Council to provide home to school transport for people with special educational needs. As a result, a group of employees were transferred from Kier Group to the admission body and a backdated pass through admission agreement has been put in place effective 1 January 2023. West Northamptonshire Council provides a guarantee in the first instance, under the admission agreement, but has entered into an agreement with North Northamptonshire to share overall responsibility for the pension risk. The agreement sets out how the assets and liabilities should be shared between them when the admission agreement ceases.
31 October 2022	Dolce Limited (Little Harrowden Community Primary School)	Dolce Limited entered into a contract with InMAT to provide catering services at Little Harrowden Community Primary School. As a result, a group of employees were transferred to the admission body and a backdated pass through admission agreement has been put in place effective 31 October 2022. The backdated contributions have been collected. The assets and liabilities have been retained by InMAT.
1 April 2023	Fresh Start Catering Limited (Innovate Multi Academy Trust)	Fresh Start Catering Limited entered into a contract with Innovate MAT to provide catering services at Kilsby CE Primary School and Badby School. As a result, a group of employees were transferred to the admission body and a backdated pass through admission agreement has been put in place effective 1 April 2023. The backdated contributions have been collected. The assets and liabilities have been retained by Innovate MAT.

## **5.2 New Cessations**

### **5.3 Compass Contract Services Limited (Innovate MAT)**

5.3.1 Compass Contract Services Limited were admitted to the Fund under a standard admission agreement on 1 September 2022, after entering a contract to provide catering services for Innovate MAT at Kilsby CE Primary School and Badby School.

5.3.2 On 31 March 2023 the admission agreement between Compass Contract Services Limited and Innovate MAT ceased when the contract ended. The Funding assessment at the date of exit identified a funding surplus of £2,000.00. A determination will now be made over the value of an exit credit which could be nil.

### **5.4 Alliance in Partnership Limited (Magdalen College School)**

5.4.1 Alliance in Partnership Limited were admitted to the Fund under a pass through admission agreement on 1 April 2020, after entering a contract to provide catering services to Magdalen College School (single academy trust).

5.4.2 On 31 March 2023 the admission agreement between Alliance in Partnership and Magdalen College School ceased when the last member left. No exit debit or credit will be required as the pension liabilities were retained by Magdalen College School.

#### **5.5 Caterlink UK Limited (Grange Primary Academy)**

5.5.1 Caterlink UK Limited were admitted to the Fund under a pass through admission agreement on 1 April 2016, after entering a contract to provide catering services for United Learning Trust at Grange Primary Academy.

5.5.2 On 31 August 2023 the admission agreement between Caterlink UK Limited and United Learning Trust ceased when the contract ended. No exit debit or credit will be required as the pension liabilities were retained by United Learning Trust

#### **5.6 Compass Contract Services Limited (Fairfields School)**

5.6.1 Compass Contract Services Limited were admitted to the Fund under a pass-through admission agreement on 5 December 2016, after entering a contract to provide catering services for Fairfields School.

5.6.2 On 31 March 2023 the admission agreement between Compass Contract Services Limited and West Northants Council (Fairfields School) ceased when the last active member left. No exit debit or credit will be required as the pension liabilities were retained by West Northants Council.

#### **5.7 Champion School & Language College (Single Academy Trust)**

5.7.1 On 1 September 2023, the operation of the Champion School & Language College (Single Academy Trust) transferred to the United Learning Trust.

5.7.2 Champion School & Language College was a single academy trust so has ceased participation in the Fund as an employer in its own right and now forms part of United Learning Trust. No exit payment or credit will be required as the pension assets and liabilities were transferred to the accepting Multi Academy Trust (United Learning Trust).

#### **5.8 Catch22 Multi Academy Trust**

5.8.1 On 1 September 2023, the operation of The Spires Academy transferred from Catch22 MAT to Tove Learning Trust.

5.8.2 The Spires Academy was the only academy from Catch22 MAT participating in the Fund the MAT has therefore ceased as a Scheme employer in the Fund. No exit payment or credit will be required as the pension assets and liabilities were transferred to the accepting Multi Academy Trust (Tove Learning Trust).

### **6 Previously Reported Cessations**

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None to report

## 7 Implications (including financial implications)

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### 7.1. Resources and Financial

7.2 Actuarial costs incurred by obtaining a calculation of the employer's contribution rate and opening funding position at commencement are recharged directly to the employer.

7.3 The employer contribution rate contains an allowance for administration charges, and the employer is charged a fee to recover the Funds administration costs of on boarding new employers and terminating ceased employers. This means that admissions and cessations should be cost neutral.

7.4 Where an exit credit is determined to be greater than nil, a payment will need to be made to the exiting employer. This payment may be all or part of the overall surplus of assets so the liabilities will continue to be at least full funded at the date of cessation.

### 7.5. Legal

7.6 Admitted bodies enter into an admission agreement with the administering authority in order to become an employer within the Northamptonshire Pension Fund. This agreement sets out the statutory responsibilities of an employer, as provided for under the Regulations governing the LGPS.

7.7 Exit credit determinations can be appealed by the exiting employer under the Fund's internal dispute resolution procedure and ultimately the Pensions Ombudsman.

### 7.8 Risk

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

Risk	Residual risk rating
Failure to administer the scheme in line with regulations and guidance	Green
Failure to provide relevant information to the pension Committee/Pension Board to enable informed decision making	Green
Fund assets are not sufficient to meet obligations and liabilities.	Amber

7.10 Please see the [Northamptonshire Pension Fund Risk Register](#) for full details

## **7.11 Relevant Pension Fund Objectives**

7.12 The following objectives have been considered in this report -

- 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 continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
- To ensure appropriate exit strategies are put in place both in the lead up to and on termination of a scheme employer.

## **7.13 Consultation**

7.14 Contribution rate and bond assessments are undertaken by Hymans Robertson, the Fund Actuary.

7.15 The Fund Actuary is consulted with upon the exit of any employer from the Fund.

7.16 Advice was received from the Fund's Actuary on individual admission and cessation cases, where required.

7.17 A precedent admission agreement has been drafted by Squire Patton Boggs, specialist pension legal advisers.

## **8 Background Papers**

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None

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Northamptonshire Pension Committee/Investment Sub Committee Agenda Plan

Meeting date	Agenda item	Lead officer
<b>2/10/2023</b> PC	Administration Report [standing item]	M Oakensen
	Business Plan Update [standing item]	M Whitby
	Governance and Compliance Report [standing item]	M Oakensen
	Employer Admission and Cessation Report [standing item]	C Blose
	Internal Audit [to note]	M Whitby
	AVC Review [approval] exempt	M Oakensen
	ACCESS Update [standing item] exempt	M Whitby
	<b>22/11/2023</b> ISC	Quarterly Performance [standing item]
Stewardship Report [to note]		B Barlow
Fund Manager Presentation [to note] exempt		B Barlow
Strategic Asset Allocation Update [to note]		B Barlow
Equity Portfolio Review [approval]		B Barlow
Impact Investments in Private Markets [to note]		B Barlow
<b>5/12/2023</b> PC	Administration Report [standing item]	M Oakensen
	Business Plan Update [standing item]	M Whitby
	Governance and Compliance Report [standing item]	M Oakensen
Page 83	Employer Admission and Cessation Report [standing item]	C Blose
	Administration Strategy [approval]	C Blose

Meeting date	Agenda item	Lead officer
	Data Improvement and Data Retention Policies [approval]	M Oakensen
	Northamptonshire Pension Fund assurance report on potential breaches of the law [to note]	M Oakensen
	External audit final accounts and results [approval]	F Coates
	Revised Investment Strategy Statement [approval] – exempt	B Barlow
	Risk Monitoring [standing item] – exempt	M Oakensen
	ACCESS Update [standing item] exempt	M Whitby
<b>06/3/2024 ISC</b>	Quarterly Performance [standing item]	B Barlow
	Fund Manager Presentation [to note] exempt	B Barlow
	Annual Climate Reporting and Metrics Update [to note]	B Barlow
<b>27/3/2024 PC</b>	Administration Report [standing item]	M Oakensen
	Business Plan Update [standing item]	M Whitby
	Annual Business Plan and Medium-Term Strategy [approval]	M Whitby
	Governance and Compliance Report [standing item]	M Oakensen
	Employer Admission and Cessation Report [standing item]	C Blose
	ACCESS Update [standing item] exempt	M Whitby
<b>June 2024 PC</b>	Administration Report [standing item]	M Oakensen
	Business Plan Update [standing item]	M Whitby
	Governance and Compliance Report [standing item]	M Oakensen

<b>Meeting date</b>	<b>Agenda item</b>	<b>Lead officer</b>
	Employer Admission and Cessation Report [standing item]	C Blose
	Communication Strategy [approval]	C Blose
	Risk Monitoring [standing item] – exempt	M Oakensen
	ACCESS Update [standing item] exempt	M Whitby

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