

# They Pensions Committee

**A meeting of the Pensions Committee will be held at the Maybin & Sunflower Room, One Angel Square, Northampton, NN1 1ED on Tuesday 15 June 2021 at 6.00 pm**

## Agenda

<b>1.</b>	<b>Apologies for Absence</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 - 16) To approve the Minutes of the meeting of the Pension Committee held on 26 March 2021.
<b>4.</b>	<b>Action Log</b> (Pages 17 - 18) Copy herewith
<b>5.</b>	<b>Appointment of Investment Sub-Committee Members</b> To appoint members to the Investment Sub-Committee
<b>6.</b>	<b>Appointment of Joint Committee Representative</b> To appoint a representative from the Pension Committee to the Joint Committee (ACCESS Pool)
<b>7.</b>	<b>Administration Performance Report</b> (Pages 19 - 28) Copy herewith

Catherine Whitehead  
Proper Officer  
7 June 2021

## **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.

### **Evacuation Procedure**

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### **Mobile Phones**

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### **Queries Regarding this Agenda**

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

Tel: [07391411365](tel:07391411365)

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

Or by writing to:

West Northamptonshire Council  
One Angel Square  
Angel Street  
Northampton  
NN1 1ED

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## **Pension Committee Minutes: 26<sup>th</sup> March 2021**

### **Venue: Remote Participation - Zoom**

PRESENT (for all or part of the meeting):

Councillor Jonathan Ekins (Chairman)

Robert Austin	Other Employers Representative
Janet Blunden	Deferred and Pensioner Members Representative
Peter Borley-Cox	Active Members Representative
Andy Langford	Active Members Representative
Councillor Stephen Legg	Northamptonshire County Council
Councillor Bill Parker	Northamptonshire County Council
Councillor Bob Scott	Northamptonshire County Council
Councillor Malcolm Waters	Northamptonshire County Council

### Also in attendance: (for all or part of the meeting)

Cory Blose	Employer Services and Systems Team Manager
David Crum	Independent Advisor
Sophia Nartey	Senior Lawyer and Deputy Monitoring Officer
Michelle Oakensen	Governance Officer
James Smith	Head of Finance and Deputy S151 Officer
Rajvir Sohal	Democracy Officer
Joanne Walton	Governance & Regulations Manager
Mark Whitby	Head of Pensions

### 01/21 Apologies for non-attendance

Apologies for non-attendance were received from Paul Tysoe and Councillor Richard Micklewright.

### 02/21 Notification of Requests from Members of the Public to Address the Meeting

None received.

### 03/21 Declaration of Members' Interests

There were none.

### 04/21 Chairman's Announcements

The Chairman welcomed members to the meeting, and thanked them for their continued co-operation and patience in adjusting to the council's new ways of working during these unprecedented circumstances, as a consequence of the COVID-19 pandemic.

He reminded members that the meeting was being webcast on YouTube and asked them to mute their microphones when not speaking.

The Chairman reiterated his preference for interactive, collaborative discussion during meetings that was informal where possible, with intervention from the Chairman only being used when necessary and to ensure that all members had the opportunity to speak and contribute during meetings.

The Chairman also thanked the members of the Committee, including the NCC officers and independent advisors, for their contributions and hard work in supporting the operations of the Pension Committee.

05/21 (a) Minutes of the Pension Committee Meeting held in public on 11 December 2020

**RESOLVED that: The Pension Committee approved the minutes of the meeting held in public on 11 December 2020.**

05/21 (b) Minutes of the Pension Committee held in private on 11 December 2020

**RESOLVED that: The Pension Committee approved the minutes of the meeting held in private on 11 December 2020.**

06/21 Action Log from the Pensions Committee Meeting Held on 16 October 2020

The Chair invited Joanne Walton (Governance and Regulations Manager) to introduce the action log from the meeting held on 16 October 2020, who highlighted that there were no actions on the report.

**RESOLVED that: The Committee noted the report.**

07/21 Administration Report

The Chair invited Joanne Walton (Governance and Regulations Manager) to introduce the report, who highlighted that:

- There was one red performance indicator in January for issuing letters within ten working days of receiving information, which was explained within the report.
- Receipt of employee and employer contributions averaged a return rate of 99.3%, over the previous 12 months, of employers paying contributions within the required time-frame.
- The breaches of the law referenced within the report would soon not be classified as breaches due to a pending change to legislation. Only one

internal dispute resolution case had been reported over this period. The monitoring officer did not uphold the appeal.

**RESOLVED that: The Committee noted the report.**

#### 08/21 Business Plan Update

The Chair invited Mark Whitby (Head of Pensions) to introduce the report, who highlighted that:

- Concerning cybercrime, the officers of the Pension Fund undertook a questionnaire as a benchmark exercise, in collaboration with the Fund's governance advisor (AON). Subsequently, the officers were in the process of formulating an action plan, as well as carrying out work regarding risks arising from data asset transfers between third party suppliers of the Fund.
- Further information from Hymans Robertson, regarding multiple investment strategies, would be delivered in April; later than originally anticipated.

**RESOLVED that: The Committee noted the report.**

#### 09/21 Business Plan and Medium Term Strategy 2021-2022

The Chair invited the Head of Pensions to introduce the report, who highlighted that:

- The Fund was in a "stand still" period regarding the procurement of the investment advisor as main investment consultant of the Fund, whilst concurrently also looking at the custodian and undertaking a procurement against the national framework. Both pieces of work would flow into the next financial year.
- The actuarial benefits and consultancy contracts were to be looked at, to determine whether these should be extended. The officer confirmed they were happy with the current suppliers.
- The Committee had previously agreed to an extension to the software provider contract with Heywood. A full procurement would be required a year and a half before the expiry of this contract.
- Transactional activity of the Fund would be increased with local government reorganisation.
- The business continuity plan would be assessed following local government reorganisation, with the establishment of West Northamptonshire Council.
- The triennial Valuation of the Fund would take place in 2022
- Unprocessed leavers would be reported in a different way in the upcoming financial year, as cases older than six months would be treated as backlog cases. Dedicated resources would be utilised to target these backlog cases.

**RESOLVED that: The Committee approved the Business Plan and Medium-Term Strategy.**

#### 10/21 Governance and Compliance Report

The Chair invited the Governance and Regulations Manager to introduce the report, who highlighted that:

- The public sector exit cap was formally withdrawn from legislation on the 25th February.
- Fortunately for the Northamptonshire Pension Fund, no cases were processed during this time. Therefore, no rectification to members' benefits would be required.
- However, money and time was spent on implementing the exit cap, which ultimately, was not fit for purpose.
- Regarding future developments, the Pension Regulator's fifteen codes of practice, designed to help scheme administrators govern and manage pension schemes of all types, would now be reorganised into one code of practice.
- The scheme would have 6 months to make any necessary changes, to be compliant with the new code of practice.
- Work concerning the good governance review had been ongoing behind the scenes during the COVID-19 pandemic - the Scheme Advisory Board had now presented their final findings and recommended outcomes to MHCLG.

**RESOLVED that: The Committee noted the report.**

#### 11/21 Funding Strategy Statement

The Chair invited Cory Blose (Employer Services and Systems Team Manager) to introduce the report, who highlighted that:

- The particular regulatory changes that the agreement had been updated for concerned managing employer risk and exits from the Fund.
- The Fund was now formally able to enter into agreements to spread the cost of an employer exit, should the employer exit with a deficit, rather than having to pay a single lump sum.
- Policies had been updated accordingly.
- When using the new provisions the Fund would require security from the employer, unless the strength of covenant of the employer was considered strong enough to warrant not needing such security. This would protect the fund from employer insolvency problems.

**RESOLVED that: The Committee approved the amendments to the Funding Strategy Statement for consultation with employers.**

#### 12/21 Employers Admission and Cessations Report

The Chair invited the Employer Services and Systems Team Manager to introduce the report, who highlighted that:

**RESOLVED that: The Committee:**



- a) Noted the admission of the following admitted bodies to the Northamptonshire Pension Fund and approved the sealing of the admission agreements for;
- CleanTec Services x 2
  - Coombs Catering Partnership Ltd
  - Mitie Care and Custody Limited
- b) Noted the admission of the following designated body to the Northamptonshire Pension Fund;
- The Children's Trust
- c) Noted the exit of the following bodies from the Northamptonshire Pension Fund:
- Aspens
  - Compass Chartwells
  - Compass Contract Services

Under Section 100A of the Local Government Act 1972, 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 Paragraph 3 of Part 1 of Schedule 12A to the Act would be disclosed to them.

15/21 Urgent Business

There was none.

There being no further business the meeting ended.

**Chairman's Signature:**

**Date:**

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**NORTHAMPTONSHIRE PENSION  
FUND**

**Pension Committee  
Action log from Pension Committee meeting held on 26<sup>th</sup> March 2021**

This log captures the actions from the Pension Committee of the 26<sup>th</sup> March 2021 together with any carried forward items from previous meetings and updates members on the progress on compliance in delivering the necessary actions. This is the updated action log as at 28<sup>th</sup> May 2021

**Actions from 26<sup>th</sup> March 2021 meeting of the Pension Committee -**

<b>Item No.</b>	<b>Item</b>	<b>Action to be taken by</b>	<b>Issue</b>	<b>Action/Status</b>
13/21	Investment Strategy Statement	Paul Tysoe	Publish the Investment Strategy Statement consultation	Completed – Monday 17 <sup>th</sup> May <a href="https://pensions.westnorthants.gov.uk/northamptonshire-pension-fund-investment-strategy-statement-consultation/">pensions.westnorthants.gov.uk/northamptonshire-pension-fund-investment-strategy-statement-consultation/</a>

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## **West Northamptonshire Council**

### **Pension Committee**

**15/06/2021**

### **Mark Whitby – Head of Pensions**

<b>Report Title</b>	<b>Northamptonshire Pension Fund – Administration Performance Report</b>
<b>Report Author</b>	<b>Jo Walton, Governance and Regulations Manager,</b> <a href="mailto:joanne.walton@westnorthants.gov.uk">joanne.walton@westnorthants.gov.uk</a>

#### **Contributors/Checkers/Approvers**

<b>West MO</b>	John Murphy on behalf of Catherine Whitehead	23 May 2021
<b>West S151</b>	James Smith on behalf of Martin Henry	19 May 2021
<b>Head of Pensions</b>	Mark Whitby	14 May 2021

#### **List of Appendices**

**Appendix A – Performance against key performance indicators**

**Appendix B – Timeliness of receipt of employee and employer pension contributions**

**Appendix C – Exempt – Late payment of employee and employer pension contributions**

#### **1. Purpose of Report**

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

#### **2. Executive Summary**

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- 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 February 2021 to 30 April 2021 (appendix A)
- 2.1.2 Timeliness of receipt of employee and employer pension contributions for the payroll periods of April 2020 to March 2021 (appendix B and exempt appendix C)
- 2.1.3 Occurrences of breaches of the law for the period 1 February 2021 to 30 April 2021 (section 5.3).
- 2.1.4 Details of any Internal Dispute Resolution Procedure cases during the period 1 February 2021 to 30 April 2021 (section 5.4).

### 3. Recommendations

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

### 4. Report Background

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- 4.1 One of the core functions of the Pension 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.

### 5. Issues and Choices

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#### 5.1 Key Performance Indicators

- 5.1.1 The Pension Committee has previously agreed 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 February 2021 to 30 April 2021 can be found in appendix A along with the explanations for any underperformance.
- 5.1.2 Two-thirds of the targets have been met and/or exceeded with consistent above target performance in the areas of notifying leavers of their entitlement to a deferred benefit and the provision of estimates of benefits upon an individual's request.

#### 5.2 Receipt of employee and employer contributions

- 5.2.1 Scheme employers have a statutory obligation to arrange for the correct deduction of employee and employer contributions and to ensure payment reaches the Pension Fund by the 19th of the month following the month of deduction. Providing an associated monthly statement/schedule in an acceptable format.
- 5.2.2 The table in appendix B 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 April 2020 to 31 March 2021.
- 5.2.3 In May 2020 and March 2021 all scheme employers paid over their contributions on time. Over the course of 2020/21, a total of 99.4% of employers completed the pay-over by the due date. An average of 98.6% of employers submitted their payment schedules on time in the same time period.
- 5.2.4 Details of any employers that paid their employee and employer contributions later than the statutory deadline are detailed in the exempt appendix C.

#### 5.3 Breaches of the Law

- 5.3.1 There are many laws relating to the Local Government Pension Scheme, with various individuals, including the Pension Committee and Local Pension Both (collectively and as individuals) having a statutory duty to report material breaches of those laws to the Regulator. The Northamptonshire Pension Fund maintains a record of both material breaches that are reported to the Pensions Regulator as well breaches that are deemed not to be of material significance and so are not reported to the Pensions Regulator.
- 5.3.2 For the period 1 February 2021 to 30 April 2021 the following breaches of the law occurred.

Type of breach	Detail of breach	Course of action
Material	None	n/a
Non-material	18 refund of pension contribution payments were claimed by and paid to members outside of the statutory 5-year period.	No further action at this stage, it is likely that the legislation surrounding this will be amended to remove the 5 year requirement.

#### 5.4 Internal Dispute Resolution Procedure cases

- 5.4.1 Members, prospective members, and beneficiaries may not always agree with pension decisions that are made, or may be unhappy that decisions have not been made, by either an administering authority or a scheme employer. The Internal Dispute Resolution Procedure (IDRP) is the route by which they may raise their concerns and challenge such decisions.
- 5.4.2 In the period 1 February 2021 to 30 April 2021 the following administering authority disputes were either raised an/or responded to.

Nature of dispute	Stage 1 (adjudicated by the Head of Pensions)	Stage 2 (adjudicated by the Monitoring Officer)
Seeking reinstatement / compensation for two LGPS deferred benefits being transferred to a recognised overseas pension scheme in 2014 (received 26 June 2020)	In progress. Information gathering has been undertaken with the claims management company during the course of 2020. Legal advice has been sought. Not upheld (2 March 2021)	Appeal received 26 March 2021. Deadline for response was 26 May 2021 and has been extended to 6 July 2021.
Retirement grant paid was less than incorrectly quoted (received 17 September 2020)	Partially upheld (25 November 2020)	Appeal received 16 April 2021. Deadline for response is 16 June 2021.
Dispute over not being able to transfer out on employment ending at age 55+ with immediate entitlement to payment of benefits.(27 April 2020)	Not upheld (24 June 2020)	Appeal received 23 December 2020. Not upheld (15 March 2021).

## 6. Implications (including financial implications)

### 6.1 Resources and Financial

- 6.1.1 There are no resources or financial implications arising from the proposals.

### 6.2 Legal

- 6.2.1 There are no legal implications arising from the proposals, as it is the view of Officers that the breaches reported in section 5.3.2 are not of material significance to the Pension Regulator.

### 6.3 Risk

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

Risk No.	Risk	Residual risk rating
6	Information may not be provided to stakeholders as required.	Green
8	Those charged with governance are unable to fulfil their responsibilities effectively	Green
17	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:  
<https://pensions.northamptonshire.gov.uk/governance/key-documents/northamptonshire/>

### 6.4 Relevant Pension Fund Objectives

6.4.1 The following objectives have been considered in this report -

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

## 6.5 **Consultation**

6.5.1 Not applicable.



# Appendix A - Key Performance Indicators – February 2021 to April 2021

Function/Task	Indicator	Target	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%	February:167 March: 158 April: 129	162 149 123	5 9 6	97 94 95	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%	February: 41 March: 27 April: 42	41 26 38	0 1 4	100 96 90	Green Green Amber	SLA target met SLA target met SLA target not met <sup>1</sup>
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%	February:27 March: 31 April: 43	26 24 27	1 7 16	96 77 63	Green Red Red	SLA target met SLA target not met <sup>1</sup> SLA target not met <sup>1</sup>
Award dependant benefits – Statutory	Issue award within 5 working days of receiving all necessary information.	95%	February: 30 March: 45 April: 22	27 44 22	3 1 0	90 97 100	Amber Green Green	SLA target not met <sup>2</sup> SLA target met SLA target met
Provide a maximum of one estimate of benefits to employees per year on request – Statutory	Estimate in agreed format provided within 10 working days from receipt of all information.	80%	February: 52 March: 61 April: 50	49 60 46	3 1 4	94 98 92	Green Green Green	SLA target met SLA target met SLA target met
Provide transfer-in quote to scheme member – Statutory	Letter issued within 10 working days of receipt of all appropriate information.	95%	February: 31 March: 30 April: 27	29 19 27	2 11 0	93 63 100	Amber Red Green	SLA target not met <sup>3</sup> SLA target not met <sup>3</sup> SLA target met
Payment of transfer out – Statutory	Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	February: 18 March: 50 April: 22	15 42 21	3 8 1	83 84 95	Amber Amber Green	SLA target not met <sup>3</sup> SLA target not met <sup>3</sup> SLA target met

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.

<sup>1</sup> A number of Retirement/Estimate KPIs have been impacted by the revoked exit cap changes, unitary changes including Tier 1-3 consultation, and bulk communications leading to increased general enquiries into the team. Staff have been temporarily reassigned within the service to manage the increased demand.

<sup>2</sup> Award dependant benefits – Delays at checking stage now resolved.

<sup>3</sup> Transfer in/transfer out – Staff performance issues now resolved

Appendix B – 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
April 2020	99.7	0.3	94.3	5.7
May 2020	100	0	98.8	1.2
June 2020	99.3	0.7	99.1	0.9
July 2020	99.7	0.3	99.7	0.3
August 2020	99.1	0.9	99.4	0.6
September 2020	98.5	1.5	98.3	1.7
October 2020	99.1	0.9	98.8	1.2
November 2020	99.7	0.3	98.9	1.1
December 2020	99.1	0.9	98.7	1.3
January 2021	99.7	0.3	99.7	0.3
February 2021	99.4	0.6	99.7	0.3
March 2021	100	0	97.9	2.1
Average for period	99.4	0.6	98.6	1.4

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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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## West Northamptonshire Council

### Pension Committee

**15/06/2021**

### Mark Whitby – Head of Pensions

<b>Report Title</b>	<b>Northamptonshire Pension Fund - Business Plan and Medium Strategy 2021/22</b>
<b>Report Author</b>	<b>Jo Walton, Governance and Regulations Manager</b> <a href="mailto:Joanne.walton@westnorthants.gov.uk">Joanne.walton@westnorthants.gov.uk</a>

#### Contributors/Checkers/Approvers

<b>West MO</b>	John Murphy on behalf of Catherine Whitehead	23 May 2021
<b>West S151</b>	James Smith on behalf of Martin Henry	19 May 2021
<b>Head of Pensions</b>	Mark Whitby	14 May 2021

#### List of Appendices

#### **Appendix A – Northamptonshire Pension Fund Business Plan and Medium Term Strategy 2021/22**

##### **1. Purpose of Report**

- 1.1. To present to the Pension Committee the Northamptonshire Pension Fund Business Plan and Medium Term Strategy 2021/22, as approved by the Pension Committee of the outgoing administering authority on 26 March 2021. The Business Plan and Medium Term Strategy is represented for information only to provide new Committee Members with oversight of the key activities of the Fund.

##### **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 reviewed on an annual basis for the start of the next financial year. The Business Plan and Medium Term Strategy:
  - 2.1.1 Sets out the objectives of the administering authority (West Northamptonshire Council) with regards to the management of the Fund;
  - 2.1.2 Documents the priorities and improvements to be implemented during the next three years to help achieve those objectives;
  - 2.1.3 Enables progress and performance to be monitored in relation to those priorities; and
  - 2.1.4 Provides a clear vision for the next three years.

### **3. Recommendations**

- 3.1 The Pension Committee is asked to note the contents of the Business Plan and Medium Term Strategy 2021/22.

### **4. Report Background**

- 4.1 The Business Plan and Medium Term Strategy concentrates on activities that are not considered business as usual, identifying key milestones and budget requirements. It is split into the core areas of procurement of services, governance activities, scheme member and data projects, scheme employer projects and investment related activities.
- 4.2 Progress against the Business Plan will be reported to the Pension Committee each meeting, starting from July, via the Business Plan Update Report or other relevant report (where appropriate). Where progress against the Business Plan has fallen behind schedule further detail will be provided.
- 4.3 Estimated costs for the activities in appendix A have been detailed alongside the activity and within the financial forecasting for the relevant years. Where further costs are identified during the course of the new financial year these will be notified to the Pension Committee via the Business Plan Update Report.

### **5. Issues and Choices**

- 5.1 This report is for noting only as the previous Pension Committee approved the Business Plan and Medium Term Strategy 2021/22 on 26 March 2021.

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

#### **6.1 Resources and Financial**

- 6.1.1 The financial estimates and associated budgets included with the Business Plan and Medium Term Strategy were approved by the previous Pension Committee on 26 March 2021.
- 6.1.2 Performance against the financial estimates in the Business Plan will be presented to the Pension Committee 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 will be updated accordingly.

#### **6.2 Legal**

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

#### **6.3 Risk**

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

Risk No.	Risk	Residual risk rating
8	Those charged with the governance of the Fund and scheme are unable to fulfil their responsibilities effectively	Green
16	Pension Fund objectives are not defined and agreed.	Green
17	Failure to provide relevant information to the Pension 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:  
<https://pensions.northamptonshire.gov.uk/governance/key-documents/northamptonshire/>



#### 6.4 **Relevant Pension Fund Objectives**

6.4.1 The following objectives have been considered in this report -

- To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- To 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.

#### 6.5 **Consultation**

6.5.1 Not applicable.

### 7. **Background Papers**

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7.1 <https://cmis.northamptonshire.gov.uk/cm5live/MeetingsCalendar/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/3582/Committee/412/Default.aspx>

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# **Annual Business Plan and Medium Term Strategy**

**2021/22 to 2023/24**

**Northamptonshire Pension Fund**

## **Introduction**

This is the business plan for the Northamptonshire Pension Fund which is managed and administered by West Northamptonshire Council. The business plan details the priorities and areas of key focus in relation to the Northamptonshire Pension Fund for 2021/22, 2022/23 and 2023/24. The business plan was approved at the Pension Committee meeting on 26 March 2021. The business plan is monitored throughout the year and the Pension Committee may be asked to agree changes to it.

The purpose of the business plan is to:

- Explain the background and objectives of West Northamptonshire Council in respect of the management of the Northamptonshire Pension Fund;
- Document the priorities and improvements to be implemented during the next three years to help achieve those objectives;
- Enable progress and performance to be monitored in relation to those priorities; and
- Provide a clear vision for the next three years.

In addition, the business plan includes a budget for expected payments to and from the Northamptonshire Pension Fund during 2021/22 including the resources required to manage the Fund.

## **Further information**

If you require further information about anything included or in related to this business plan please contact:

Mark Whitby, Head of Pensions  
[mark.whitby@westnorthants.gov.uk](mailto:mark.whitby@westnorthants.gov.uk)  
07990 556197

## Background to the Northamptonshire Pension Fund

The Northamptonshire Pension Fund is a £3.068bn\* Local Government Pension Fund which provides retirement and death benefits for local government employees (other than teachers) in Northamptonshire and employees of other qualifying bodies which provide similar services.

The Fund's total membership\* is approximately 73,300 of which 22,300 are active members from over 300\* individual contributing employers and approximately 51,000 retired, survivor, deferred and other members.

*\*As at 31 December 2020*

## Governance and management of the Fund

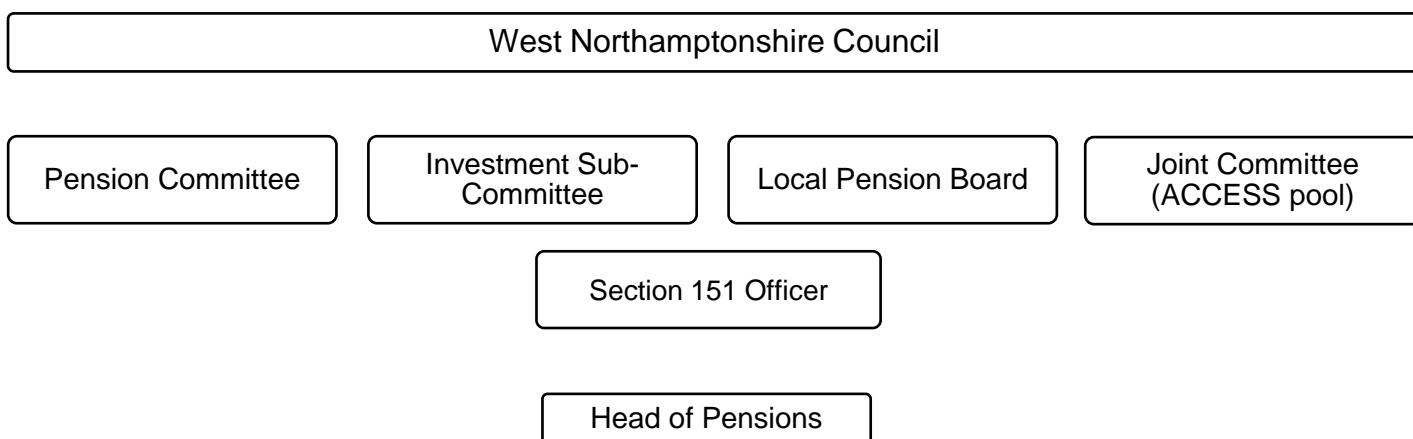
The key decision making and management of the Fund has been delegated by West Northamptonshire Council (the administering authority) to a formal Pension Committee, supported by an Investment Sub-Committee that looks at the operational governance of investment issues.

The West Northamptonshire Council's Section 151 Officer has a statutory responsibility for the proper financial affairs of the Council including Pension Fund matters.

Eleven authorities, including West Northamptonshire Council, are working collaboratively to meet the Government's asset pooling agenda by forming the ACCESS pool. A Joint Committee with representation from each Fund has been formed to oversee the governance of the pool.

A Local Pension Board is in place to assist in securing compliance of Fund matters and ensuring the efficient and effective governance and administration of the Fund.

The governance structure is detailed below:



## Administration of the Fund

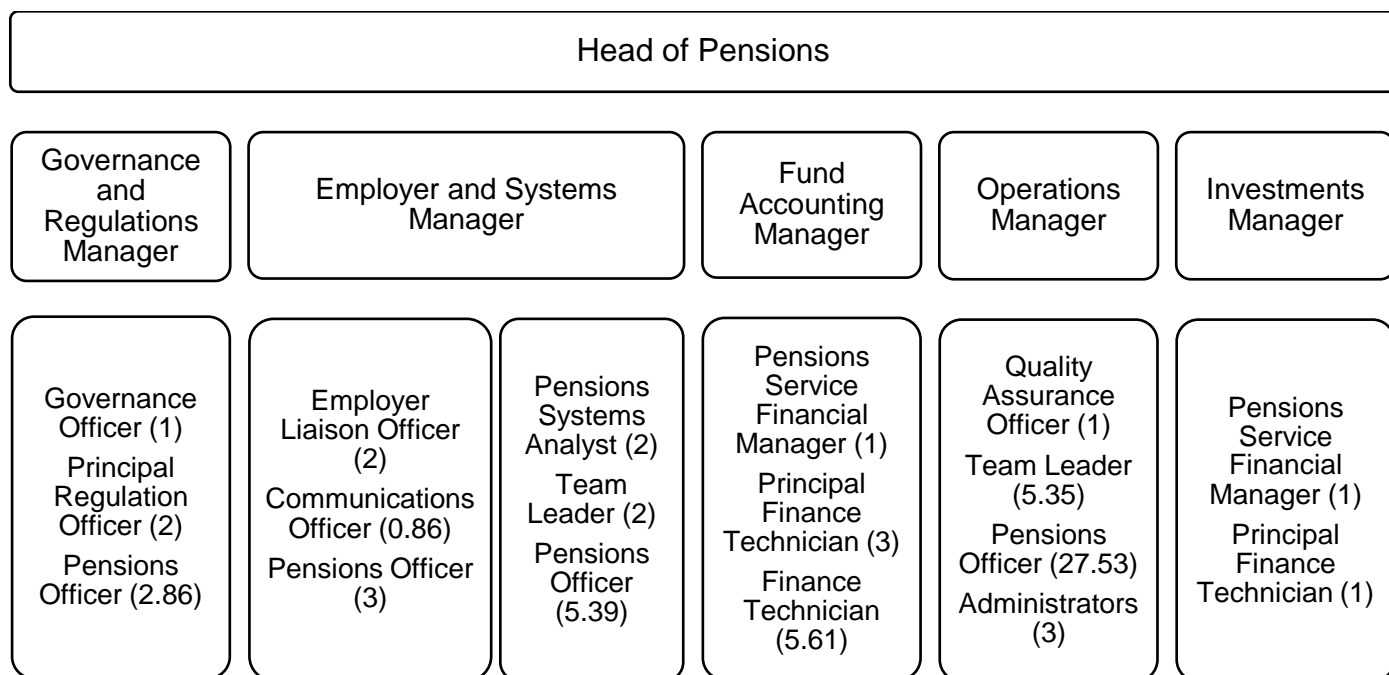
The Cambridgeshire and Northamptonshire Pension Funds have been administered under a shared service arrangement since 2012, initially by LGSS. On 1 December 2020 administration moved to a lead authority model with the lead authority being Northamptonshire County Council, working in partnership with Cambridgeshire County Council. On 1 April 2021 West Northamptonshire Council became the lead authority following local government reorganisation in Northamptonshire. The Funds remain two distinct entities.

Management and administration of both Funds is based at One Angel Square in Northampton. The Funds have benefited from cost savings through the ability to procure services such as custodian, actuarial, benefits, governance and investment consultancy on a joint basis as well as streamlining the provision of the administration functions.

The day to day operations of the Fund are managed by the Head of Pensions who is supported by five teams:

- The Operations Team is responsible for providing the full range of casework administration services. The team delivers a service that includes the calculation of retirement, deferred, death and survivor benefits, transfers in and out, refunds and member record maintenance.
- The Systems Team is responsible for maintaining the pension administration, payroll, employer and member self-service systems, reconciling membership data received from employers and the production of annual benefit statements.
- The Employers Team provides support to employers being admitted to and leaving the scheme, managing the triennial actuarial valuation process and liaison with scheme employers with regards to the responsibilities required of them. Scheme member and employer communications form a significant part of the team's function which ranges from the design and management of the Fund's website, presentations, workshops, newsletters and written communications.
- The Governance and Regulations Team is responsible for managing agendas, producing reports and delivering training to the Pension Committee and Local Pension Board. In addition, the team takes the lead in the development of strategic policies relating to the operation, governance and management of the Fund and monitors compliance with prevailing LGPS specific and overriding legislation. The team specialises in data quality, information governance and pension taxation.
- The Investments Team is responsible for liaison with the ACCESS asset pool and governance over the Fund's investments whether held directly or by the ACCESS pool, reporting to the Investment Sub-Committee and other Committees as required.
- The Fund Accounting Team provide the financial control function to the Fund. It manages and accounts for the receipt of contributions from employers, processes the Fund's financial transactions and oversees the production and audit of the Annual Report and Statement of Accounts.

The structure of the Pensions Service which provides administration services to both the Cambridgeshire Pension Fund and the Northamptonshire Pension Fund, as at 31 March 2021 is illustrated below:



## Objectives for the management of the Fund

The Fund's agreed objectives are detailed as follows;

- 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 ensure regular monitoring of employer covenants, putting in place mitigations of adequate strength to protect the Fund.
- To ensure appropriate exit strategies are put in place both in the lead up to and termination of a scheme employer.
- To put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary.
- To ensure employer contributions are as stable as possible, recognising the characteristics, circumstances and affordability constraints of each employer.
- 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.
- To promote the scheme as a valuable benefit.
- To deliver consistent plain English communications to stakeholders.
- To provide scheme members with up to date information about the scheme in order that they can make informed decisions about their benefits.
- To seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund.

- To ensure cash flows in to and out of the Fund are timely and of the correct amount.
- To ensure the long-term solvency of the Fund, taking a prudent long term view, so that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment.
- To put in place a Strategic Asset Allocation ensuring it is appropriately maintained taking into account the Funding Strategy.
- To maximise investment returns over the long term within agreed risk tolerances.
- To ensure an appropriate cash management strategy is in place so that net cash outgoings can be met as and when required.

## **Business as usual**

The appendix to the business plan highlights the key priorities for the next three years and focuses on areas of change and projects which are in addition to day to day “business as usual” duties. On a day to day basis the focus is on the following key elements of Fund management:

- Paying pension benefits to beneficiaries as prescribed by the LGPS Regulations.
- Communicating with scheme members about their membership of the Fund.
- Ensuring all pension contributions that are paid by active members are received as prescribed by the LGPS.
- Ensuring all employers pay their pension contributions.
- Safeguarding the money in the Fund (the Fund’s assets).
- Investing any Fund assets that are in excess of those needed to pay immediate benefits.
- Working with the Scheme Actuary to ensure that the amount employers pay into the Fund is sufficient to pay future pension benefits.

Managing this on a day to day basis involves a wide range of processes and procedures designed around achieving the Fund’s objectives. The Fund is large, complex and highly regulated. As such these processes and procedures require expert knowledge and experience as illustrated below.

## **Governance**

- Setting the agenda, reporting and presenting to the Pension Committee, Investment Sub-Committee and Local Pension Board.
- Implementing and monitoring areas such as the training, risk management, reporting breaches of the law and compliance with the Pensions Regulator’s code of practice.
- Ensuring adherence to the administering authority’s and legal requirements for procurement and data protection.
- Procurement of advisers and other services.
- Assisting internal and external auditors in their role.
- Responding to freedom of information requests.
- Participation in the Joint Committee of the ACCESS pool.

## **Accountancy**

- Preparing and publishing the Fund’s annual report.
- Completing the annual accounts and assisting with external auditors.
- Preparing the annual budget and monitoring quarterly.
- Preparation of statutory and non-statutory returns as required.
- Conducting monthly bank reconciliations.
- Quarterly cash flow and treasury management.



- Monthly monitoring of income and expenditure including employer and scheme member contributions.
- Invoicing of employers for pensions strain and unfunded benefits.

## Funding

- Agreeing the funding strategy with the Fund Actuary every three years, consulting with employers and monitoring continued appropriateness annually.
- Managing the triennial valuation alongside the Fund Actuary, providing membership and cash flow data and appropriately communicating with scheme employers.
- Monitoring the covenant of scheme employers including their ability to pay contributions and managing those who wish to join or cease membership of the scheme.
- Managing the FRS/IAS reporting cycles alongside the Fund Actuary, based on employer specifications and appropriately communicating with Scheme Employers.

## Investments

- Monitoring and reporting on the Fund's funding position.
- Carrying out a review of the investment strategy at appropriate intervals.
- Managing the Fund's assets through the asset pool arrangements or directly for non-pool aligned assets.
- Monthly monitoring and implementation of the tactical asset allocation decisions.
- Working with other LGPS Funds within ACCESS to ensure the pool meets the Fund's strategic investment requirements.

## Administration

- Providing ongoing information to scheme members and their beneficiaries as they join, leave or change status.
- Calculating and notifying scheme members of their entitlement to pension and death benefits.
- Providing quotations of retirement benefits including any additional costs to scheme employers.
- Providing information on how scheme members can increase their pension benefits.
- Maintaining scheme member records.
- Providing an online scheme member and scheme employer self-service facility.
- Administering the internal dispute resolution procedure.

## Payroll

- Calculating and paying monthly pensions to pensioners and beneficiaries.
- Issuing of payslips at appropriate times.
- Issuing P60s.
- Investigating returned payments and dealing with any under or overpayment of pensions.
- Updating and maintaining accuracy of pensioner member details.

## Communication

- Providing annual benefit statements to all active and deferred scheme members.
- Providing information to members via one to one sessions, workshops and newsletters.
- Maintaining the Fund's website.
- Providing new scheme employers with information about their responsibilities.
- Providing ongoing training and technical updates to employers.

## Technical

- Maintaining and updating the pensions administration system.
- Ensuring presence, accuracy and regular review of scheme member data in line with the expectations of the Pensions Regulator and to comply with the General Data Protection Regulations.
- Providing guidance on changes in processes following new or amending legislation.
- Reporting on progress against key performance indicators and daily work management.
- Providing reports and extracts for GAD and other government departments.
- Reporting and making payments to HMRC.
- Processing bulk updates to member records such as new joiners and leavers, pensions increase and year-end or monthly contributions.

## **The plan for the next three years**

### **Key challenges and influences**

The current environment is such that there is an unprecedented volume of external factors that could impact the management of the Fund:

- The continued impact of the pandemic on management, investment and administration.
- The increased oversight by the Pensions Regulator and the issuance of the new singular code of practice where compliance must be achieved within 12 months.
- New and amending regulations affecting the Local Government Pension Scheme including the currently revoked £95k exit cap, the remedy resulting from the McCloud high court ruling and the paused national LGPS cost control review and a number of regulatory changes impacting on scheme employers.
- The requirement to rectify member contracted out data held by the scheme with that held by HMRC following significant delays in HMRC issuing the final correct data.
- The increasing number of scheme members affected by the government's pensions tax regime and reducing allowances on pension savings.
- The ongoing implementation of the government's requirements to pool LGPS pension fund assets with other Funds.
- Maintaining the skills and knowledge of officers and Committee and Board members to comply with the requirements of MIFIDII, CIPFA's new skills and knowledge framework and new statutory guidance stemming from the Scheme Advisory Board's Good Governance Review.
- The increasing number of scheme employers due to alternative provision models within the local government universe.
- Finding innovative and digital ways of working for the benefit of the Fund, the member and the scheme employer to achieve the Fund's strategies on administration, communication and employer engagement.
- The increasing scrutiny and transparency on data quality.
- To stay ahead of the increasingly sophisticated challenges presented by cyber-crime.
- Evidencing savings and improved investment governance arising from asset pooling.
- The risk of members being exposed to potential scams and the increasing requirements of the Fund to provide protection against this.
- The creation of a new administering authority on 1 April 2021 and the associated challenges around new governance structures, skills and knowledge requirements for new members and the impact on casework.

These and other priorities for the next three years are articulated in more detail in the appendix to this business plan, split into five sections:

- Procurement of services
- Core governance activities
- Scheme member and data projects
- Scheme employer projects
- Investment related activities.

## Budget

All the costs associated with the management of the Fund are charged to the Fund and not West Northamptonshire Council. The following shows the expected income and expenditure (cash flow) of the Fund as well as the anticipated operating costs.

### Cash flow projection 2020/21 to 2023/24

The following tables provide estimates of the Fund account, investment and administration income and expenditure for the next three years.

	<b>2020/21 Estimate</b>	<b>2020/21 Forecast</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Contributions <sup>1</sup>	(109,000)	(110,735)	(107,000)	(109,000)	(111,000)
Transfers in from other pension funds <sup>2</sup>	(6,100)	(6,963)	(7,000)	(7,000)	(7,000)
<b>TOTAL INCOME</b>	<b>(115,100)</b>	<b>(117,698)</b>	<b>(114,000)</b>	<b>(116,000)</b>	<b>(118,000)</b>
Benefits payable	95,000	97,159	100,000	103,000	106,000
Payments to and on account of leavers <sup>2</sup>	7,200	9,686	7,000	7,000	7,000
<b>TOTAL PAYMENTS</b>	<b>102,200</b>	<b>106,845</b>	<b>107,000</b>	<b>110,000</b>	<b>113,000</b>
	<b>(12,900)</b>	<b>(10,853)</b>	<b>(7,000)</b>	<b>(6,000)</b>	<b>(5,000)</b>
Management expenses	4,146	4,063	3,367	3,302	3,318
<b>TOTAL INCOME LESS EXPENDITURE</b>	<b>(8,754)</b>	<b>(6,790)</b>	<b>(3,633)</b>	<b>(2,698)</b>	<b>(1,682)</b>
Investment income less	(42,000)	(29,400)	(35,000)	(36,000)	(37,000)
Taxes on income (Profit) and losses on disposal of investments and changes in the market value of investments <sup>3</sup>	-	-	-	-	-
	(54,000)	(54,000)	(117,000)	(122,000)	(127,000)
<b>NET RETURN ON INVESTMENTS</b>	<b>(96,000)</b>	<b>(83,000)</b>	<b>(152,000)</b>	<b>(158,000)</b>	<b>(164,000)</b>
<b>Net (increase)/decrease in net assets available for benefits during the year</b>	<b>(104,754)</b>	<b>(90,190)</b>	<b>(155,633)</b>	<b>(160,698)</b>	<b>(165,682)</b>

Notes:<sup>1</sup> Contributions and benefits are based upon underlying trends in membership and contribution rates, pensions in payment and expected increases.

<sup>2</sup> Future estimated transfers in and out have been based upon the average of individual transfers in and out of the scheme over the period 2015/16 to 2019/20.

<sup>3</sup> Return on Investments have been calculated by applying the long-term actuarial assumption for investment growth (+3.9%) per annum.

## Management expenses

	2020/21 Estimate	2020/21 Forecast	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
	£000	£000	£000	£000	£000
Total administration expenses	2,318	2,421	2,247	2,210	2,219
Total governance expenses	803	715	675	645	650
Total investment expenses <sup>4</sup>	1,025	927	445	447	449
<b>TOTAL MANAGEMENT EXPENSES</b>	<b>4,146</b>	<b>4,063</b>	<b>3,367</b>	<b>3,302</b>	<b>3,318</b>

Notes:<sup>4</sup>Investment expenses estimates include management fees for property funds. These will reduce once property has migrated into the asset pool, however timescales for property transitions are yet to be confirmed.

## Administration expenses

	2020/21 Estimate	2020/21 Forecast	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
	£000	£000	£000	£000	£000
Staff related	1,246	1,312	1,461	1,464	1,467
Altair administration and payroll system	275	291	299	300	301
Data improvement projects	312	337	46	-	-
Communications	67	67	21	22	23
Other non pay and income	16	12	15	16	17
Council overhead recovery <sup>5</sup>	402	402	405	408	411
<b>TOTAL ADMINISTRATION EXPENSES</b>	<b>2,318</b>	<b>2,421</b>	<b>2,247</b>	<b>2,210</b>	<b>2,219</b>

Notes: <sup>5</sup>Pending re-baselining for West Northamptonshire Council.

## Delivering the business plan

### Monitoring and reporting

In order to identify whether the agreed business plan is being met progress on the key priorities and budgets will be monitored by the Fund management team and reported to the Pension Committee and Local Pension Board at every meeting.

The updates will:

- Highlight any areas where the target is exceeded or where the target has not been achieved and the reasons why and identify any changes in response to the planned priorities as a result of this.
- Highlight any significant additional spend or underspend in relation to the agreed budget as it becomes apparent.

### Risk Management

The Northamptonshire Pension Fund has embedded risk management into the governance of the Fund. The Pension Committee has approved a Risk Strategy and a detailed Risk Register is maintained and reviewed by the Local Pension Board at every meeting. Changes to the level of risk are reported to the Pension Committee at every other meeting, or more frequently if necessary.

The table below lists the Fund's highest rated risks as at February 2021. The full risk register can be found on the Fund's website at the following link:

<https://pensions.northamptonshire.gov.uk/app/uploads/2019/10/RiskRegisterNPF.pdf>

<b>Risk</b>	<b>Residual risk rating</b>
Employers are unable to pay increased contribution rates.	Amber
Failure to respond to changes in economic conditions.	Amber
As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund's investments.	Amber
Contributions to the Fund are not received on the correct dates and/or for the correct amount.	Amber
Fund assets are not sufficient to meet obligations and liabilities.	Amber

## Key Activities

The key activities have been split into the following sections:

- Procurement of services
  - Re-tender for strategic investment advisory services
  - Re-tender for global custody services
  - Review contracts for actuarial, benefits and governance consultancy services
  - Re-tender for pensions administration and pensioner payroll platform
- Core governance activities
  - Undertake administrative actions in connection with the Local Government Reorganisation in Northamptonshire
  - Review the Business Continuity Plan
  - Develop the Fund's cyber-resilience strategy
  - Obtain the Pensions Administration Standards Association (PASA) accreditation
- Scheme member and data projects
  - Complete the Guaranteed Minimum Pension Rectification
  - Prepare for the application of the McCloud age discrimination remedy
  - Prepare for the 2022 Valuation of the Pension Fund
  - Processing of undecided leaver records
  - Scope and conduct potential liability reduction exercises
  - Undertake a review of the Fund's Additional Voluntary Contributions (AVC) providers
- Scheme employer projects
  - Implement multiple investment strategies
  - Conduct specific employer covenant monitoring
- Investment related activities
  - Continue development of the asset pool
  - Review the Fund's Responsible Investment Policy
  - Review the Property Strategy
  - Review of performance reporting and benchmarks

## Procurement of services

### Re-tender for strategic investment advisory services

This continues the work undertaken in 2020/21 to re-tender the investment advisory services contract that is currently awarded to Mercer LLC that expires on 30 September 2021 by performing a mini competition on the National LGPS Framework. The November 2020 Investment Sub-Committee approved the timetable and the proposed contract term for the Consultancy re-tender and approved the launch of a re-tender for the Investment Management Performance Reporting contract currently provided by Mercer, should this be necessary. The RFQ for the Investment Consultancy contract was issued in February 2021 and responses from suppliers due in March 2021. The second stage supplier interviews are scheduled in March 2021 and the preferred supplier will be notified in early 2021/22.

This is a joint procurement with the Cambridgeshire Pension Fund for a single supplier to benefit from the efficiencies of a shared service. Each Fund will have separate contractual arrangements

Budget required: All internal costs will be met by existing resources, other costs such as the fee for the use of the National LGPS Framework, procurement support and external legal support are estimated as £25k and have been provided for within the 2021/22 budget.

Key Milestones	Dates
Notify successful supplier	April 2021
Complete Consultancy procurement / complete National Frameworks Order	June 2021
Complete Management Performance Reporting procurement/ complete National Frameworks Order, if required	June 2021
Transition/handover (including historical performance data)	July 2021 to September 2021
New contract begins	1 October 2021
Strategy health check	31 March 2022

### Re-tender for global custody services

This continues the work undertaken in 2020/21 with Funds in the ACCESS pool to launch a revised framework for Global Custody Services under the National LGPS Frameworks. The Pension Committee approved in principle the collaborative procurement of a global custodian, alongside ACCESS partners, in sufficient time to transition the Fund's custody arrangements to the chosen provider (if a change from the current provider) before the expiry on 30 September 2021 of the Fund's extended contract with Northern Trust. Delivery of this activity is dependent upon collaboration with ACCESS partners in calling off the new framework.

Budget required: All internal costs will be met by existing resources and are included within the Fund's budget. The Fund's share of the Framework set-up costs estimated to be £17k are included in the 2021/22 budget and will be offset over time by fees paid by other users calling off the framework. Estimated costs for legal and procurement support for the Fund's call-off of £20k are also included in the 2021/22 budget. Any further financial implications will be included in Investment Sub Committee reports as required.

Key Milestones	Dates
Work with ACCESS partners to call off a common custodian.	December 2020 to June 2021*



Key Milestones	Dates
Complete transition to the new custodian (if required).	July 2021 to September 2021*

\*Due to the collaborative nature of this procurement and time and resource pressures across the eleven ACCESS Funds these dates may slip and an extension of the existing arrangement required.

### **Review contracts for actuarial, benefits and governance consultancy services**

The existing separate contracts for actuarial, benefits and governance consultancy services are due to expire on 1 April 2023 with the option to extend for a further 12 months. Consideration will need to be given as to whether the separate contracts should be extended together at or if it is appropriate to conduct procurements earlier to tie in with future activity required from these contracts. The procurement will be on a joint basis with the Cambridgeshire Pension Fund using the National LGPS Framework.

Budget required: All internal costs in the procurement process will be met by the existing budget. Any external procurement and legal costs will be notified to the Pension Committee at the time through an appropriate report.

Key Milestones	Dates
Decision whether to procure or extend each contract	June 2021

### **Retender for pensions administration and pensioner payroll platform**

The Fund currently uses Aquila Heywood Ltd's Altair product as its pensions administration and payroll platform. The contract with Aquila Heywood Ltd was extended in September 2021 by a further three years to enable minimum disruption with the commencement of the Future Northants programme, the pandemic and the forthcoming work required of the age discrimination remedy (McCloud).

A competitive procurement process will need to be undertaken using the National LGPS Framework at least 18 months in advance of the end of the existing contract (September 2024) to ensure that there is sufficient time to complete a successful migration of data if a new supplier is procured.

Budget required: All internal costs in the procurement process will be met by the existing budget. Any external procurement and legal costs will be notified to the Pension Committee at the time through an appropriate report.

Key Milestones	Dates
Obtain and complete National LGPS Framework documents	September 2022
Commence procurement process	1 April 2023
Award contract to successful supplier	1 October 2023
Start date of contract	1 October 2024

## Core service and governance activities

### Undertake administrative actions in connection with the Local Government Reorganisation in Northamptonshire

With effect from 1 April 2021 West Northamptonshire Council (WNC) and North Northamptonshire Council replace the existing eight local authorities in Northamptonshire, with WNC becoming the administering authority for the Northamptonshire Pension Fund. Approximately 7,700 scheme members are impacted by this change.

The material administrative actions required in connection with this change will be monitored and reported under this business plan activity.

Budget required: The expected resources required to undertake this work are already included in the administration budget. Casework volumes will be monitored to ensure resources available are adequate.

Key Milestones	Dates
Update scheme member records by automatic aggregation to reflect each member's new unitary employer.	April to June 2021
Disaggregate records and issue benefit awards where scheme members so elect (monitor volumes).	April 2021 to March 2022
Process early leaver and redundancy awards arising from service reviews (monitor volumes).	April 2021 to March 2023
Provide member estimates as required as each service review takes place (monitor volumes).	April 2021 to March 2023

### Review Business Continuity Plan

The Business Continuity Plan (BCP) covering the Fund's governance and administration will need to be reviewed following the creation of the new unitary authority (and administering authority), West Northamptonshire Council on 1 April 2021 to ensure the arrangements previously in place remain so to support the delivery of the Pensions Service. In addition, it is now business as usual to ensure that the Fund's external suppliers such as those that provide and host the pensions administration and payroll platform, regularly supply detailed confirmation that they have satisfactorily carried out disaster recovery and penetration testing.

Budget required: All internal costs will be met by the existing budget.

Key Milestones	Dates
Test resilience with the new administering authority's BCP	By October 2021
Scrutiny of business continuity arrangements by the Local Pension Board	November 2021
Update the Pension Committee on business continuity arrangements.	December 2021

## Develop the Fund's cyber-resilience strategy

The Pensions Regulator and other industry bodies have expressed the concern that pension funds are not taking sufficient positive action to prevent themselves (including scheme members) from being victims of cyber-crime. In particular, the Regulator is concerned that LGPS Funds are relying too much on their respective administering authorities to put appropriate measures in place to protect Fund assets and data.

Work was undertaken in 2020/21 to assess the Fund's level of Cyber-Resilience through a survey conducted by a specialist cyber resilience team at Aon, the Fund's governance advisers. The survey results highlighted a number of activities to be undertaken to demonstrate improved resilience which will be undertaken during the course of 2021/22.

Budget required: All internal costs will be met by the existing budget. The external consultancy costs of this activity will be notified to the Pensions Committee via the Business Plan Update reports once known. All consultancy costs will be met by an addition to the existing administration budget.

Key Milestones	Dates
Develop a cyber-resilience strategy and action plan.	April to June 2021
Undertake mapping of data and asset flows.	April to June 2021
Submit survey to all suppliers detailed within the mapping of assets and data to ascertain their approach to cyber-resilience. Aon's specialist cyber-resilience team to analyse survey responses and provide feedback.	April to June 2021
Local Pension Board to provide scrutiny of cyber-resilience strategy and action plan.	July 2021
Pension Committee to approve cyber-resilience strategy and action plan.	October 2021

## Obtain the Pensions Administration Standards Association (PASA) accreditation

Obtaining the PASA accreditation will demonstrate to the stakeholders of the Fund that quality operations are in place where the performance and capabilities of the administration and governance functions are in line with those of higher quality organisations providing pensions administration services. Once achieved the accreditation is granted for a three-year period subject to an annual certification process.

Budget required: Anticipated accreditation costs of £6k will be met by an addition to the budget in 2022/23.

Key Milestones	Dates
Commence preparation and collation of assessment material.	April 2022
Provide information to PASA for assessment.	March 2023
Hold site visit and receive assessment results	2023/24

## Scheme member data projects

### Complete the Guaranteed Minimum Pension Rectification

Following the end of contracting-out on 6 April 2016 it has been necessary for all pension schemes to reconcile their scheme members' contracted out liability against that recorded by HMRC. The Fund outsourced the majority of the reconciliation and rectification exercise to ITM Limited. The reconciliation stage of this completed in 2019/20 however following the delay in HMRC issuing the final file of data, the rectification stage was not able to commence during 2020/21 but is now ready to commence in 2021/22 but with the same anticipated completion date as previously estimated.

Budget required: An estimated cost of £20K has been included in budget for the remaining data work to be carried out by ITM Limited to enable efficient rectification of member records.

Key Milestones	Dates
Produce project plan to rectify the member records that require amendments.	April 2021
Implement project plan.	June to December 2021

### Prepare for the application of the McCloud age discrimination remedy

As a result of the ruling in the McCloud it will be necessary for LGPS Funds to look at every affected to see if the impact of the remedy requires an amendment to the member's accrued benefits. MHCLG released a consultation in 2020/21 detailing proposed amendments to the LGPS regulations as a result of the remedy and a response to the consultation is still pending. It is understood that LGPS Funds will need to begin work on rectifying records in 2022/23 and in the meantime an exercise is required to collect data relevant to the accurate calculation of the remedy, namely, hour changes and breaks in membership, where this has not previously been provided by scheme employers.

Budget required: All internal costs will be met by the existing administration budget. Costs associated with the implementation stage of this activity will be included in the budget for 2022/23 when the resource and financial implications will be clearer.

Key Milestones	Dates
Issue data collection template to identified employers.	June 2021
Work with employers to collect the data required.	June 2021 to October 2021
Make necessary amendments to member records for previously missing data.	June 2021 to March 2022
Send communications to members (upon release of amended LGPS Regulations).	Expected to be April 2022 (pending guidance from MHCLG).
Application of the revised underpin (following release of amended LGPS Regulations).	Expected to commence in 2022/23 (MHCLG to provide guidance on this matter, including time period within which this work will be undertaken).

## Prepare for the 2022 Valuation of the Pension Fund

Work with the Fund's actuarial advisors to develop requirements and plan for the triennial valuation of the Pension Fund. The valuation date is 31 March 2022 with results to be published by 31 March 2023 and new employer contribution rates effective from 1 April 2023.

Milestones will be expanded once valuation planning is complete.

Budget required: All internal costs will be met by the existing administration budget. Associated actuarial fees for the core valuation activities have been estimated in the budget. Any additional expenditure required will be notified to the Pension Committee for approval at the appropriate time.

Key Milestones	Dates
Develop valuation plan with Fund Actuary	April to June 2021
Undertake pre-valuation activities	July 2021 to March 2022
Valuation of the Pension Fund	April 2022 to March 2023
Triennial valuation results published	31 March 2023
Implementation of revised employer contribution rates	April 2023 onwards

## Processing of undecided leaver records

The Fund has a number of unprocessed leaver records where a member has left a period of pensionable employment, is not entitled to immediate payment of pension benefits, but is entitled to either a refund of contributions, aggregation with another period of pensionable membership and/or a deferred pension award. The number of these cases has historically grown due to 1) scheme employers not notifying the Fund that members of the scheme have left their employment 2) scheme employers providing late monthly reporting and 3) the volume of employer data that has to be queried.

The Fund will treat a case as a backlog case if it is six months or more from the date of notification by the scheme employer. Cases within six months of notification will be identified as business as usual cases. Statutory disclosure requirements are completed immediately on notification of an exit by the scheme employer.

Budget required: All internal costs will be met by the existing budget.

Key Milestones	Dates
Baseline volumes and develop action plan	April to June 2021
Process cases in accordance with action plan	Throughout 2021/2022
Process cases in accordance with action plan	2022/2023

## Scope and conduct potential liability reduction exercises

The Fund has an increasing number of records belonging to members that are due a refund of pension contributions (due to having insufficient membership within the LGPS to be awarded a pension entitlement and with the member not having claimed a refund) and also a large number of pensions in payment of a very low value that could be fully commuted into a one-off payment, extinguishing the Fund from any future liability.

It has become increasingly common for pension schemes to look at ways of reducing the number of such records, communicating with these members in order to assess their eligibility and desire to receive payment of the refund or fully commute their benefits.

Budget required: All internal costs will be met by the existing budget.

Key Milestones	Dates
Conduct exercise (to review and offer refund options to members).	April 2021 to March 2022
Scope exercise, formulate project plan and conduct exercise (small commutable pensions).	April 2022 to March 2023

### **Undertake a review of the Fund's Additional Voluntary Contributions (AVC) providers.**

At the October 2019 meeting of the Pension Committee a review of the Fund's two AVC providers was presented with a recommendation that Standard Life be closed to currently contributing members. The recommendation was accepted, which would leave Prudential as the only remaining AVC provider that active members of the scheme could pay additional contributions to. Members paying AVCs to Standard Life would have the option to switch payment of their additional contributions to Prudential and would be able to leave their accumulated funds with Standard Life until such times as they need to utilise them or transfer them to Prudential also.

Standard Life have remained an active provider within the Fund due to the impact of the pandemic. However, over the last twelve months LGPS Funds across the country have collectively become concerned about the administrative performance of Prudential citing cases of not allocating contributions to members' accounts in a reasonable time period and the disinvestment of funds from members' accounts taking several months to complete. As a result, officers need to undertake a further review of Prudential and Standard Life's administrative performance to ensure the decision made in October 2019 remains in the best interest of scheme members. The Fund's governance advisors, Aon have been commissioned to undertake this review.

Budget required: All internal costs will be met by the existing budget.

Key Milestones	Dates
Aon to undertake the review	1 April 2021
Officers to consider outcome of review	May 2021
Present findings of review to Pension Committee	July 2021
Plan and undertake the required actions as a result of the review (as approved by Pension Committee)	August 2021 (onwards)

## Scheme employer projects

### Implement multiple investment strategies

With an increasing number and variety of scheme employer participating in the Fund it is prudent to consider whether greater flexibility is required to meet the different funding requirements of these scheme employers, who may have different investment risk appetites and whose scheme membership may have vastly differing levels of maturity. This project will look to create a small number of “investment buckets” into which different categories of scheme employer could be allocated.

This activity builds on the investigatory and scoping work carried out in 2020/21 and will now focus on working with employers to agree an appropriate strategy for each employer and implementing the agreed allocation ahead of the 2022 valuation of the Pension Fund.

Budget required: All internal costs will be met by the existing administration budget. Any Actuarial fees will be derived from the action plan and will be subject to approval by the Pension Committee.

Key Milestones	Dates
Consider impact modelling by Fund Actuary.	April 2021 to May 2021
Pension Committee to decide whether to proceed.	July 2021
Devise and implement action plan.	August 2021 to September 2022

### Conduct specific employer covenant monitoring

Officers are working with the Fund Actuary and Price Waterhouse Cooper (PWC) to carry out covenant assessments of those employers consider to present the greatest financial risk to the Fund. This activity will involve engaging with the relevant employers to explain the process and collect information to allow PWC to carry out a covenant assessment and for the Actuary and PWC to advise on the results and appropriate actions to be taken.

Budget required: An additional cost has been added to the 2021/22 budget of approximately £15,000 to £20,000 is expected to be incurred for professional fees. Other internal costs such as liaison with scheme employers will be met by the existing budget.

Key Milestones	Dates
Issue and collect covenant monitoring questionnaire to relevant employers	April 2021 to June 2021
Issue collated responses to PWC for analysis	July 2021 to August 2021
Discuss results and next steps with the Actuary and PWC	September 2021 to October 2021
Incorporate results of covenant monitoring into 2022 valuation planning	November 2021 to March 2022

## Investment related activities

### Continue development of the asset pool

The ACCESS asset pool development is a long-term project. 2021/22 will see the Fund's final liquid assets transfer into the pool as the remaining tranches of sub-funds are established in the asset pool. In parallel, ACCESS is developing a pool level solution for investing in illiquid assets.

The Fund has additional sub-fund requirements not yet part of the ACCESS launch plan. Engagement with ACCESS partners is required to promote these requirements, including around Responsible Investment, in order to achieve timely inclusion.

Dates for completion are dependent upon the approval of the Joint Committee for creating the necessary sub-funds, FCA approval and resolution of other limiting factors. The dates reflect the targets for submission of business cases for the respective sub-funds to the asset pool.

Budget required: All internal costs will be met by existing resources and are included within the 2021/22 budget. A budget of £114k has been included in the 2021/22 Fund budget to cover ACCESS asset pooling costs rechargeable to the Fund, managed by the ACCESS Administration Support Unit. Investment management and Operator/Depository fees are included in the sub-fund costs charged to the relevant ACCESS sub-fund.

Key Milestones	Dates
Liquid Assets – implement tranches as they arise.	2021/22 to 2022/23
Illiquid Assets – Continue to support the illiquid assets pooling solution.	2021/22 to 2022/23
Promote the Fund's requirements.	2021/22 to 2022/23

### Review the Fund's Responsible Investment Policy

This continues the work undertaken in 2020/21 to revise the Fund's Responsible Investment (RI) Policy for incorporation in the Investment Strategy Statement (ISS). The revised ISS will be issued for consultation during Q1 2021/22 and feedback considered by the Pension Committee before final approval.

The Fund will also work with its advisers, partner ACCESS funds and Link to develop a governance and reporting framework to monitor compliance with the Fund's RI Policy.

Budget required: All internal costs will be met by existing resources and are included within the 2021/22 budget. Any further financial implications will be included in Pension Committee reports as required.

Key Milestones	Dates
Commence 30 day consultation with Fund stakeholders on the revised Investment Strategy Statement	April to June 2021
Pension Committee approval of revised ISS	October 2021

### Review the Property Strategy

The Fund's Property investments comprise a multi manager mandate managed by CBRE and residential investments in the Private Rented Sector and Shared Ownership property funds



managed by M&G, which mainly comprise UK based assets. A periodic review of these mandates will be undertaken, considering the underlying investment funds and their performance with a focus on the appropriateness of the allocations both geographically and by sector and the relevance of the performance benchmarks and targets. This review will include consideration of possible enhancements to the property strategy, especially considering the expected benefits falling out of the pooling agenda.

The output of the review will be used to inform the Fund's requirements from the ACCESS illiquid asset programme, the implementation of which will be dependent upon the path to migrate to the ACCESS solutions.

**Budget required:** All internal costs will be met by existing resources and are included within the 2021/22 budget. External costs for consultancy and legal fees of £50k are included in the 2021/22 budget. Any further financial implications will be included in Investment Sub Committee reports as required.

Key Milestones	Dates
Commence the review	October 2021
Complete the review and submit report to the Investment Sub Committee	February 2022
If a change to Strategic Allocation, approval by Pension Committee	March 2022
Communicate the Fund's requirements to the ACCESS pool	April 2022

## Review of Performance Reporting and Benchmarks

This review will focus on the efficient measurement of the Fund's wide-ranging investment mandates in order to appropriately gauge that those mandates are delivering expected levels of return and, indeed, meeting the strategic investment needs of the Fund. The existing performance reports are comprehensive and complex, however, there is concern that they contain inappropriate benchmark comparisons and complicate effective decision-making. Wider considerations such as delivery of responsible investment requirements further impact this subject.

The sources of information for performance reporting reflect the wide-ranging number of mandates the Fund has and the quality and timeliness of information available from those sources.

This review will evaluate the strengths and weaknesses of the current report and explore options to improve the quality and clarity of reporting.

The key participants will be the Fund's officers, the Fund's consultant and Independent Adviser utilising other third parties as required, with a report on the outcome presented to Investment Sub Committee members.

**Budget required:** All internal costs will be met by existing resources and are included within the 2021/22 budget. External costs for consultancy fees of £20k are included in the 2021/22 budget. Any further financial implications will be included in Investment Sub Committee reports as required.

Key Milestones	Dates
Commence the review	April 2021
Report to the Investment Sub-Committee	December 2021
Implement revised reporting	March 2022





## West Northamptonshire Council

### Pension Committee

15/06/2021

### Mark Whitby – Head of Pensions

<b>Report Title</b>	<b>Governance and Compliance Report</b>
<b>Report Author</b>	<b>Jo Walton, Governance and Regulations Manager Joanne.walton@northamptonshire.gov.uk</b>

#### Contributors/Checkers/Approvers

<b>West MO</b>	John Murphy on behalf of Catherine Whitehead	23 May 2021
<b>West S151</b>	James Smith on behalf of Martin Henry	19 May 2021
<b>Head of Pensions</b>	Mark Whitby	10 May 2021

#### List of Appendices

#### Appendix A – Skills and knowledge training schedule

##### 1. Purpose of Report

- 1.1 This is a standing report that identifies issues and developments in the governance, management and administration of the Northamptonshire Local Government Pension Scheme (LGPS) as administered by West Northamptonshire Council.

##### 2. Executive Summary

- 2.1 This report provides the Pension Committee with information on the following significant current issues which have an impact on the governance, management and administration.
- The LGPS Scheme Advisory Board's review of governance in the LGPS
  - The Pension Regulator's new code of practice
  - The Pension Schemes Act 2021
  - Skills and knowledge opportunities

##### 3. Recommendations

- 3.1 The Pension Committee is asked to:
- a) Note the contents of this report.

## **4. Report Background**

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- 4.1** Members of the Pension Committee are responsible for the ongoing governance, management and administration of the Northamptonshire Local Government Pension Scheme in conjunction with the Section 151 Officer and Officers. This report provides an update on developments and issues that impact the LGPS that members of the Pension Committee need to be aware of in order to fulfil their responsibilities to the Fund's key stakeholders. The content of this report will also provide information that will support decision making in other reports presented to the Pension Committee and assists in the ongoing attainment of skills and knowledge as required by the Pensions Regulator.

## **5. Issues**

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### **5.1 The Local Government Pension Scheme Advisory Board's good governance review.**

- 5.1.1** On 15 February 2021, the Scheme Advisory Board published the phase 3 report of the Good Governance Review that was produced by the Hymans Robertson project team. The phase 3 report provides further details on some of the recommendations that were included in the phase 2 report which should be read in conjunction with each other. The phase 3 report includes further detail on the following recommendations:
- The LGPS senior officer – a single named officer who is responsible for the delivery of LGPS activity for a Fund. The report covers the core functions of the role, the personal competencies needed to fulfil the role and how the role could be incorporated into different organisational structures.
  - Conflicts of interest – all administering authorities should publish a conflicts of interest policy that is specific to the LGPS. That policy should cover how it identifies, monitors and manages any conflicts. The report includes more detail on what LGPS-specific areas should be covered by the policy.
  - Representation – each administering authority must publish a policy on how scheme members and non-administering authority employers are represented on its committees and the reasoning behind those decisions.
  - Skills and training – introduce a requirement for key individuals, such as pension committee members and section 151 officers, to have the appropriate level of knowledge and understanding to carry out their duties efficiently. The administering authority must publish an administration strategy that sets out its policy on delivery, assessment and recording of training plans.
  - Service delivery – regulation change to make it compulsory for an administering authority to publish an administration strategy.
  - Key performance indicators – that focus on ensuring that each administering authority has defined service standards and has the governance in place to monitor those standards.
  - Business planning process – the senior officer and the committee must be satisfied with the resource and budget allocated to administer the LGPS each year. Require expenditure should be based on the business plan for the coming year with an inflationary increase.
- 5.1.2** At the Scheme Advisory Board meeting on 8 February 2021 the Board agreed that the Chair should submit the Board's good governance action plan to the Local Government minister for consideration. The action plan sets out:
- Changes that MHCLG could take forward by amending regulations or producing statutory guidance

- Work associated with the changes made by MHCLG that could be done by SAB or other bodies
- Actions that SAB can take to improve governance and administration immediately, regardless of which changes are progressed by MHCLG.

5.1.3 Full information on the good governance project can be found at the following link; <https://lgpsboard.org/index.php/projects/good-governance> . The Pension Committee will continue to be updated with developments on this review.

## **5.2 The Pension Regulator's new code of practice**

- 5.2.1 On 17 March 2021 the Pensions Regulator (TPR) launched a consultation on its new code of practice which closed on 26 May 2021. The code of practice sets out how the Pensions Regulator expects trustees (in the case of the LGPS Pension Committee, Board Members, Section 151 Officers and administrators) to administer, govern and manage their respective pension schemes.
- 5.2.2 The draft new code consolidates (with updates and amendments) most of the existing 15 codes of practice including the public service code of practice 14 into a new online code providing a single up-to-date and consistent source of information. The other codes will be consolidated into the single code at a later date, subject to further consultation.
- 5.2.3 The revised code of practice is expected to be effective later in the calendar year and from that point pension schemes have 6 months to demonstrate full compliance with the code.
- 5.2.4 Details of the new code of practice can be found at the following link: <https://www.thepensionsregulator.gov.uk/en/media-hub/press-releases/2021-press-releases/pensions-schemes-to-benefit-from-single-tpr-code-of-practice>

## **5.3 The Pension Schemes Act 2021**

- 5.3.1 On 11 February 2021 the Pension Schemes Act 2021 received Royal Assent. The provisions within the Act will come into force when the Secretary of State makes regulations for them to do so.
- 5.3.2 The provisions of the Act that will affect the LGPS include climate risk reporting, pensions dashboards and transfers out.
- 5.3.3 Climate risk reporting - on 27 January 2021, the Government launched a consultation on draft regulations entitled 'Taking action on climate risk: improving governance and reporting by occupational pension schemes'. The regulations would require trustees of pension schemes in scope to meet the climate change governance requirements that underpin the 11 recommendations of the Taskforce on Climate-related Financial Disclosures and to report on how they have done so. The regulations will not apply to the LGPS, however, it is expected that MHCLG will bring forward regulations which substantially mirror the requirements set out in the consultation document.
- 5.3.4 Pensions Dashboards – administering authorities are encouraged to use the Pensions Dashboard Programme's Data Standards Guide to identify any data gaps to ensure that they are ready to supply the right information to the dashboards once they are live.
- 5.3.5 Transfers Out – secondary legislation is awaited to provide the extra conditions members must satisfy before they are able to transfer out their LGPS benefits.

## **5.4 Skills and knowledge opportunities**

- 5.4.1 Section 248A of The Pensions Act 2004 as incorporated within The Pensions Regulator's Code of Practice (Governance and administration of public service pension schemes) requires all members of the Pension Committee to maintain the necessary skills and knowledge to undertake their role effectively.

- 5.4.2 In order to facilitate the acquisition of skills and knowledge for members of the Pension Fund Board appendix A lists the main events that are deemed useful and appropriate.
- 5.4.3 Requests to attend external events will be facilitated by the Governance Team. It may be necessary to restrict numbers of attendees on some courses through reasons of cost.
- 5.4.4 It has been recognised that the local elections have resulted in a significant change to the membership of the Pension Committee and also the Pension Board. As a result, officers scheduled a virtual training session on 4 June 2021 for new and existing members to refresh their knowledge on the requirements of being a Pension Fund Committee and Pension Fund Board member. This session was recorded and is available to view for those who were unable to attend. This was followed by a more in-depth virtual training session on Pensions Governance on 7 June 2021. Again this session was recorded for anyone who was unable to attend. Further mandatory training modules to cover the eight CIPFA Skills and Knowledge requirements as detailed below will be arranged in due course.
- Pensions legislations and guidance
  - Pensions governance (held 7 June 2021)
  - Funding strategy and actuarial methods
  - Pensions administration and communications
  - Pensions financial strategy, management, accounting, reporting and audit standards
  - Investment strategy, asset allocation, pooling, and performance and risk management
  - Financial markets and product knowledge
  - Pensions services procurement, contract management and relationship management

## **6 Implications (including financial implications)**

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### **6.1 Resources and Financial**

- 6.1.1 There are no resources or financial implications arising from the proposals as the ongoing costs (specifically training delivered by the Fund's advisors) have been considered in the existing budget for 2021/22 as previously approved by the Pension Committee.

#### **6.2.1 Legal**

- 6.2.2 There are no legal implications arising from the proposals.

### **6.3 Risk**

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

Risk No.	Risk	Residual risk rating
7	Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively.	Green
13	Failure to administer the scheme in line with regulations and guidance.	Green
16	Failure to provide relevant information to the Pension Fund 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:  
<https://pensions.northamptonshire.gov.uk/governance/key-documents/northamptonshire/>

### **Relevant Pension Fund Objectives**

6.4.1 The following objectives have been considered in this report -

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

### **6.4 Consultation**

6.4.1 Not applicable.

## **7 Background Papers**

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7.1 Pensions Act 2004 - <https://www.legislation.gov.uk/ukpga/2004/35/contentss>

7.2 The Pensions Regulator's Code of Practice number 14 - <https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-14-public-service-pension-code-of-practice>

7.3 The Pension Schemes Act 2021 - <https://www.legislation.gov.uk/ukpga/2021/1/contents/enacted>

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## Appendix A

### Training events

Date	Event Description	Audience	Knowledge Credits
23 June 2021 9.30am – 4.00pm	LGPS Local Pension Board Members Annual Full Day Event Virtual – Interactive live webinar hosted by Barnett Waddingham. Opportunity for members of local boards to share experiences, to receive updates, to enhance their knowledge, and to discuss the key issues facing them and the LGPS in a professional but informal environment. <a href="https://www.cipfa.org/training/l/lgps-local-pension-board-members-annual-full-day-event-2021-20210623-london">https://www.cipfa.org/training/l/lgps-local-pension-board-members-annual-full-day-event-2021-20210623-london</a>	Local Pension Board Members	2

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## **West Northamptonshire Council**

### **Pension Committee**

**15/06/2021**

### **Mark Whitby – Head of Pensions**

<b>Report Title</b>	<b>Northamptonshire Pension Fund Risk Register</b>
<b>Report Author</b>	<b>Jo Walton, Governance and Regulations Manager, <a href="mailto:joanne.walton@westnorthants.gov.uk">joanne.walton@westnorthants.gov.uk</a></b>

#### **Contributors/Checkers/Approvers**

<b>West MO</b>	John Murphy on behalf of Catherine Whitehead	23 May 2021
<b>West S151</b>	James Smith on behalf of Martin Henry	19 May 2021
<b>Head of Pensions</b>	Mark Whitby	14 May 2021

#### **List of Appendices**

**Appendix A – Northamptonshire Pension Fund Risk Register**

**Appendix B – Northamptonshire Pension Fund Risk Strategy**

#### **1. Purpose of Report**

- 
- 1.1. To present to the Pension Committee the Northamptonshire Pension Fund Risk Register and Risk Strategy.

#### **2. Executive Summary**

- 
- 2.1 The Northamptonshire Pension Fund Risk Register is reviewed biannually by the Pension Committee and at every meeting of the Local Pension Board.
- 2.2 The Risk Register was last reviewed by the previous Pension Committee on 11 December 2020 and by the previous Local Pension Board on 11 March 2021.
- 2.3 Appendix A of this report contains the current Risk Register following updates made by Officers and the Local Pension Board since December 2020.
- 2.4 Appendix B of this report contains the Northamptonshire Pension Fund Risk Strategy (for information).
- 2.5 Section 5.2 of this report details the short to medium term risks that the Fund is actively managing at this time.

#### **3. Recommendations**

- 
- 3.1 The Pension Committee is asked to:
- a) Review the current risks facing the Northamptonshire Pension Fund

b) Approve the risk register including the amendments made as detailed in section 5.1.

3.2 Reason for Recommendations:

- To achieve the Pension Fund objective that is to “continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate”.
- To accord with the Pension Regulator’s expectations on managing risk.

#### 4. Report Background

- 4.1 The Northamptonshire Pension Fund Risk Strategy was reviewed and approved by the previous Pension Committee on 22 March 2019. Following this approval, the Local Pension Board have reviewed the risks facing the Fund as recorded on the Risk Register at each meeting and the Pension Committee, biannually.
- 4.2 This approach to monitoring risk supports the Pension Regulator’s code of practice (governance and administration of public service pension schemes).

#### 5. Issues and Choices

- 5.1 Since the last time the Risk Register was presented to the Pension Committee a number of updates have been made as detailed below.

Risk	Added control
9 – Risk of fraud and error	Working to achieve full compliance with the Pensions Regulator’s Pledge to combat pension scams.
	Aspects of the control environment are tested by Internal and External Audit
11 – Lack of understanding of employer responsibilities which could result in statutory and non-statutory deadlines being missed	An Administration Strategy is in place setting out employer performance targets.
	In the process of agreeing escalation pathways with the Fund’s major providers of member data.
13 – Pension Fund systems and data may not be secure and appropriately maintained-including cyber risk	Continually keeping up to date with evolving developments to ensure robust cyber-resilience in conjunction with specialist advice, including resilience when using laptops and non-corporate Wi-Fi networks.
	Data asset mapping is being undertaken (and will be continually reviewed) to understand risks during data transfer and whilst data is held by third parties.
	Development of a Cyber Strategy and action plan to increase resilience.
14 – Failure to administer the scheme in line with regulations and guidance	Working to achieve full compliance with the Pensions Regulator’s Pledge to combat pension scams.
18 – Actual experience materially differs from actuarial assumptions used at each valuation	Investment performance is reported monthly to the Fund Actuary.

Risk	Added control
	A specialist longevity service is employed to provide accurate Fund specific longevity analysis
19 - Failure to act appropriately upon expert advice and/or risk of poor advice	Working to achieve full compliance with the Pensions Regulator's Pledge to combat pension scams.  Continually keeping up to date with evolving developments to ensure robust cyber-resilience in conjunction with specialist advice, including resilience when using laptops and non-corporate Wi-Fi networks.

- 5.2 Officers have identified a number of short term risks that should be noted by the Pension Committee as follows:
- 5.2.1 The impact of the pandemic - The service is continuing to work in the main part remotely and use electronic platforms for business as usual activities. The service continues to run effectively and there is no cause for concern as to the continuation of this approach.
- 5.2.2 Administrative pressures facing the Fund - On the 25 February 2021 the Restriction of Public Sector Exit Payments Regulations 2020 were formally revoked; however, it is expected that HM Treasury will draft new regulations to implement a public sector exit payment cap in short order. A public consultation has been promised before the new regulations are made in law. As with the now revoked exit payment cap legislation, the Pensions Service will need to repeat the communication activities undertaken with scheme members and scheme employers as well as make changes to the processes required for processing redundancy retirement benefits in accordance with the new regulations and associated guidance.
- 5.2.3 Loss of knowledge from the Pension Committee and Local Pension Board - The recent local elections will have a short to medium term effect on the governance of the Fund as a result of new Councillor representatives being appointed to the Pension Committee and Local Pension Board potentially leading to a loss of skills and knowledge which may impact effective decision making. To minimise the impact, Officers arranged an induction training session in June to deliver the roles and responsibilities of members and overarching information on the Northamptonshire Pension Fund. This was followed by a CIPFA Skills and Knowledge module covering the topic of governance including the important matter of fiduciary duty. Other CIPFA Skills and Knowledge modules will be delivered as soon as possible. External training will also continue to be supported and promoted where appropriate.

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

### **6.1 Resources and Financial**

- 6.1.1 There are no resources or financial implications arising from the proposals.

### **6.2 Legal**

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

### **6.3 Risk**

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

Risk No.	Risk	Residual risk rating
10	Failure to understand and monitor risk and compliance	Green
17	Failure to provide relevant information to the Pension Committee/Local Pension Board to enable informed decision making.	Green

#### 6.4 Relevant Pension Fund Objectives

6.4.1 The following objectives have been considered in this report -

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

#### 6.5 Consultation

6.5.1 Not applicable.

### 7. Background Papers

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7.1 The Pension Regulator's code of practice (governance and administration of public service pension schemes) - <https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/code-14-public-service.ashx>

## Appendix 1 – Northamptonshire Pension Fund Risk Register

Risk	Risk	Relevant objectives	Responsible Lead(s)*	Risk Rating
1	Employers unable to pay increased contribution rates.	9	E	12
2	Failure to respond to changes in economic conditions.	15,16	A	12
3	As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund's investments.	18, 19	A	9
4	Contributions to the Fund are not received on the correct date and/or for the correct amount.	1,8,9,16	A	8
5	Fund assets are not sufficient to meet obligations and liabilities.	2,16,17,19	A	8
6	Information may not be provided to stakeholders as required.	14	ALL	6
7	The Investment Strategy's Risk Reward profile does not match the requirements of the Fund.	16, 17,18	A	6
8	Those charged with governance are unable to fulfil their responsibilities effectively.	2,3	G	6
9	Risk of fraud and error.	2,10	ALL	6
10	Failure to understand and monitor risk compliance.	5	G	6
11	Lack of understanding of employer responsibilities which could result in statutory and non-statutory deadlines being missed.	8	E	6
12	Custody arrangements may not be sufficient to safeguard Pension Fund assets.	1,2,3	A	4
13	Pension Fund systems and data may not be secure and appropriately maintained – including cyber risk.	10,11	E	4
14	Failure to administer the scheme in line with regulations and guidance.	1,2,3,16	ALL	4
15	Failure to recognise and manage conflicts of interest.	2,10	G	4
16	Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making.			
17	Pension Fund investments may not be accurately valued.	15	G	4
18	Actual experience materially differs from actuarial assumptions used at each valuation.	2,10,17,18	A	4
19	Failure to act appropriately upon expert advice and/or risk of poor advice.	9, 17,18	E	4
20	Failure to assess and monitor the financial strength of an employer covenant to ensure employer liabilities are met in conjunction with the Fund Actuary/specialist advisors.	17,18,19,20	ALL	4
21	Unable to deliver pension services due to an inadequate business continuity plan.	9,17,18	E	4
22	Unable to deliver pension services due to inadequate recruitment and retention processes.	8	ALL	4
23	Investment decisions and portfolio management may not achieve the return required or be performed in accordance with instructions provided.	8	ALL	4
24	Incorrect production of accounts, notices, publications and management reports leading to possible financial and reputational damage.	1,2,3,19	A	3
25	Incorrect/poor quality data held on the Pension Administration and Payroll platforms leading to incorrect information being provided to members and stakeholders.	1,2,10	ALL	3
26	Pension Fund objectives are not defined and agreed.	4	G	2

Key

E	Employer Services and Systems Manager
A	Accounting and Investments Manager
G	Governance and Regulations Manager
O	Operations Manager
ALL	All Manager Responsibility

Overall responsibility rests with the Head of Pensions

Potential impact if risk occurred	5 Catastrophic	5	10	15	20
	4 Major	4	8	12	16
	3 Moderate	3	6	9	12
	2 Minor	2	4	6	8
	1 Insignificant	1	2	3	4
		1 Rare (5%)	2 Unlikely (15%)	3 Possible (40%)	4 Likely (65%)
Likelihood of risk occurring					



Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
1.	Employers unable to pay increased contribution rates.	4	4	16	R	<ul style="list-style-type: none"> <li>Provisional contribution rates are consulted on with each scheme employer as part of the valuation process.</li> <li>Review of employer covenant, looking at the terms of the admission agreement and bond/guarantor arrangements.</li> <li>Negotiate terms of deficit recovery whilst keeping employer contribution rates as stable and affordable as possible.</li> </ul>	4	3	12	A
2.	Failure to respond to changes in economic conditions.	4	4	16	R	<ul style="list-style-type: none"> <li>The Fund has established a quarterly Investment Sub Committee dedicated to focus on Investment matters.</li> <li>The Fund receives quarterly performance reports which consider operational and strategic investment issues.</li> <li>A formal review of the strategic asset allocation is undertaken on at least a triennial basis.</li> <li>The Fund publishes an Investment Strategy Statement, incorporating a Responsible Investment Policy, which is regularly reviewed.</li> <li>The Fund has currency hedging and equity protection arrangements in place.</li> <li>Coronavirus pandemic: Increased engagement with investment managers and monitoring of asset movements.</li> </ul>	4	3	12	A

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
3.	As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund's investments.	4	4	16	R	<ul style="list-style-type: none"> <li>Investment managers are required to take account of both financial and non-financial factors in their investment decisions.</li> <li>Managers are challenged on their engagement activities in connection with environmental, social and governance (ESG) issues including climate risk.</li> <li>Managers are required to report regularly on their compliance with our ESG policy.</li> <li>It is ensured that the ACCESS asset pool meets the Fund's ESG requirements.</li> </ul>	3	3	9	A
4.	Contributions to the Fund are not received on the correct date and/or for the correct amount.	4	3	12	A	<ul style="list-style-type: none"> <li>Employer contributions are set as stable as possible and the Fund works with employers closely to ensure pragmatic solutions if an employer is unable to meet monthly contributions.</li> <li>A procedure is in place to identify non-payment and late payment of contributions as defined in the Employee and Employer Late Payment Policy.</li> <li>The Policy includes a reporting process to report late payments to Committee and the Pensions Regulator.</li> <li>Internal Audit reviews take place on an annual basis and external audit review the accounts annually.</li> </ul>	4	2	8	A

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
5.	Fund assets are not sufficient to meet obligations and liabilities.	4	3	12	A	<ul style="list-style-type: none"> <li>The Funding Strategy Statement is reviewed every 3 years or more often as required.</li> <li>The Fund Actuary considers asset valuations and the Fund Investment Strategy in setting employer contributions rates.</li> <li>The year-end financial statements record the Fund's asset position and are subject to review by external audit.</li> <li>The Fund has currency hedging and equity protection arrangements in place.</li> </ul>	4	2	8	A
6.	Information may not be provided to stakeholders as required.	3	3	9	A	<ul style="list-style-type: none"> <li>Officers keep up to date with disclosure regulations and distribute knowledge to teams accordingly using resources such as relevant websites, seminars, professional bodies and working groups.</li> <li>Letters are generated through task management for consistency and are checked before being sent out.</li> <li>Communications Officer now in place.</li> <li>Membership of the LGA Communications Working Group.</li> <li>Membership of the Regional Joint Communications Group.</li> <li>Communication and Digital Communication Strategy in place.</li> </ul>	3	2	6	G

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
7.	The Investment Strategy's risk reward profile does not match the requirements of the Fund.	3	3	9	A	<ul style="list-style-type: none"> <li>Investment Strategy in place which is in accordance with LGPS investment regulations.</li> <li>A formal review of the strategic asset allocation is undertaken on a triennial basis.</li> <li>The Fund appoints professional investment advisers to support the Pension Committee's investment decisions.</li> <li>At each triennial valuation the Fund Actuary considers and makes a statement on the links and consistency between the Fund's Funding Strategy and Investment Strategy.</li> <li>Members are encouraged to participate in Skills &amp; Knowledge training with respect to investments and attend relevant industry conferences. Detailed training records are maintained.</li> </ul>	3	2	6	G
8.	Those charged with governance are unable to fulfil their responsibilities effectively.	3	3	9	A	<ul style="list-style-type: none"> <li>Training Strategy in place to facilitate the continual development of both Committee and Board members.</li> <li>New members are provided with relevant documentation to assist them in their roles.</li> <li>The Fund subscribes to relevant professional bodies such as the Local Authority Pension Funds Forum (LAPFF) and the Pension and Lifetime Savings Association (PLSA).</li> </ul>	3	2	6	G

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
9.	Risk of fraud and error.	3	3	12	A	<ul style="list-style-type: none"> <li>• Anti- Fraud and Corruption policy in place.</li> <li>• Fund participates in the National Fraud Initiative and undertakes overseas pensioner existence checks.</li> <li>• Robust processes in place including segregation of duties and authorisation protocols.</li> <li>• Working to achieve full compliance with the Pensions Regulator pledge to combat pension scams.</li> <li>• Aspects of the control environment are tested by Internal Audit and External Audit.</li> </ul>	3	2	6	G
10.	Failure to understand and monitor risk compliance.	3	2	6	G	<ul style="list-style-type: none"> <li>• Business Continuity plan in place and is reviewed at least annually.</li> <li>• Active risk register in place, the Committee and Board are updated if there are any risk movements between scheduled reporting timescales.</li> <li>• The Local Pension Board have oversight of risk monitoring to assist the Pensions Committee on decision making.</li> </ul>	3	2	6	G

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
11.	Lack of understanding of employer responsibilities which could result in statutory and non-statutory deadlines being missed.	3	4	12	A	<ul style="list-style-type: none"> <li>Employers are made aware of their responsibilities upon admission via the Pension Service website and direct employer communication.</li> <li>Training is provided to employers by a dedicated Employer's Team as required.</li> <li>The importance of a statutory deadlines is stressed to employers through regular communications and events such as the Employer Forum.</li> <li>Support is also available through the website, dedicated employers help line and templates issued where applicable.</li> <li>An Administration Strategy is in place setting out employer performance targets.</li> <li>In the process of agreeing escalation pathways with the Fund's major providers of member data.</li> </ul>	2	3	6	G
12.	Custody arrangements may not be sufficient to safeguard Pension Fund assets.	4	2	8	A	<ul style="list-style-type: none"> <li>The Custodian is selected from experienced providers on the LGPS National Framework who have met the quality criteria for the framework.</li> <li>Complete and authorised agreements are in place with external custodian.</li> <li>External custodian's compliance with International Standard on Assurance Engagements (ISAE) No. 3402, Assurance Reports on Controls at a Service Organisation.</li> <li>Officers of the Fund engage in quarterly monitoring of custodian performance.</li> </ul>	4	1	4	G

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	• Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
13.	Pension Fund systems and data may not be secure and appropriately maintained - including cyber risk.	4	2	8	A	<ul style="list-style-type: none"> <li>System user controls are in place including regular password changes.</li> <li>Access rights are controlled and data is backed up.</li> <li>Audit trails are in place.</li> <li>Pension system is protected against viruses and other system threats.</li> <li>The pensions administration system is updated to ensure LGPS requirements are met by adhering to legislation, meeting disclosure regulations and following statutory guidance.</li> <li>Hosted pensions server and backup server are at separate sites.</li> <li>Disaster recovery plans are in place for both the administration system software supplier and the authority.</li> <li>Compulsory annual online training for Officers on Cyber resilience and Data Protection.</li> <li>Continually keeping up to date with evolving developments to ensure robust cyber resilience in conjunction with specialist advice, including the resilience with using laptops and non-corporate Wi-Fi networks.</li> <li>Data asset mapping is being undertaken (and will be continually reviewed) to understand risks during data transfer and whilst data is held by third parties.</li> <li>Development of a Cyber Strategy and action plan to increase resilience.</li> </ul>	4	1	4	G

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
14.	Failure to administer the scheme in line with regulations and guidance.	5	2	10	A	<ul style="list-style-type: none"> <li>• Policies and strategies are in place and are accessible on the Fund website.</li> <li>• Policies and strategies are subject to review at appropriate intervals and subject to stakeholder consultation where necessary.</li> <li>• A Training Strategy is in place for those charged with governance.</li> <li>• Officers attend regional Pension Officer working groups and consult with professional advisors where appropriate.</li> <li>• Employers are aware of their responsibilities within the Fund and what information is required, in what format and by when.</li> <li>• The Fund subscribes to relevant professional bodies such as the Local Authority Pension Funds Forum (LAPFF) and the Pension and Lifetime Savings Association (PLSA).</li> <li>• Working to achieve full compliance with the Pensions Regulator pledge to combat pension scams.</li> </ul>	4	1	4	G



Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
15.	Failure to recognise and manage conflicts of interest.	4	2	8	A	<ul style="list-style-type: none"> <li>Declaration of interests are made at the beginning of all statutory meetings where not held on the Councillor declaration register.</li> <li>Conflicts of Interest Policy in place for the Local Pension Board.</li> <li>Committee and Board members are encouraged to undertake the Pension Regulator's Toolkit which includes a conflicts of interest module.</li> </ul>	2	2	4	G
16.	Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making.	3	2	6	G	<ul style="list-style-type: none"> <li>Committee and Board papers are provided for each scheduled meeting, providing relevant information to inform decision making.</li> <li>Papers are subject to appropriate approvals including that of the Monitoring Officer and Section 151 Officer (for Pensions Committee papers) and Head of Pensions.</li> <li>Yearly effectiveness reviews for Committee and Board members are carried out to identify if any changes need to be made to the information delivered.</li> </ul>	2	2	4	G

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
17.	Pension Fund Investments may not be accurately valued.	3	2	6	G	<ul style="list-style-type: none"> <li>The Fund employs a custodian to independently review the fund asset values applied by Fund Managers and these valuations are applied in the year-end financial statements.</li> <li>The year-end financial statements record the Funds asset position and is subject to robust review by external audit.</li> <li>Officers work closely with the Fund's Custodian to ensure accuracy of asset valuations.</li> </ul>	2	2	4	G
18.	Actual experience materially differs from actuarial assumptions used at each valuation.	3	3	9	A	<ul style="list-style-type: none"> <li>Assumptions and actual experience are analysed through triennial valuations to ensure assumptions remain appropriate.</li> <li>Officers in partnership with Fund advisers report asset allocation performance quarterly to the Investment Sub Committee.</li> <li>Investment performance is reported monthly to the Fund Actuary.</li> <li>A specialist longevity service is employed to provide accurate Fund specific longevity analysis.</li> <li>Probability based/stochastic modelling techniques are used by the Fund Actuary to reduce the reliance on deterministic assumptions, ensuring numerous possible financial scenarios are modelled.</li> </ul>	2	2	4	G

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
19.	Failure to act appropriately upon expert advice and/or risk of poor advice.	4	2	8	A	<ul style="list-style-type: none"> <li>Pension Committee decisions and oversight by the Local Pension Board.</li> <li>Investment consultants and independent advisors appointed via a robust appointment process.</li> <li>Members are encouraged to participate in Skills &amp; Knowledge training and attend relevant industry conferences. Detailed training records are maintained.</li> <li>Working to achieve full compliance with the Pensions Regulator pledge to combat pension scams.</li> <li>Continually keeping up to date with evolving developments to ensure robust cyber resilience in conjunction with specialist advice, including the resilience with using laptops and non-corporate Wi-Fi networks.</li> </ul>	2	2	4	G
20.	Failure to assess and monitor the financial strength of an employer covenant to ensure employer liabilities are met in conjunction with the Fund Actuary/specialist advisors.	3	3	9	A	<ul style="list-style-type: none"> <li>Assessment of the strength of individual employer covenants in conjunction with the actuary and what bond/guarantor arrangements are in place.</li> <li>Close liaison with employers in managing exit strategy in line with the Admitted bodies, Scheme employers and Transfer Policy.</li> <li>Ensure individual employers are monitored closely to pre-empt when they are likely to cease and put in arrangements to fund cessation on an appropriate basis.</li> </ul>	2	2	4	G

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
21.	Unable to deliver pension services due to an inadequate business continuity plan.	3	2	6	G	<ul style="list-style-type: none"> <li>Business Continuity plan in place and is reviewed at least annually.</li> <li>Business continuity arrangements includes the ability for staff to work remotely to meet the demands of the service.</li> <li>Multi skilling across the service for flexibility and resilience.</li> </ul>	2	2	4	G
22.	Unable to deliver pension services due to inadequate recruitment and retention processes.	3	2	6	G	<ul style="list-style-type: none"> <li>Establishment reporting undertaken monthly to identify any recruitment/retention issues.</li> <li>Recruitment undertaken utilising all available avenues including agency staff.</li> <li>Staff leaving interviewed to understand reason for cessation.</li> <li>Regular performance reporting across all business processes serves as early warning system.</li> <li>Consultancy contracts in place as a backstop.</li> </ul>	2	2	4	G

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
23.	Investment decisions and portfolio management may not achieve the return required or be performed in accordance with instructions provided.	3	2	6	G	<ul style="list-style-type: none"> <li>The Fund is compliant with Investment regulations and best practice guidance.</li> <li>The Fund appoints professional investment advisers to support the Pension Committees investment decisions.</li> <li>The Funds asset allocation is considered by the Actuary when undertaking the triennial valuation.</li> <li>Investment performance is closely monitored, in particular the Investment Sub Committee receives quarterly performance reports provided by recognised industry professionals highlighting key issues.</li> <li>The Fund has an appropriate Investment Strategy Statement in place which also addresses Environmental, Social and Governance (ESG) issues.</li> </ul>	3	1	3	G

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
24.	Incorrect production of accounts, notices, publications and management reports leading to possible financial and reputational damage.	3	2	6	G	<ul style="list-style-type: none"> <li>Automated extraction of data where viable and agreed procedures for reporting.</li> <li>Robust authorisation protocols in place.</li> <li>Internal and External audit reviews.</li> <li>Contributions are reconciled against employer monthly reports and the bank account, which is subject to both internal and external audit review as part of the year end process.</li> <li>Membership year end reconciliation and investigate variations from the accounting valuations.</li> <li>Management and administration are maintained in accordance with the SORP and the Financial Regulations.</li> <li>Data Improvement Policy and Plan are in place.</li> <li>Anti-Fraud and Corruption Policy in place.</li> </ul>	3	1	3	G
25.	Incorrect/poor quality data held on the Pension Administration and Payroll platforms leading to incorrect information being provided to members and stakeholders.	3	3	9	A	<ul style="list-style-type: none"> <li>The Data Improvement Policy and Plan are in place.</li> <li>The Data Improvement Policy and Plan are reviewed at least annually and material amendments approved by the Pensions Committee. The Local Pension Board have oversight of policy reviews.</li> <li>The Pension Committee and Local Pension Board receive updates against the plan quarterly.</li> </ul>	3	1	3	G
26	Pension Fund objectives are not defined and agreed.	4	2	8	A	<ul style="list-style-type: none"> <li>Objectives are agreed as part of the Annual Business Plan and Medium Term Strategy by the Pensions Committee.</li> <li>Relevant objectives are referenced on every committee report.</li> <li>Objectives are referenced in all policy documents and the risk register to ensure appropriate focus.</li> </ul>	2	1	2	G

## **Criteria for assessing impact and likelihood**

### **Impact**

<b>Description</b>	<b>Risk Appetite</b>
Catastrophic (5)	<ul style="list-style-type: none"> <li>• Unacceptable level of risk exposure which requires immediate action to be taken.</li> <li>• &gt;£10m.</li> <li>• Section 151 or government intervention or criminal charges.</li> <li>• Critical long term disruption to service delivery.</li> <li>• Significant and sustained local opposition to policies and/or sustained negative media reporting in national media.</li> </ul>
Major (4)	<ul style="list-style-type: none"> <li>• Unacceptable level of risk exposure which requires regular active monitoring (at least quarterly) and measures put in place to reduce exposure.</li> <li>• &lt;£10m.</li> <li>• Major civil litigation setting precedent and/or national public enquiry.</li> <li>• Major disruption to service delivery.</li> <li>• Sustained negative coverage in local media or negative reporting in the national media.</li> </ul>
Moderate (3)	<ul style="list-style-type: none"> <li>• Acceptable level of risk exposure subject to regular active monitoring measures, at least quarterly.</li> <li>• &gt;£5m.</li> <li>• Major civil litigation and/or public enquiry.</li> <li>• Moderate direct effect on service delivery.</li> <li>• Significant negative front page reports/editorial comment in the local media.</li> </ul>
Minor (2)	<ul style="list-style-type: none"> <li>• Acceptable level of risk exposure subject to regular passive monitoring measures, at least half yearly.</li> <li>• &gt;£1m.</li> <li>• Minor regulatory enforcement.</li> <li>• Minor disruption to service delivery.</li> <li>• Minimal negative local media reporting.</li> </ul>
Insignificant (1)	<ul style="list-style-type: none"> <li>• Acceptable level of risk exposure subject to periodic passive monitoring measures, at least annually.</li> <li>• &gt;£0.5m.</li> <li>• Minor civil litigation or regulatory criticism.</li> <li>• Insignificant disruption to service delivery.</li> <li>• No reputational impact.</li> </ul>

**Likelihood**

<b>Description</b>	<b>% risk of happening</b>	<b>Or</b>	<b>Potential timescale</b>
Rare (1)	5		Once in 20 or more years
Unlikely (2)	15		Once in 10 to less than 20 years
Possible (3)	40		Once in 3 to less than 10 years
Likely (4)	65		Once in 1 to less than 3 years
Almost certain (5)	80		At least once in a year

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# Northamptonshire Pension Fund Risk Strategy 2019

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## **1. Introduction**

1.1 This is the Risk Strategy of the Northamptonshire Pension Fund ("the Fund"), part of the Local Government Pension Scheme ("LGPS") managed and administered by Northamptonshire County Council ("the Administering Authority"). The Risk Strategy details the Fund's approach to managing risk including:

- the risk philosophy for the management of the Fund and, in particular, attitudes to, and appetite for, risk
- how risk management is implemented
- risk management responsibilities
- the procedures that are adopted in the Fund's risk management process
- the key internal controls operated by the Administering Authority and other parties responsible for the management of the Fund

## **2. Strategy objectives**

2.1 In relation to understanding and monitoring risk, the Administering Authority aims to:

- integrate risk management into the culture and day-to-day activities of the Fund
- raise awareness of the need for risk management by all those connected with the management of the Fund (including advisers, employers and other partners)
- anticipate and respond positively to change
- minimise the probability of negative outcomes for the Fund and its stakeholders
- establish and maintain a robust framework and procedures for identification, analysis, assessment and management of risk and the reporting and recording of events, based on best practice
- ensure consistent application of the risk management methodology across all Fund activities, including projects and partnerships.

2.2 To assist in achieving these objectives in the management of the Fund, the Administering Authority will aim to comply with:

- the CIPFA Managing Risk publication and
- the Pensions Act 2004 and the Pensions Regulator's Code of Practice for Public Service Pension Schemes as they relate to managing risk.

## **3. Purpose of the strategy**

3.1 The Administering Authority recognises that effective risk management is an essential element of good governance in the LGPS. By identifying and managing risks through an effective policy and risk management strategy, the Administering Authority can:

- demonstrate best practice in governance
- improve financial management
- minimise the risk and effect of adverse conditions
- identify and maximise opportunities that might arise
- minimise threats

3.2 The Administering Authority adopts best practice risk management, which supports a structured and focused approach to managing risks and ensures risk management is an integral part in the governance of the Fund at a strategic and operational level.

#### **4. Effective date**

4.1 This policy was first approved by the Pension Committee on 18<sup>th</sup> March 2016 and review approved 22<sup>nd</sup> March 2019.

#### **5. Review**

5.1 The Policy will be formally reviewed and updated at least every three years or earlier if the risk management arrangements or other matters included within it merit reconsideration.

#### **6. Scope**

6.1 This Risk Strategy applies to all members of the Pension Committee, the Investment Sub-Committee and the Pension Fund Board, including scheme member and employer representatives. It also applies to officers involved in the management of the Fund including the Chief Finance Officer (Section 151 Officer) and the Head of Pensions.

6.2 Advisers and suppliers to the Fund are also expected to be aware of this Policy, and assist officers, Committee and Sub-Committee members and Board members as required, in meeting the objectives of this Policy.

#### **7. Risk Management Philosophy**

7.1 The Administering Authority recognises that it is not possible nor even desirable, to eliminate all risks. Accepting and actively managing risk is therefore a key part of the risk management strategy for the Fund. A key determinant in selecting the action to be taken in relation to any risk will be its potential impact on the Fund's objectives in the light of the Administering Authority's risk appetite, particularly in relation to investment matters. Equally important is striking a balance between the cost of risk control actions against the possible effect of the risk occurring.

7.2 In managing risk, the Administering Authority will:

- ensure that there is a proper balance between risk taking and the opportunities to be gained
- adopt a system that will enable the Fund to anticipate and respond positively to change
- minimise loss and damage to the Fund and to other stakeholders who are dependent on the benefits and services provided
- make sure that any new areas of activity (new investment strategies, further joint-working, framework agreements etc.) are only undertaken if the risks they present are fully understood and taken into account in making decisions.

- 7.3 The Administering Authority also recognises that risk management is not an end in itself; nor will it remove risk from the Fund or the Administering Authority, however it is a sound management technique that is an essential part of the Administering Authority's stewardship of the Fund. The benefits of a sound risk management approach include better decision-making, improved performance and delivery of services, more effective use of resources and the protection of reputation.

## **8. CIPFA and the Pensions Regulator's Requirements**

### **8.1 CIPFA Managing Risk Publication**

CIPFA has published technical guidance on managing risk in the LGPS. The publication explores how risk manifests itself across the broad spectrum of activity that constitutes LGPS financial management and administration and how, by using established risk management techniques, those risks can be identified, analysed and managed effectively.

The publication also considers how to approach risk in the LGPS in the context of the role of the administering authority as part of a wider local authority and how the approach to risk might be communicated to other stakeholders.

### **8.2 The Pension Regulator's Code of Practice**

The Public Service Pensions Act 2013 added the following provision to the Pensions Act 2004 relating to the requirement to have internal controls in public service pension schemes.

***"249B Requirement for internal controls: public service pension schemes***

*(1) The scheme manager of a public service pension scheme must establish and operate internal controls which are adequate for the purpose of securing that the scheme is administered and managed—*

*(a) in accordance with the scheme rules, and*

*(b) in accordance with the requirements of the law.*

*(2) Nothing in this section affects any other obligations of the scheme manager to establish or operate internal controls, whether imposed by or by virtue of any enactment, the scheme rules or otherwise.*

*(3) In this section, "enactment" and "internal controls" have the same meanings as in section 249A."*

Section 90A of the Pensions Act 2004 requires the Pensions Regulator to issue a code of practice relating to internal controls. The Pensions Regulator has issued such a code in which he encourages scheme managers (i.e. administering authorities in the LGPS) to employ a risk-based approach to assessing the adequacy of their internal controls and to ensure that sufficient time and attention is spent on identifying, evaluating and managing risks and developing and monitoring appropriate controls.

The Pensions Regulator's code of practice guidance on internal controls requires scheme managers to carry out a risk assessment and produce a risk register which should be reviewed regularly. The risk assessment should begin by:

- setting the objectives of the scheme
- determining the various functions and activities carried out in the running of the scheme, and
- identifying the main risks associated with those objectives, functions and activities.

The code of practice goes on to say that schemes should consider the likelihood of risks arising and the effect if they do arise when determining the order of priority for managing risks and focus on those areas where the impact and likelihood of a risk materialising is high. Schemes should then consider what internal controls are appropriate to mitigate the main risks they have identified and how best to monitor them. The code of practice includes the following examples as issues which schemes should consider when designing internal controls to manage risks:

- how the control is to be implemented and the skills of the person performing the control
- the level of reliance that can be placed on information technology solutions where processes are automated
- whether a control is capable of preventing future recurrence or merely detecting an event that has already happened
- the frequency and timeliness of a control process
- how the control will ensure that data are managed securely, and
- the process for flagging errors or control failures, and approval and authorisation controls.

The code states that risk assessment is a continual process and should take account of a changing environment and new and emerging risks. It further states that an effective risk assessment process will provide a mechanism to detect weaknesses at an early stage and that schemes should periodically review the adequacy of internal controls in:

- mitigating risks
- supporting longer-term strategic aims, for example relating to investments
- identifying success (or otherwise) in achieving agreed objectives, and
- providing a framework against which compliance with the scheme regulations and legislation can be monitored.

Under section 13 of the Pensions Act 2004, the Pensions Regulator can issue an improvement notice (i.e. a notice requiring steps to be taken to rectify a situation) where it is considered that the requirements relating to internal controls are not being adhered to.

- 8.3 The Administering Authority adopts the principles contained in CIPFA's Managing Risk in the LGPS document and the Pension Regulator's code of practice in relation to the Fund. This Risk Strategy highlights how the Administering Authority strives to achieve those principles through use of risk management processes and internal controls incorporating regular monitoring and reporting.

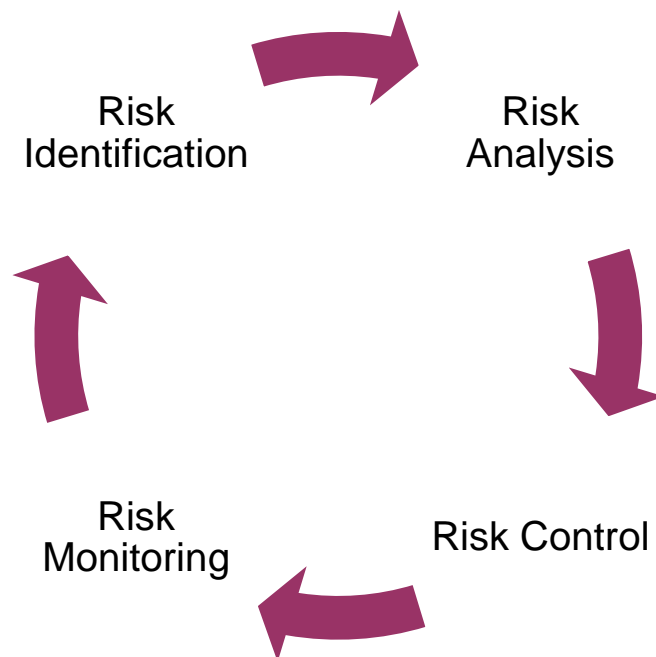
## 9. Responsibility

- 9.1 The Administering Authority must be satisfied that risks are appropriately managed. For this purpose, the officers are responsible for ensuring the process outlined below is carried out, subject to the oversight of the Pension Committee and Pension Fund Board.

It is the responsibility of each individual covered by this Strategy to identify any potential risks for the Fund and ensure that they are fed into the risk management process.

## 10. The Northamptonshire Pension Fund Risk Management Process

- 10.1 The Administering Authority's risk management process is in line with that recommended by CIPFA and is a continuous approach which systematically looks at risks surrounding the Fund's past, present and future activities. The main processes involved in risk management are identified in the figure below and detailed in the following sections.



### 10.2 Risk identification

The risk identification process is both a proactive and reactive one: looking forward i.e. horizon scanning for potential risks, and looking back, by learning lessons from reviewing how previous decisions and existing processes have manifested in risks to the organisation.

Risks are identified by a number of means including, but, not limited to:

- formal risk assessment exercises overseen by the Pension Committee and Pension Fund Board
- performance measurement against agreed objectives
- monitoring against the Fund's business plan

- findings of internal and external audit and other adviser reports
- feedback from the local Pension Board, employers and other stakeholders
- informal meetings of senior officers or other staff involved in the management of the Fund
- liaison with other organisations, regional and national associations, professional groups, etc.

Once identified, risks will be documented on the Fund's risk register, which is the primary control document for the subsequent analysis, control and monitoring of those risks.

### 10.3 Risk analysis

Once potential risks have been identified, the next stage of the process is to analyse and profile each risk. Risks will be assessed by considering the likelihood of the risk occurring and the effect if it does occur, with the score for likelihood multiplied by the score for impact to determine the current overall risk rating, as illustrated in the table below.

<b>Potential impact if risk occurred</b>	5 Catastrophic	5	10	15	20	25
	4 Major	4	8	12	16	20
	3 Moderate	3	6	9	12	15
	2 Minor	2	4	6	8	10
	1 Insignificant	1	2	3	4	5
		1 Rare (5%)	2 Unlikely (15%)	3 Possible (40%)	4 Likely (65%)	5 Almost certain (80%)

**Likelihood and percentage of risk occurring**

When considering the risk rating, the Administering Authority will have regard to the existing controls in place and these will be summarised on the risk register.

The criteria for impact and likelihood are detailed in **Appendix 1**.

### 10.4 Risk control

The Governance and Regulations Manager will review the extent to which the identified risks are covered by existing internal controls and determine whether any further action is required to control the risk, including reducing the likelihood of a risk event occurring or reducing the severity of the consequences should it occur. Before any such action can be taken, Pension Committee approval may be required where appropriate officer delegations are not in place. The result of any change to the internal controls could result in any of the following:



- Risk elimination – for example, ceasing an activity or course of action that would give rise to the risk.
- Risk reduction – for example, choosing a course of action that has a lower probability of risk or putting in place procedures to manage risk when it arises.
- Risk transfer – for example, transferring the risk to another party either by insurance or through a contractual arrangement.

The Fund's risk register details all further action in relation to a risk and the owner for that action. Where necessary, the Administering Authority will update the Fund's business plan in relation to any agreed action as a result of an identified risk.

## **10.5 Risk monitoring**

Risk monitoring is the final part of the risk management cycle and will be the responsibility of the Pension Committee. In monitoring risk management activity, the Committee will consider whether:

- the risk controls taken achieved the desired outcomes
- the procedures adopted and information gathered for undertaking the risk assessment were appropriate
- greater knowledge of the risk and potential outcomes would have improved the decision-making process in relation to that risk
- there are any lessons to be learned for the future assessment and management of risks.

## **11. Reporting and monitoring**

- 11.1 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 an annual basis to the Pension Committee.

The Pension Committee will be provided with updates on an ongoing basis in relation to any significant changes to risks (for example where a risk has changed by a score of 3 or more) or new major risks (for example, scored 15 or more).

As a matter of course, the Pension Fund Board will be provided with the same information as is provided to the Pension Committee (or Investment Sub-Committee as appropriate) and they will be able to provide comment and input to the management of risks.

In order to identify whether the objectives of this policy are being met, the Administering Authority will review the delivery of the requirements of this Strategy on an annual basis taking into consideration any feedback from the Pension Fund Board.

## **12. Key risks to the effective delivery**

- 12.1 The key risks to the delivery of this Strategy are outlined below. The Pension Committee will monitor these and other key risks and consider how to respond to them following updates and recommendations from officers.

- Risk management becomes mechanistic, is not embodied into the day to day management of the Fund and consequently the objectives of the Policy are not delivered
- Changes in Pension Committee and/or Pension Fund Board membership and/or senior officers mean key risks are not identified due to lack of knowledge
- Insufficient resources are available to satisfactorily assess or take appropriate action in relation to identified risks
- Risks are incorrectly assessed due to a lack of knowledge or understanding, leading to inappropriate levels of risk being taken without proper controls
- Lack of engagement or awareness of external factors means key risks are not identified
- Conflicts of interest or other factors lead to a failure to identify or assess risks appropriately

### **13. Costs**

13.1 All costs related to this Risk Strategy are met directly by the Fund.

## Appendix 1 – Criteria for assessing impact and likelihood

### Impact

Description	Risk Appetite
Catastrophic (5)	<ul style="list-style-type: none"> <li>Unacceptable level of risk exposure which requires immediate action to be taken.</li> <li>&gt;£10m.</li> <li>Section 151 or government intervention or criminal charges.</li> <li>Critical long term disruption to service delivery.</li> <li>Significant and sustained local opposition to policies and/or sustained negative media reporting in national media.</li> </ul>
Major (4)	<ul style="list-style-type: none"> <li>Unacceptable level of risk exposure which requires regular active monitoring (at least quarterly) and measures put in place to reduce exposure.</li> <li>&lt;£10m.</li> <li>Major civil litigation setting precedent and/or national public enquiry.</li> <li>Major disruption to service delivery.</li> <li>Sustained negative coverage in local media or negative reporting in the national media.</li> </ul>
Moderate (3)	<ul style="list-style-type: none"> <li>Acceptable level of risk exposure subject to regular active monitoring measures, at least quarterly.</li> <li>&lt;£5m.</li> <li>Major civil litigation and/or local public enquiry.</li> <li>Moderate direct effect on service delivery.</li> <li>Significant negative front page reports/editorial comment in the local media.</li> </ul>
Minor (2)	<ul style="list-style-type: none"> <li>Acceptable level of risk subject to regular passive monitoring measures, at least half yearly.</li> <li>&lt;£1m.</li> <li>Minor regulatory enforcement.</li> <li>Minor disruption to service delivery.</li> <li>Minimal negative local media reporting.</li> </ul>
Insignificant (1)	<ul style="list-style-type: none"> <li>Acceptable level of risk subject to periodic passive monitoring measures, at least annually.</li> </ul>

	<ul style="list-style-type: none"> <li>• &lt;£0.5m.</li> <li>• Minor civil litigation or regulatory criticism.</li> <li>• Insignificant disruption to service delivery.</li> <li>• No reputational impact.</li> </ul>
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**Likelihood**

Description	% risk of happening	Or	Potential timescale
Rare (1)	5		Once in 20 or more years
Unlikely (2)	15		Once in 10 to less than 20 years
Possible (3)	40		Once in 3 to less than 10 years
Likely (4)	65		Once in 1 to less than 3 years
Almost certain (5)	80		At least once in a year

## **West Northamptonshire Council**

### **Pension Committee**

**15/06/2021**

### **Mark Whitby – Head of Pensions**

<b>Report Title</b>	2021/2022 Northamptonshire Pension Fund Communications Plan
<b>Report Author</b>	Cory Blose, Employer Services Manager, cory.blose@westnorthants.gov.uk

#### **Contributors/Checkers/Approvers**

<b>West MO</b>	John Murphy on behalf of Catherine Whitehead	23 May 2021
<b>West S151</b>	James Smith on behalf of Martin Henry	19 May 2021
<b>Head of Pensions</b>	Mark Whitby	13 May 2021

#### **List of Appendices**

#### **Appendix A – Northamptonshire Pension Fund Communications Plan**

##### **1. Purpose of Report**

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- 1.1. The purpose of the report is to seek approval of the Fund's Communications Plan for the 2021/22 scheme year.

##### **2. Executive Summary**

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- 2.1 The Communications Plan outlines the Fund's planned communication activities on a monthly basis for each stakeholder group. As well as setting out planned newsletters, surveys, employer training and web updates the plan also highlights some of the Fund's key initiatives for the year.

##### **3. Recommendations**

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- 3.1 The Pension Committee is asked to approve the Communications Plan
- 3.2 Reason for Recommendation: To accord with the Local Government Pension Scheme Regulations 2013 to provide information and publicity about the scheme to members, representatives of members and scheme employers.

#### **4. Report Background**

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- 4.1 Regulation 61 of the Local Government Pension Scheme Regulations 2013 state that an administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with members and scheme employers. The Pension Committee approved a Communications Strategy on 16 October 2020.
- 4.2 The Communications Plan for 2021/22 details the communications activities to be undertaken within the scheme year and has been prepared in line with the Strategy.

#### **5. Issues and Choices**

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- 5.1 The Communications Plan included as Appendix A outlines the Fund's planned communication activities for the year, on a monthly basis, for each of the Fund's stakeholders.
- 5.2 The Communications Plan highlights Fund activities to communicate the local government reorganisation to members and employers including new contact details and branding.
- 5.3 This also created an opportunity to encourage more members to sign up to their online pension account to help them manage and keep track of their pension benefits and personal information.
- 5.4 It also includes plans to consult with members and employers on changes to the Fund's Investment Strategy Statement and Funding Strategy Statement.
- 5.5 The plan also includes timings for issuing statutory communications and cyclical newsletters, surveys, employer training, and web updates.

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

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##### **6.1 Resources and Financial**

- 6.1.1 There are no direct finance and resourcing implications of this plan. Ongoing communication costs are picked up in the administration budget.
- 6.1.2 The Fund's drive to increase electronic communications should save costs in the long term.

##### **6.2 Legal**

- 6.2.1 Not applicable.

##### **6.3 Risk**

- 6.3.1 The administering authority is required by legislation to prepare, maintain and publish a written statement setting out its policy concerning communications with members and scheme employers.

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

Risk No.	Risk	Residual risk rating
6	Information may not be provided to stakeholders as required.	Green
14	Failure to administer the scheme in line with regulations and guidance	Green

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/>

#### 6.4 Relevant Pension Fund Objectives

6.4.1 The following objectives have been considered in this report:

- To promote the scheme as a valuable benefit.
- To deliver consistent plain English communications to stakeholders.
- To provide scheme members with up to date information about the scheme in order that they can make informed decisions about their benefits.
- To seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund.

#### 6.5 Consultation

6.5.1 Not applicable.

### 7. Background Papers

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7.1 Communications Strategy

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

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Communications plan 2021/22

Month	Active members	Scheme employers	Prospective members	Deferred members	Retired members	Dependant members	Fund staff
<b>APR</b>	Local government reorganisation / new contact details / new branding communication.  Online pension account promotion.  Member survey.	Year-end activities training / communications.		Local government reorganisation / new contact details / new branding communication.  Online pension account promotion.  Member survey.			
<b>MAY</b>	Local government reorganisation / new contact details / new branding communication.  Online pension account promotion.  Investment strategy consultation. Transfer of employment letters.  Member survey.	Local government reorganisation / new contact details / new branding communication.  Employer responsibilities training.  Calculating pensionable pay training.		Local government reorganisation / new contact details / new branding communication.  Online pension account promotion.  Investment strategy consultation.  Member survey.	Payslip – online pension  Investment strategy consultation.  Member survey.	Payslip – online pension  Investment strategy consultation.  Member survey.	Accessibility training.

Month	Active members	Scheme employers	Prospective members	Deferred members	Retired members	Dependant members	Fund staff
		Investment strategy consultation.  Fund Strategy Statement consultation.					
JUN	Member survey.	A guide to formulating your discretions policy training.  i-Connect monthly submission (on-line return) training.  Employer newsletter.		Annual benefit statement communications.  Online pension account promotion.  Scam communication.  Lifetime allowance freeze.  Newsletter.  Member survey.	Member survey.	Member survey.	
JUL	Online pension account promotion.  Member survey.	Employer forum.  Tupes and outsourcing training.	Online pension account promotion.	Member survey.	Member survey.	Member survey.	
AUG	Annual benefit statement communication.  Online pension account promotion.  Scam communication.	Active annual benefit statement comms materials for employers.  Scam communication.	Online pension account promotion.	Member survey.	Member survey.	Member survey.	Staff newsletter

Month	Active members	Scheme employers	Prospective members	Deferred members	Retired members	Dependant members	Fund staff
	Lifetime allowance freeze. Newsletter. Member survey.	Employer responsibilities training. Employer newsletter.					
SEPT	Online pension account promotion. Member survey.	Ill-health retirement training. Active annual benefit statement comms materials for employers. Customer service excellence assessment.	Online pension account promotion.	Member survey.	Member survey.	Member survey.	
OCT	Aggregation letters. Member survey. Pension saving statements.	Calculating pensionable pay training.		Member survey.	Member survey.	Member survey.	Staff newsletter
NOV	Member survey.	i-Connect monthly submission (on-line return) training. Employer newsletter.		Member survey.	Member survey. Mortality screening.	Member survey.	
DEC	Member survey.			Member survey.	Member survey.	Member survey.	

Month	Active members	Scheme employers	Prospective members	Deferred members	Retired members	Dependant members	Fund staff
<b>JAN</b>	Member survey.	Employer responsibilities training.		Member survey.	Member survey.	Member survey.	Staff newsletter
<b>FEB</b>	Member survey.	Calculating pensionable pay training.  Employer newsletter.		Member survey.	Member survey.	Member survey.	
<b>MAR</b>	Member survey.	Year-end activities training / communications.		Member survey.	Newsletter – All schemes  Payslip – online pension promotion  Member survey.	Newsletter – All schemes  Payslip – online pension promotion  Member survey.	
<b>Ad hoc Comms</b>	Website updates	Training Workshops  Pension Bulletins  Website updates  Valuation Report (every 3 yrs)	Promotional Posters  Website updates	Website updates	Website updates	Annual review of entitlement – May/June.  Website updates	Website updates

## West Northamptonshire Council

### Pension Committee

**15/06/2021**

### Mark Whitby – Head of Pensions

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

#### Contributors/Checkers/Approvers

<b>West MO</b>	John Murphy on behalf of Catherine Whitehead	23 May 2021
<b>West S151</b>	James Smith on behalf of Martin Henry	19 May 2021
<b>Head of Pensions</b>	Mark Whitby	13 May 2021

#### List of Appendices

None

#### **1. Purpose of Report**

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- 1.1 To report the admission of five employers to the Northamptonshire Pension Fund across five admission agreements.
- 1.2 To report the admission of one designating body to Northamptonshire Pension Fund
- 1.3 To notify the Committee of one body ceasing in the Northamptonshire Pension Fund

#### **2. Executive Summary**

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- 2.1 Following a number of TUPE transfers five contractors have applied for admitted body status within the Northamptonshire Pension Fund and signed an admission agreement undertaking to meet the requirements of the Local Government Pension Scheme Regulations 2013. As a result, the Pension Committee must admit to the Scheme all eligible employees of those bodies.

- 2.2 Appropriate written amendments have been made to these admission agreements, in accordance with advice received from the Fund's legal advisor, as they pre-date local government reorganisation in Northamptonshire.
- 2.3 Northampton Town Council was established following the reorganisation of local government in Northamptonshire. The Council has a statutory right to admit some or all employees into the Local Government Pension Scheme as long as the Council passes a resolution designating all or some of its employees as being eligible for membership of the Scheme.
- 2.4 As a result of the last active member leaving the Scheme, the admission agreement between Compass Contract Services Limited and David Ross Education Trust has come to an end with the assets and liabilities being retained by the academy trust.

### **3. Recommendations**

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- 3.1 The Pension Committee is asked to:
- a) Note the admission of the following admitted bodies to the Northamptonshire Pension Fund and approve the sealing of the following admission agreements;
- Alliance in Partnership Limited
  - Compass Contract Services Limited
  - Everyone Active (Sports and Leisure Management Limited)
  - Innovate Services Limited
  - Miquill (South) Limited
- b) Note the admission of the following designating body to the Northamptonshire Pension Fund;
- Northampton Town Council
- c) Note the exit of the following body from the Northamptonshire Pension Fund:
- Compass Contract Services Limited
- 3.2 Reason for Recommendations: To comply with the Local Government Pension Scheme Regulations 2013. Under the Regulations, the bodies listed either have a statutory right to offer membership of the LGPS or have entered into an admission agreement and therefore undertaken to meet the requirements of the Regulations. The Pension Fund Committee has no discretion in these circumstances to refuse entry.

### **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.

This report provides an update on admissions to and cessations from the Northamptonshire Pension Fund since the last meeting of the Pension Committee.

### **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) 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 As the admission agreements pre-date local government reorganisation in Northamptonshire, advice has been sought from the Fund's legal advisors, Squire Patton Boggs, and appropriate written amendments have been made in the agreements to reflect the transfer of rights and obligations to the new administering authority, West Northamptonshire Council, or the new schemer employer, West Northamptonshire Council or North Northamptonshire Council.
- 5.1.5 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.

Date of admission	New Admission Body	Background Information
01/04/2020	Alliance in Partnership Limited  (Magdalen College School)	Magdalen College School has entered into a contract with Alliance in Partnership Limited to provide catering services at Grange Primary Academy. As a result, a group of employees were transferred to the admission body and a pass through admission agreement has been put in place. This agreement has been backdated to 1 April 2020 and we have received all back dated contributions.
01/09/2014	Compass Contract Services Limited  (Eastfield Academy and Rockingham Primary School)	The David Ross Education Trust has entered into a contract with Compass Contract Services Limited to provide cleaning services at The Eastfield Academy and Rockingham Primary School. As a result, a group of employees were transferred to the admission body and a pass through admission agreement has been put in place. This agreement has been backdated to 1 September 2014 after the case was re-opened on request of the admission body and scheme employer. Backdated contributions will be collected by 19 June 2021.
01/08/2020	Innovate Services Limited  (Campion School)	The Campion School and Language College have entered into a contract with Innovate Services Limited to provide children's services at The Campion School. As a result, a group of employees were transferred to the admission body and a pass through admission agreement has been put in place. This agreement has been backdated to 1 August 2020 and backdated contributions will be collected by 19 June 2021.

01/11/2020	Miquill (South) Limited  (Whitefriars Primary School)	Whitefriars Primary School, a North Northamptonshire LEA school, have entered into a contract with Miquill (South) Limited to provide catering services. As a result, a group of employees were transferred to the admission body and a pass through admission agreement has been put in place. This agreement has been backdated to 1 November 2020 and backdated contributions will be collected by 19 June 2021.
24/02/2020	Everyone Active  (Sports and Leisure Management Limited)	Daventry District Council entered into a contract with Everyone Active (a subsidiary company of Sports and Leisure Management) to operate services at Moulton Leisure Centre. As a result, a group of employees were transferred to the admission body and a pass through admission agreement has been put in place. This agreement has been backdated to 24 February 2020 and backdated contributions will be collected by 19 June 2021.

## 5.2 New Designating Body

- 5.2.1 Regulation 3 (1) of the Regulations provides for a person employed by a body listed in Schedule 2 and is designated, or belongs to a class of employees designated, by the body, to be an active member of the Local Government Pension Scheme.
- 5.1.2 The designating body has to pass a resolution to designate employees as eligible for membership of the Local Government Pension Scheme.
- 5.1.3 Paragraph 2(a) of Part 2 of Schedule 2 provides for a precepting authority within the meaning of section 69 of the Local Government Finance Act 1992 (interpretation) to be a designating body.
- 5.1.4 The Committee is asked to note that the following employer is a designating body by means of being a precepting authority within the meaning of paragraph 2(a) of Part 2 of Schedule 2 to the Regulations.

Date of Admission	Designating Body	Background Information
01/04/2021	Northampton Town Council	Northampton Town Council was established as part of the reorganisation of local government in Northamptonshire. As a result, a group of staff were transferred from Northampton Borough Council to Northampton Town Council. Northampton Town Council passed a resolution designating all transferred staff as well as all future employees to the LGPS.

## 5.3 Cessations

- 5.3.1 **Compass Contract Services Limited (Kings Heath Primary Academy, Welton CofE Academy & Daventry Academy – David Ross Education Trust)**
- 5.3.2 Compass Contract Services Limited were admitted to the Fund under a pass through agreement on 4 December 2016, after entering into a contract with The David Ross Education Trust, to provide cleaning services across a number of academies within the Trust.
- 5.3.3 On 20 July 2018, the last active member left the organisation. No exit debit or credit will be required as the pension liabilities were retained by The David Ross Education Trust.



## 6. Implications (including financial implications)

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### 6.1 Resources and Financial

- 6.1.1 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.
- 6.1.2 The employer is also 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.
- 6.1.3 Employers who are unable to pay monies due during the course of active membership may result in unpaid liabilities being borne by other employers in the Fund.

### 6.2 Legal

- 6.2.1 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. A precedent admission agreement was originally drafted by Eversheds Sutherland, former pension legal advisers, in consultation with LGSS Law.
- 6.2.2 The Fund consulted with the Fund's current legal advisors, Squire Patton Boggs, with regards to the local government reorganisation as set out above.

### 6.3 Risk

- 6.3.1 The Pension Committee are responsible for approving some admission bodies into the Fund as well as monitoring all admissions and cessations.
- 6.3.2 The mitigated risks associated with this report have been captured in the Fund's risk register as detailed below -

Risk No.	Risk	Residual risk rating
14	Failure to administer the scheme in line with regulations and guidance	Green
17	Failure to provide relevant information to the pension 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:  
<https://pensions.northamptonshire.gov.uk/governance/key-documents/northamptonshire/>

### 6.4 Relevant Pension Fund Objectives

- 6.4.1 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 termination of a scheme employer.

## 6.5 Consultation

6.5.1 Contribution rate assessments are undertaken by Hymans Robertson, the Fund Actuary.

## 7. Background Papers

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None