Public Document Pack

West Northamptonshire Council

Pensions Fund Committee

A meeting of the Pensions Fund Committee will be held at the Jeffery Room, The Guildhall, Northampton, NN1 1DE on Monday 11 October 2021 at 4.00 pm

Agenda

1.	**Apologies for Absence** To receive apologies for absence and notification of substitutes.
2.	**Declarations of Interest** Members are asked to declare any interest and the nature of that interest which they may have in any of the items under consideration at this meeting.
3.	**Minutes** (Pages 5 - 8) To confirm the minutes of the previous meeting.
4.	**Chair's Announcements** To receive communications from the Chair.
5.	**Action Log** (Pages 9 - 10)
6.	**Administration Performance Report** (Pages 11 - 22)
7.	**Business Plan Update** (Pages 23 - 46)
8.	**Governance and Compliance Report** (Pages 47 - 54)
9.	**Admission Bodies, Scheme Employers and Bulk Transfer Policy** (Pages 55 - 106)

10.	**Admissions and Cessations Report** (Pages 107 - 112)
11.	**Exclusion of Press and Public** The following report(s) contain exempt information as defined in the following paragraph(s) of Part 1, Schedule 12A of Local Government Act 1972. Paragraph 1 – Information relating to any individual. Members are reminded that whilst the following item(s) have been marked as exempt, it is for the meeting to decide whether or not to consider each of them in private or in public. In making the decision, members should balance the interests of individuals or the Council itself in having access to the information. In considering their discretion members should also be mindful of the advice of Council Officers. Should Members decide not to make a decision in public, they are recommended to resolve as follows: "That under Section 100A of the Local Government Act 1972, the public and press be excluded from the meeting for the following item(s) of business on the grounds that, if the public and press were present, it would be likely that exempt information falling under the provisions of Schedule 12A, Part I, Paragraph(s) 1 would be disclosed to them, and that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information."

Catherine Whitehead
Proper Officer
1 October 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 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
If a continuous fire alarm sounds you must evacuate the building via the nearest available fire exit. Members and visitors should proceed to the assembly area as directed by Democratic Services staff and await further instructions.

Access to Meetings
If you have any special requirements (such as a large print version of these papers or special access facilities) please contact the officer named below, giving as much notice as possible before the meeting.

Mobile Phones
Please ensure that any device is switched to silent operation or switched off.

Queries Regarding this Agenda
If you have any queries about this agenda please contact Democratic Services via the following:

Tel: 07391411365
Email: democraticservices@westnorthants.gov.uk

Or by writing to:

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

This page is intentionally left blank

West Northamptonshire Council

Pensions Committee

Public Minutes of a meeting of the Pensions Committee held at Council Chamber, The Guildhall, Northampton, NN1 1DE on Tuesday 27 July 2021 at 4.00 pm.

Present	Councillor Malcolm Longley (Chair) Councillor Charles Morton (Vice-Chair) Councillor Phil Bignell Councillor Paul Joyce Councillor Jamie Lane Councillor Cathrine Russell Councillor Graham Lawman Councillor Lloyd Bunday Peter Borley-Cox John Wignall
Apologies for Absence:	Councillor Peter Matten and Robert Austin
Officers	Maisie McInnes (Democratic Services Officer) Michelle Oakensen (Governance Officer) Richard Perry (Investment Manager) Erhan Reyman (Principal Accounting Technician, Investments) Mark Whitby (Head of Pensions) Fiona Coates (Pension Services Financial Manager)
Also in Attendance:	David Crum (Independent Advisor) Chris West (Mercer Ltd) Sam Gervaise-Jones (Mercer Ltd)

15. Declarations of Interest

Peter Borley-Cox, Councillor Lloyd Bunday and John Wignall declared disclosable pecuniary interests as members of LGPS. Councillor Graham Lawman disclosed a personal interest as his wife is a deferred member of LGPS.

16. Minutes

The minutes of the previous meeting held on 15 June 2021 were approved and signed as an accurate record of the meeting subject to the amendment to Councillor Graham Lawman's declaration of interest.

17. Chairman's Announcements

There were none.

18. Action Log

The Chair asked members to note the action log.

RESOLVED: That the Pension Committee noted the action log.

19. **Internal Audit Report 2020-21**

The Internal Audit Report 2020-21 was presented to the Pensions Committee on behalf of Duncan Wilkinson.

Members discussed the report and any questions would be circulated to Duncan outside of the meeting.

RESOLVED: That the Pension Committee considered and noted the findings from Internal Audit work during 2020-21.

20. **Governance Policy and Compliance Statement**

At the Chair's invitation, the Governance Officer presented the report and explained that following the move to Unitary on 1 April 2021, West Northamptonshire Council was required to produce a new Governance Policy and Compliance Statement as detailed in Appendix A of the report.

The policy was approved by Full Council in May 2021 and once approved by the Pensions Committee would be sent to the secretary of state for approval.

Members discussed the report and approved the Governance Policy and Compliance Statement.

RESOLVED: The Pension Committee approved the Governance Policy and Compliance Statement in Appendix A to demonstrate compliance with Regulation 55 of the Local Government Pension Scheme Regulations 2013.

21. **Administering Authority Discretions**

At the Chair's invitation the Head of Pensions presented the report and explained that the Administering Authority Discretions policy required updating following the change in administering authority from Northamptonshire County Council to West Northamptonshire Council.

Members discussed the report and subject to the removal of 'NCC' in the report, members were happy to approve the report.

RESOLVED: The Pension Committee approved the "Administering Authority Discretions Policy" provided in Appendix A to this report subject to the removal of 'NCC'.

22. **Annual Report and Statement of Accounts 2020-21**

At the Chair's invitation, the Pension Services Financial Manager presented the report and explained that the draft report was based on guidance issued from CIPFA. The Northamptonshire Pension Fund Annual Report and Statement of Accounts set out the scheme framework, including membership of both the Pension Committee and Local Pension Board; management and financial performance, investment policy and performance. Highlights in the Statement of Accounts noted significant increase in the Fund's net assets of £672.6m increasing the net assets to £3,076.9m, contributions have increased reflecting the increase in average contribution rates and increase in benefits reflecting the increase in pensioners during the year.

Members discussed the report.

RESOLVED: The Pension Committee:
a) Approved the Draft Annual Report; and
b) Noted the Draft Statement of Accounts of the Pension Fund for the 2020-21 financial year.

23. **Exclusion of Press and Public**

The Chair moved that the remainder of the meeting be held in private:

That under Section 100A of the Local Government Act 1972, the public and press be excluded from the meeting for the following item(s) of business on the grounds that, if the public and press were present, it would be likely that exempt information falling under the provisions of Schedule 12A, Part I, Paragraph(s) 3 would be disclosed to them, and that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

RESOLVED: Members agreed that the public and press were excluded from the remainder of the meeting and the Pensions Committee moved into private session.

26. **Urgent Business**

There was none.

The meeting closed at 5.25 pm

Chair: ________________________

Date: ________________________

This page is intentionally left blank

NORTHAMPTONSHIRE PENSION FUND

Pension Committee

<u>Agenda Item: 5</u>

Action log from Pension Committee meeting held on 27 July 2021

This log captures the actions from the Pension Committee of the 27 July 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 29 September 2021.

Actions from 27 July 2021 meeting of the Pension Committee -

Item No.	Item	Action to be taken by	Issue	Action/Status
None				

This page is intentionally left blank

West Northamptonshire Council

West Northamptonshire Council

Pension Committee

11/10/2021

Mark Whitby – Head of Pensions

Report Title	**Northamptonshire Pension Fund – Administration Performance Report**
Report Author	**Jo Walton, Governance and Regulations Manager, joanne.walton@westnorthants.gov.uk**

Contributors/Checkers/Approvers

MO	Geoff Wild on behalf of Catherine Whitehead	13/9/2021
S151	James Smith on behalf of Martin Henry	16/9/2021
Head of Pensions	Mark Whitby	3/9/2021

List of Appendices

Appendix A – Performance against key performance indicators
Appendix B – Timeliness of receipt of employee and employer pension contributions

1. Purpose of Report

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

2. Executive Summary

2.1 This report sets out the performance of the Northamptonshire Pension Fund on the following areas of administration:

2.1.1 The achievement against the Key Performance Indicators for the period 1 May to 31 July 2021 (appendix A)

2.1.2 Timeliness of receipt of employee and employer pension contributions for the payroll periods of July 2020 to 30 June 2021 (appendix B).

2.1.3 Occurrences of breaches of the law for the period 1 May to 31 July 2021 (section 5.3).

2.1.4 Details of any Internal Dispute Resolution Procedure cases during the period 1 May 2021 to 31 July 2021 (section 5.4).

3. Recommendations

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

4. Report Background

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

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 May to 31 July 2021 can be found in appendix A along with the explanations for any underperformance.

5.1.2 The majority of the targets have been met and/or exceeded with consistent above target performance in 4 areas for the period. Payment of pension benefits from deferred membership status has not achieved the desired level for the period but has been addressed as detailed in Appendix A.

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 July 2020 to 30 June 2021.

5.2.3 From 1 March to 30 June 2021 all scheme employers paid over their contributions on time. Over the course of 2020/21, a total of 99.5% of employers completed the pay-over by the due date. An average of 99.3% of employers submitted their payment schedules on time in the same time period.

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 Board (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 May to 31 July 2021 the following breaches of the law occurred.

Type of breach	Detail of breach	Course of action
Material	None	n/a
Non-material	Two employers in the Fund failed to submit their year-end submissions by the statutory deadline.	The employers have been reminded of their statutory obligations and the breaches have been recorded on the internal breaches log.

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 May to 31 July 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)
Refusal of request for early payment of deferred benefits on ill health grounds	N/A	Appeal against scheme employer decision received 17 May 2021. Not upheld (10 August 2021).
Inability to provide definitive pension details in a timely manner	Deadline for response was 3 August and has been extended to 3 September 2021 as a result of inability to access records in off-site storage.	N/A
Seeking reinstatement / compensation for two LGPS deferred benefits being transferred to a recognised overseas pension scheme in 2014	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 originally 26 May 2021 and was extended to 6 July 2021. Not upheld (6 July 2021)
Retirement grant paid was less than incorrectly quoted	Partially upheld (25 November 2020)	Appeal received 16 April 2021. Not upheld (15 June 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	Residual risk rating
Information may not be provided to stakeholders as required.	Green
Those charged with governance are unable to fulfil their responsibilities effectively	Green
Failure to provide relevant information to the Pension Fund Committee/Pension Board to enable informed decision making	Green

6.3.2 Please see the full Northamptonshire Pension Fund Risk Register.

6.4 **Relevant Pension Fund Objectives**

6.4.1 The following objectives have been considered in this report -

- To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.
- To ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
- To continually monitor and 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 – 1 May to 31 July 2021

Function/Task	Indicator	Target	Month	Completed	Within Target	Over Target	% Within Target	RAG	Comments
Notify leavers of deferred benefit entitlement.	Notify leavers of deferred benefit entitlements or concurrent amalgamation within 15 working days of receiving all relevant information.	90%	May June July	64 142 116	58 133 113	6 9 3	90 93 97	Green Green Green	SLA target met SLA target met SLA target met
Payment of retirement benefits from active employment	Notify employees retiring from active membership of benefits award, from date payable or date of receiving all necessary information if later within 5 working days.	95%	May June July	48 34 42	46 31 40	2 3 2	95 91 95	Green Amber Green	SLA target met SLA target not met SLA target met
Payment of pension benefits from deferred membership status.	Notify members retiring from deferred membership status of benefits award, from date payable or date of receiving all necessary information if later within 10 working days.	90%	May June July	43 49 49	37 36 36	6 13 13	86 73 73	Amber Red Red	SLA target not met[1] SLA target not met[1] SLA target not met[1]
Award dependant benefits – Statutory	Issue award within 5 working days of receiving all necessary information.	95%	May June July	44 26 26	44 26 26	0 0 0	100 100 100	Green Green Green	SLA target met 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%	May June July	53 60 61	51 58 59	2 2 2	96 96 96	Green Green Green	SLA target met SLA target met SLA target met

Appendix A - Key Performance Indicators – 1 May to 31 July 2021

Provide transfer-in quote to scheme member – Statutory	Letter issued within 10 working days of receipt of all appropriate information.	95%	May June July	29 37 46	28 36 44	1 1 2	96 97 95	Green Green Green	SLA target met SLA target met 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%	May June July	33 10 23	23 9 23	4 1 0	87 90 100	Amber Green Green	SLA target not met SLA target met 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.

[1] Payment of pension benefits from deferred membership status – Over the period staff resource issues in this area has impacted performance with additional pressure of increases in active retirements and estimate requests. There is now a new team member to help address the workload, once the member is fully trained it is expected that performance will improve.

Appendix A - Key Performance Indicators – 1 May to 31 July 2021

This page is intentionally left blank

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
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
April 2021	100	0	100	0
May 2021	100	0	100	0
June 2021	100	0	100	0
Average for period	99.5	0.5	99.3	0.7

Appendix C – Late payment of scheme employer and scheme member pension contributions for May and June 2021

Employer	Payroll Month	Days Late	Amount	Previous late payments during 2020/21	Reported to the Pensions Regulator?	Reason/Action
May 100% of payments were made on time						
June 100% of payments were made on time						

Persistent late payments and submission of accompanying payment schedules are monitored closely and officers work in close liaison with scheme employers and third party payroll providers to resolve issues. The Payment of Employee and Employer Contributions Policy came into force on 1 April 2016 to ensure scheme employers are aware of the consequences of not meeting their statutory obligations and are aware in advance of the ramifications of persistent non-compliance. For employers who persistently pay late the Fund has the right to charge an administration fee and interest.

This page is intentionally left blank

West Northamptonshire Council

West Northamptonshire Council

Pension Committee

11/10/2021

Mark Whitby – Head of Pensions

Report Title	**Northamptonshire Pension Fund - Business Plan and Medium Term Strategy Update Report for the period 1 June 2021 – 31 July 2021**
Report Author	Jo Walton, Governance and Regulations Manager Joanne.walton@westnorthants.gov.uk

Contributors/Checkers/Approvers

MO	Geoff Wild on behalf of Catherine Whitehead	13/9/2021
S151	James Smith on behalf of Martin Henry	16/9/2021
Head of Pensions	Mark Whitby	3/9/2021

List of Appendices

Appendix A – Full list of the key fund activities for the 2021/22 financial year.
Appendix B - Variances against the forecast of investments and administration expenses based on original setting of assumptions
Appendix C – 2022 Valuation Action Plan

1. Purpose of Report

1.1 Good governance requires that updates to the pre-agreed Annual Business Plan and Medium-Term Strategy are provided to the Committee on a regular basis. This update highlights the progress made on the key activities for the period up to the end of 2021/22 financial year.

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.

2.2 The report summarises the progress made on each activity for the period under review.

3. Recommendations

3.1 The Pension Committee is asked to:
Note the Business Plan Update to 31 July 2021

4. Report Background

4.1 Re-tender for strategic investment advisory services

4.1.1 Background: This continued the work undertaken in 2020/21 to re-tender the investment advisory services contract that was previously 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. This was 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.

4.1.2 Key milestones:

Key Milestones	Dates	On target for completion?
Notify successful supplier	April 2021	Completed
Complete Consultancy procurement / complete National Frameworks Order	June 2021	Procurement complete. In negotiation over performance reporting aspects. Rescheduled for September/October 2021
Complete Management Performance Reporting procurement/ complete National Frameworks Order, if required	June 2021	Not applicable
Transition/handover (including historical performance data)	July 2021 to September 2021	Not applicable
New contract begins	1 October 2021	Delayed (see below)
Strategy health check	31 March 2022	On target

4.1.3 Update: Following legal advice, an appropriate Attestation clause has had to be added to the National Frameworks order form which has created a delay with completion. A temporary extension of the existing contract has therefore been put in place until the order form can be finalised.

4.2 Retender for global custody services

4.2.1 Background: 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.

4.2.2 Key milestones:

Key Milestones	Dates	On target for completion?
Work with ACCESS partners to call off a common custodian.	December 2020 to 30 September 2021 (revised date, formerly June 2021)	On target
Complete transition to the new custodian (if required).	July 2021 to September 2021	Not applicable

4.2.3 Update: The successful supplier is the Fund's incumbent Custodian, Northern Trust. As no transition activity is necessary the first milestone date has been extended to 30 September 2021. The remaining actions are for Northern Trust to agree to the Framework Order Form and for the parties to sign, which for the Fund will require the Council's seal.

4.3 Review contracts for actuarial, benefits and governance consultancy services

4.3.1 Background: 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.

4.3.2 Key milestones:

Key Milestones	Dates	On target for completion?
Decision whether to procure or extend each contract	June 2021	Completed.

4.3.3 Update: It was agreed at the July Committee meeting that the Actuarial Services contract would be extended by 12 months and to retender for Benefits and Governance Consultancy Services in line with the expiry of the existing contract on 1 April 2023.

4.4 Retender for pensions administration and pensioner payroll platform

4.4.1 Background: 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.

4.4.2 Key milestones:

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

4.4.3 Update: No planned activity scheduled for this reporting period.

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

4.5.1 Background: 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.

4.5.2 Key milestones:

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

4.5.3 Update: The automatic aggregation of records has now been completed to reflect each member’s new unitary employer through the Altair pension system. Cases where members subsequently elect to disaggregate their service will be processed as and when required.

4.6 Review Business Continuity Plan

4.6.1 Background: 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.

4.6.2 Key milestones:

Key Milestones	Dates	On target for completion?
Draft revised BCP utilising new Lead Authority (West Northamptonshire Council) BCP template	By October 2021	Rescheduled - by November 2021
Scrutiny of business continuity arrangements by the Local Pension Board	November 2021	Rescheduled to January 2022
Update the Pension Committee on business continuity arrangements.	December 2021	Rescheduled to March 2022

4.6.3 Update: The new West Northamptonshire Council business continuity template was provided to the Fund in September 2021. As the sourcing of the template took longer than initially anticipated work on the cyber resilience activity was prioritised. Work on the business continuity plan will resume once work on cyber asset mapping has concluded.

4.7 Develop the Fund's cyber-resilience strategy

4.7.1 Background: 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.

4.7.2 Key milestones:

Key Milestones	Dates	On target for completion?
Develop a cyber-resilience strategy and action plan.	April to June 2021	Completed
Undertake mapping of data and asset flows.	April to June 2021	Completed
Submit survey to higher risk suppliers to ascertain their approach to cyber-resilience. Aon's specialist cyber-resilience team to analyse survey responses and provide feedback.	April to June 2021	Survey to be issued November 2021 and responses analysed by February 2022
Local Pension Board to provide scrutiny of cyber-resilience strategy and action plan.	July 2021	Completed
Pension Committee to approve cyber-resilience strategy and action plan.	October 2021	On target

4.7.3 Update: A cyber-resilience strategy and action plan is being presented at this meeting for approval following review from the Local Pension Board in July. The mapping of data and asset flows has been undertaken and a suitable survey to assess the cyber-resilience safeguards of the Fund's suppliers has started to be considered.

4.8 Obtain the Pension Administration Standards Association (PASA) accreditation

4.8.1 Background: 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.

4.8.2 Key milestones:

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

4.8.3 Update: No planned activity scheduled for this reporting period.

4.9 Complete the Guaranteed Minimum Pension Rectification

4.9.1 Background: 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.

4.9.2 Key milestones:

Key Milestones	Dates	On target for completion?
Produce project plan to rectify the member records that require amendments.	April 2021	Completed
Implement project plan.	June to December 2021	On target

4.9.3 Update: Data supplied by ITM for the rectification of records has been reviewed. The conclusions of the review have been returned to ITM and the final files are expected to be received by the end of September. Once received the files will be uploaded to the system and the rectification process will continue.

4.10 Prepare for the application of the McCloud age discrimination remedy

4.10.1 Background: 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.

4.10.2 Key milestones:

Key Milestones	Dates	On target for completion?
Issue data collection template to identified employers.	June 2021	Delayed – Contract agreed with Aquila Heywood. Project plan agreed targeting October 2021 template issue to scheme employers.

Key Milestones	Dates	On target for completion?
Work with employers to collect the data required.	June 2021 to October 2021	Rescheduled to October to December 2021
Make necessary amendments to member records for previously missing data.	June 2021 to March 2022	Still targeting completion by March 2022
Send communications to members (upon release of amended LGPS Regulations).	Expected to be April 2022 (pending guidance from MHCLG).	On target
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).	On target

4.10.3 Update: An agreement has been reached between the Pensions Service and Aquila Heywood to use their template and technical resources to assist the Fund in obtaining and uploading revised member data from scheme employers. A project plan has been agreed with Aquila Heywood which has resulted in a revised timeline for this project as set out above.

4.11 Prepare for the 2022 Valuation of the Pension Fund

4.11.1 Background: 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.

4.11.2 Key milestones:

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

4.11.3 Update: A plan and timeline for valuation activities has been agreed with the Actuary and key preparation activities commenced in August 2021. Activities at this stage including providing membership data to the actuary to begin data cleansing activities; contribution rate modelling for large Scheduled bodies including large Councils and the Police and Fire authorities and analysis of the results from employer covenant reviews.

4.11.4 The action plan can be found in Appendix 3 of the report.

4.12 Processing of undecided leaver records

4.12.1 Background: 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.

4.12.2 Key milestones:

Key Milestones	Dates	On target for completion?
Baseline volumes and develop action plan	April to June 2021	Completed
Process cases in accordance with action plan	Throughout 2021/2022	On target
Process cases in accordance with action plan	2022/2023	On target

4.12.3 Update: Work has commenced on processing status 2 cases on a regular basis in accordance with the action plan within the operations and projects teams. Regular reporting is being undertaken to appropriately monitor casework progress and to highlight any areas which need prioritising. A recruitment process is currently underway for officers within the projects team, these positions will assist with increased processing within the team to meet the requirements of the action plan going forward.

4.12.4 The number of cases identified as being older than six months as at 31 July 2021 was 7,508.

4.13 Scope and conduct potential liability reduction exercise

4.13.1 Background: 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.

4.13.2 Key milestones:

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

4.13.3 Update: As at 31 July 1,444 (26.38%) out of 5,475 members have been contacted and given the opportunity to claim a frozen refund. During June and July 104 members have either received a refund, transferred out or aggregated with a new record.

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

4.14.1 Background: 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.

4.14.2 Key milestones:

Key Milestones	Dates	On target for completion?
Aon to undertake the review	1 April 2021	No, Prudential have been unable to provide information to Aon for the review due to wider performance issues. Review commencement date to be confirmed
Officers to consider outcome of review	May 2021	No (as above)
Present findings of review to Pension Committee	July 2021	No (as above)

Key Milestones	Dates	On target for completion?
Plan and undertake the required actions as a result of the review (as approved by Pension Committee)	August 2021 (onwards)	No (as above)

4.14.3 Update: Prudential has confirmed delays in processing both business as usual and project work. The business as usual work is expected to be back to normal turnaround times by the date of this meeting. The project work related to the review has a longer anticipated commencement date and will be confirmed once available.

4.15 Implement multiple investment strategies

4.15.1 Background: 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.

4.15.2 Key milestones:

Key Milestones	Dates	On target for completion?
Consider impact modelling by Fund Actuary.	April 2021 to May 2021	Completed
Pension Committee to decide whether to proceed.	July 2021	Rescheduled to 11 October Committee
Devise and implement action plan.	August 2021 to September 2022	Contingent on above decision. Rescheduled - action plan to be devised in October 2021 with implementation up to September 2022

4.15.3 Update: A separate report and recommendation is being delivered as part of this meeting.

4.16 Conduct specific employer covenant monitoring

4.16.1 Background: 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.

4.16.2 Key milestones:

Key Milestones	Dates	On target for completion?
Issue and collect covenant monitoring questionnaire to relevant employers	April 2021 to June 2021	Completed

Key Milestones	Dates	On target for completion?
Issue collated responses to PWC for analysis	July 2021 to August 2021	Completed
Discuss results and next steps with the Actuary and PWC	September 2021 to October 2021	On target
Incorporate results of covenant monitoring into 2022 valuation planning	November 2021 to March 2022	On target

4.16.3 Update: Responses to the employer covenant assessment have been provided to PWC who are now analysing the results and preparing a report for discussion with officers and the Fund Actuary.

4.17 Continue development of the asset pool

4.17.1 Background: 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.

4.17.2 Key milestones:

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

4.17.3 Update: Liquid assets

Link have put in place insurance to meet their obligations under the Operator Agreement, by adopting a solution which has been supported by the pool's advisers and this was noted by the ACCESS Joint Committee on 25th June 2021.

An additional sub-fund was launched in July and progress has been made to resolve operational issues with other sub-funds previously on hold. The proposed launch date for the M&G Alpha Opportunities fund in which the Fund will be investing, has been postponed from July 2021 to early November due to the need to implement additional reporting processes but primarily because the other investing authorities cannot resource the transition into the sub-fund sooner due to conflicting priorities.

Other sub-funds requiring systems changes to be implemented by Link, their Custodian and the Depository – Northern Trust, which were originally planned for the first quarter of 2021 are delayed with a revised launch date late in October 2021.

The process to appoint an Emerging Markets equities manager is on hold until the ACCESS Joint Committee on 6th September 2021 has reviewed the findings of a report on the governance of the process and has approved the proposed next steps.

4.17.4 Illiquid assets.
The procurement for an implementation adviser went live on 9th July 2021 with members of the ACCESS Non Listed Sub Group meeting in the week beginning 9th August to review supplier responses. It is expected that it will take a number of years to complete the roll-out of all component building blocks of proposed solution (comprising the different sub-classes of Alternative assets).

4.17.5 Promoting the Fund's requirements.
Officers have been instrumental in developing a template for requesting additional sub-funds and this has been populated with the request to launch a sub-fund for the BlueBay Multi Asset Credit fund in collaboration with Cambridgeshire and Hertfordshire who also have a requirement for this manager sub-fund.

4.18 Review the Fund's Responsible Investment Policy

4.18.1 Background: 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.

4.18.2 Key milestones:

Key Milestones	Dates	On target for completion
Commence 30 day consultation with Fund stakeholders on the revised Investment Strategy Statement	April to June 2021	Completed
Pension Committee approval of revised ISS	December 2021	On target

4.18.3 Update: The consultation period closed in mid-July and officers have summarised the responses. A revised ISS was presented to the ISC in September 2021 and the outcome due to be reported to the Committee in December.

4.19 Review the Property Strategy

4.19.1 Background: 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.

4.19.2 Key milestones:

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

4.19.3 Update: No planned activity scheduled for this reporting period.

4.20 Review of Performance Reporting and Benchmarks

4.20.1 Background: 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 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.

4.20.2 Key milestones:

Key Milestones	Dates	On target for completion?
Commence the review	April 2021	Completed
Report to the Investment Sub-Committee	November 2021	On target
Implement revised reporting	March 2022	On target

4.20.3 Update:Mercer are refreshing their initial proposal to reflect their latest performance report template. Officers will be working with Mercer to produce a proposal for consideration at the November meeting of the ISC.

5. Additional key activities for 2021/22

5.1 **Review contract for specialist pensions legal services**

5.1.1 Background: The existing contract for specialist pensions legal services is due to expire on 4 February 2023 with the option to extend for a further 12 months. Consideration will need to be given as to whether to extend this contract or extend for a further 12 months. The procurement will be on a joint basis with the Cambridgeshire Pension Fund using the National LGPS Frameworks.

5.1.2 Key milestones:

Key Milestones	Dates	On target for completion?
Decision whether to procure or extend each contract	February 2022	Decision at March 2022 Committee

5.1.3 Update: No planned activity scheduled for this reporting period.

5.2 Review the Pension Regulator’s revised Code of Practice

5.2.1 Background: In March 2021 the Pensions Regulator launched a consultation on its revised code of practice. The code of practice sets out how the Pensions Regulator expects LGPS Pension Committee Members, Board Members, Section 151 Officers and administrators to administer, govern and manage their pension schemes. The revised code consolidates (with updates and amendments) most of the existing 15 codes of practice providing a single up to date and consistent source of information. The revised code is expected to come into force in November 2021 from which point pension schemes have six months to demonstrate full compliance with the code.

5.2.2 Key milestones:

Key Milestones	Dates	On target for completion?
Identify revisions to the code of practice that require changes to processes, policies and strategies and produce an action plan to achieve compliance with the new requirements within six months	November/December 2021	Rescheduled to Spring 2022 due to the code of practice release date being delayed
Present action plan to the Pension Fund Board	January 2022	2022/23
Present progress against the action plan to the Pension Fund Board and Pension Committee	June/July 2022	2022/23

5.2.3 Update: No planned activity scheduled for this reporting period.

6. Issues and Choices

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

7 Implications (including financial implications)

7.1 Resources and Financial

7.1.1 The financial estimates and associated budgets included with the Business Plan and Medium Term Strategy were approved by the Pension Committee on 26 March 2021.

7.1.2 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.

7.2 Legal

7.2.2 There are no legal implications arising from the proposals.

7.3 Risk

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

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

7.3.2 Please see the full Northamptonshire Risk Register

7.4 Relevant Pension Fund Objectives

7.4.1 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.

7.5 Consultation

7.5.1 Not applicable.

8. Background Papers

8.1 Northamptonshire Business Plan

Appendix A – Key activities for the year

Activity	Area	Period	On target
Retender for strategic investment advisory services	Procurement of services	April 2021 to 31 March 2022	Yes
Re-tender for global custody services	Procurement of services	December 2020 to September 2021	Yes
Review contracts for actuarial, benefits and governance consultancy services	Procurement of services	June 2021	Yes
Retender for pensions administration and pensioner payroll platform	Procurement of services	September 2022 to October 2024	Yes
New: Review contract for specialist pensions legal services	Procurement of services	February 2022 to March 2022	Yes
Undertake administrative actions in connection with the Local Government Reorganisation in Northamptonshire	Core services and governance activities	April 2021 to March 2023	Yes
Review Business Continuity Plan	Core services and governance activities	October 2021 to December 2021	Yes
Develop the Fund’s cyber-resilience strategy	Core services and governance activities	April 2021 to October 2021	Yes
Obtain the Pensions Administration Standards Association (PASA) accreditation	Core services and governance activities	April 2022 to 2023/24	Yes
New: Review the Pension Regulator’s revised Code of Practice	Core services and governance activities	November 2021 to July 2022	Yes
Complete the Guaranteed Minimum Pension Rectification	Scheme member data projects	April 2021 to December 2021	Yes
Prepare for the application of the McCloud age discrimination remedy	Scheme member data projects	June 2021 to 2022/23	Yes
Prepare for the 2022 Valuation of the Pension Fund	Scheme member data projects	April 2021 to April 2023 onwards	Yes
Processing of undecided leaver records	Scheme member data projects	April 2021 to 2022/23	Yes
Scope and conduct potential liability reduction exercises	Scheme member data projects	April 2021 to March 2023	Yes
Undertake a review of the Fund’s Additional Voluntary Contributions (AVC) providers.	Scheme member data projects	April 2021 to August 2021 onwards	No
Implement multiple investment strategies	Scheme employer projects	April 2021 to September 2022	Yes
Conduct specific employer covenant monitoring	Scheme employer projects	April 2021 to March 2022	Yes
Continue development of the asset pool	Investment related activities	2021/2022 to 2022/23	Yes

Review the Fund's Responsible Investment Policy	Investment related activities	April 2021 to October 2021	Yes
Review the Property Strategy	Investment related activities	October 2021 to April 2022	Yes
Review of Performance Reporting and Benchmarks	Investment related activities	April 2021 to March 2022	Yes

Appendix B – Variances against the forecast of investments and administration expenses based on original setting of assumptions (negative figures represent increases on income and expenditure Positive figures represent decreases on income and expenditure)

Fund Account	**2021/22 Estimate**	**2021/22 Forecast**	**Variance**	**Comments**
	£000	**£000**	**£000**	
Contributions	(107,000)	(112,000)	(5,000)	Contributions in line with current membership numbers
Transfers in from other pension funds	(7,000)	(10,000)	(3,000)	Demand led
Total income	**(114,000)**	**(122,000)**	**(8,000)**	
Benefits payable	100,000	103,000	3,000	Benefits in line with current membership numbers.
Payments to and on account of leavers	7,000	7,000	2,000	Demand led
Total Payments	**107,000**	**112,000**	**5,000**	
	(7,000)	**(10,000)**	**(3,000)**	
Management Expenses	3,367	3,350	(17)	See below
Total income less expenditure	**(3,633)**	**(6,650)**	**(3,017)**	
Investment income	(35,000)	(35,000)	-	
Taxes on income	-	-	-	
(profit) and losses on disposal of investments and changes in the market value of investments	(117,000)	(167,000)	(50,000)	Actual Q1 return followed by actuarial long term growth assumption
Net return on investments	**(152,000)**	**(202,000)**	**(50,000)**	
Net (increase)/decrease in the net assets available for benefits during the year	**(155,633)**	**(208,650)**	**(53,017)**	

Management Expenses	2021-22 Estimate	2021-22 Forecast	Variance	Comments
	£000	£000	£000	
Total Administration Expenses	2,247	2,292	45	See below
Total Governance Expenses	675	613	(62)	Consultancy costs lower than expected as at July 21
Total Investment Invoiced Expenses	445	445	-	
Total Management Expenses	**3,367**	**3,350**	**(17)**	

Administration Expenses Analysis	2021-22 Estimate	2021-22 Forecast	Variance	Comments
	£000	£000	£000	
Staff Related	1,461	1,452	(9)	
Altair administration and payroll system	299	318	19	Altair insights addendum
Data projects	46	73	27	McCloud change request
Communications	21	31	10	Extra costs relating to LGR pension communications
Other Non-Pay and Income	15	13	(2)	
County Council Overhead Recovery	405	405	-	TBC by end of the financial year
Total Administration Expenses	**2,247**	**2,292**	**(45)**	

This page is intentionally left blank

Appendix C
2022 Valuation Timetable:

Month	Activity
Starting Aug 2021	• Data cleanse using March 2021 data • Contribution rate modelling for Council employers (plus Police and Fire), discuss and agree rates • Valuation training sessions with panel/committee and board • Employer engagement alongside covenant analysis
Nov–Dec 2021	• Assumption-setting analysis and discussion
April 2022	• Agree initial assumptions
July 2022	• Provision, validation and sign-off of valuation data
Sep 2022	• Provision of whole fund results • Provision of draft Funding Strategy Statement (FSS)
Oct 2022	• Discuss whole fund results with panel/committee • Approve draft FSS for employer consultation • Employer results discussed and agreed
Nov 2022	• FSS released for consultation • Share employer results and proposed contributions • Host employer meetings to discuss results
Dec 2022	• Agree final FSS
Dec–Feb 2023	• Consultation and discussions with employers
Mar 2023	• Agree final valuation report and certified rates
April 2023 – Aug 2024	• Supply data and liaise with GAD on Section 13 • Discuss Section 13 results

This page is intentionally left blank

West Northamptonshire Council

West Northamptonshire Council

Pension Committee

11/10/2021

Mark Whitby – Head of Pensions

Report Title	**Governance and Compliance Report**
Report Author	**Michelle Oakensen, Governance Officer** Michelle.Oakensen@westnorthants.gov.uk

Contributors/Checkers/Approvers

MO	Geoff Wild on behalf of Catherine Whitehead	13 September 2021
S151	James Smith on behalf of Martin Henry	16 September 2021
Head of Pensions	Mark Whitby	9 August 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 Pension Regulator's Governance and Administration Survey 2020-21 results
- The Scheme Advisory Board Response to consultation on the new single code of practice
- The Scheme Advisory Board 2020 LGPS Scheme Annual Report
- Written Ministerial Statement on McCloud
- High Court judgment on exit credits
- Skills and knowledge opportunities

3. Recommendations

3.1 The Pension Committee is asked to:

a) Note the contents of this report.

4. Report Background

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 Fund 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

5.1 The Pension Regulator's (TPR) Governance and Administration Survey 2020-21 results

5.1.1 The Pensions Regulator published the results from the Public Service Pension Scheme Governance and Administration Survey 2020-21 on 1 July 2021. The survey was conducted online between January and March 2021 and aimed to track governance and administration practices among public service pension schemes. The 2020-21 survey also included new questions in response to the pandemic, pensions dashboard and action taken in relation to climate-related risks and opportunities.

5.1.2 The survey found little change since 2019 for the key processes that TPR monitors as indicators of performance. Two-thirds of LGPS administering authorities who responded to the survey had all six processes in place. The six key processes are:

- have a documented policy to manage board members' conflicts of interest
- have access to the knowledge, understanding and skills needed to properly run the scheme
- have documented procedures for assessing and managing risk
- have processes to monitor records for accuracy and completeness
- have a process for resolving contribution payment issues
- have procedures to identify, assess and report breaches of the law.

5.1.3 The results also show improvements in risk management processes, cyber controls and the proportion of members receiving their annual benefit statement on time. Unsurprisingly, most schemes identified implementing the McCloud remedy as a significant risk. Governance has generally stood up well given the unique challenges the last year has presented.

5.1.4 The Northamptonshire Pension Fund participated in this survey and have all six key processes set out in Section 5.1.2 in place.

5.1.5 Please see Public service governance and administration survey 2020-21 for full details.

5.2 The Scheme Advisory Board (SAB) response to consultation on the new single code of practice

5.2.1 On 4 June 2021, the Board's secretariat, in consultation with the Investment, Governance and Engagement committee, responded to TPR's consultation on a new code of practice on behalf of the SAB.

5.2.2 The response covered the governance and investment elements of the proposed code and highlighted some issues specifically for the LGPS, such as the broad term of governing body and other requirements that SAB recommend are made clearer for the LGPS.

5.2.3 The new code of practice will no longer coming into force in November 2021 as the Pensions Regulator is still reviewing the consultation responses received. It is now expected that the code of practice coming into force in Spring 2022. The Fund will have six months in order to become compliant with the code of practice. An action plan will be produced to ensure compliance is achieved in that timescale.

5.2.4 Please see full consultation response for further information.

5.3 The Scheme Advisory Board 2020 LGPS Scheme Annual Report

5.3.1 On 18 May 2021, Councillor Roger Phillips, the SAB Chair, launched the 2020 LGPS England and Wales Scheme Annual Report. Highlights from the report included:

- Total membership up by 4.2% to 6.1 million members compared with 2019.
- Total assets decreased by 4.9% to £276 billion. These assets were invested in:
  - 68% pooled investment vehicles
  - 14% public equities
  - 6% bonds
  - 3% direct property
  - 9% other asset classes.
- The Local Authority return on investments over 2019/20 was -4.8%. This was reflective of the market conditions during the year and set against the UK return of -28.3%.
- The Scheme maintained a positive cash-flow position overall, including investment income.
- Over 1.8 million pensioners paid in the year.
- LGPS liabilities estimated at £291 billion on 31 March 2019. This indicates an overall funding level of 98%. The next triennial valuation of the LGPS will be as at 31 March 2022.

5.3.2 Please see LGPS Scheme Advisory Board Annual Report for full details.

5.4 Written Ministerial Statement on McCloud

5.4.1 On 13 May 2021, Luke Hall, Minister for Regional Growth and Local Government, made a Written Ministerial Statement on McCloud and the LGPS. The statement confirmed the key changes that the Government will make to the LGPS regulations to remove the unlawful age discrimination.

The statement confirmed that:

- the age requirement for underpin protection will be removed
- a member will not need to leave with an immediate entitlement to benefits to qualify for underpin protection
- the remedy period will end on 31 March 2022
- the underpin calculation will be based on final pay at the underpin date, even when this is after 31 March 2022
- there will be two stages to the underpin calculation:
  - the first on the underpin date – the date of leaving or on the normal pension age in the 2008 Scheme, if earlier
  - the second when the benefits are paid
- the regulations will be retrospective to 1 April 2014. We expect MHCLG to issue a full response to the consultation and to publish draft regulations later this year.

5.4.2 The Northamptonshire Pension Fund's remedial work is detailed in the Business Plan Update Report.

5.5 EMS & Amey V Secretary for State for MHCLG

5.5.1 From 14 May 2018, the LGPS (Amendment) Regulations 2018 introduced a requirement on administering authorities to pay any surplus (exit credit) to exiting employers. EMS exited the Scheme in June 2018. The surplus at leaving was £6.5 million. However, the administering authority (Northamptonshire County Council) had concerns about paying this amount to EMS because a 'pass-through arrangement' had been in place. MHCLG made the LGPS (Amendment) Regulations 2020, which came into force on 20 March 2020. The regulations amended the exit credit rules, requiring administering authorities to decide the amount of an exit credit after taking into account relevant factors. The regulations do not apply to credits paid before 20 March 2020. Therefore, as the administering authority in this case had yet to pay EMS the exit credit, the new rules applied to it. The claimants brought a judicial review against the 2020 Regulations applying retrospectively

5.5.2 On 27 May 2021, the High Court handed down its judgment in the case of EMS & Amey v Secretary of State for MHCLG. The Court found in favour of MHCLG and upheld the retrospective effect of the LGPS (Amendment) Regulations 2020. The judge noted that 'there were compelling public interest reasons for making the regulations retroactive', and that 'the aim of avoiding windfall payments and protecting the pension funds was legitimate'.

5.5.3 Please see full judgement for further details.

5.5.4 As a result of this judgement (to which Northamptonshire County Council were an interested party), West Northamptonshire Council, as the new administering authority for the Northamptonshire County Council, should now be able to determine the amount of exit credit, if any, due to EMS.

5.6 Skills and knowledge opportunities

5.6.1 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.

5.6.2 In order to facilitate the acquisition of skills and knowledge for members of the Pension Committee, Appendix A lists the main events that are deemed useful and appropriate.

5.6.3 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.

5.6.4 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 Committee and Pension Board member. This session was recorded and is available to view for those who were unable to attend. This was followed by more in-depth training modules to cover the eight CIPFA Skills and Knowledge requirements as detailed below.

- Pensions legislations and guidance
- Pensions governance
- 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

5.6.5 All of the training modules set out in Section 5.6.4 can be attended live or be viewed after the event via a recording.

6. Implications (including financial implications)

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 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 have been captured in the Fund's risk register as detailed below -

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

6.3.2 Full risks can be found on the Northamptonshire Pension Fund Risk Register.

6.4 Relevant Pension Fund Objectives

6.4.1 The following objectives have been considered in this report -

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

- To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.

6.5 Consultation

6.5.1 Not applicable.

7. Background Papers

7.1 The Pensions Regulator's Code of Practice number 14 .

Appendix A

The below training modules have been delivered as part of the CIPFA Core Competency Framework and members are encouraged to watch the recorded sessions if any of the live sessions have been missed.

Date	Event Description	Audience
21 June 2021 10:00 – 12:00	Governance and Fiduciary Duty Hosted by Aon and Squire Patton Boggs on behalf of Cambridgeshire and Northamptonshire Pension Funds Virtual Training Session (recording and slides from this session have been shared)	Pension Committee, Pension Board, Officers, Section 151 Officers
1 July 2021 10:00 – 12:00	Introduction to the LGPS Hosted by Aon Virtual Training Session (recording of this session is available)	Pension Committee, Pension Board, Officers, Section 151 Officers
14 July 2021 10:00 – 12:00	Pensions legislation and guidance and national guidance Hosted by Aon Virtual Training Session (recording of this session is available)	Pension Committee, Pension Board, Officers, Section 151 Officers
28 July 2021 10:00 – 12:00	Local governance and pensions procurement, contract management and relationship matters Hosted by Aon Virtual Training Session (recording of this session is available)	Pension Committee, Pension Board, Officers, Section 151 Officers
11 August 2021 10:00 – 12:00	Funding strategy and actuarial methods, and financial, accounting and audit matters Hosted by Aon Virtual Training Session (recording of this session is available)	Pension Committee, Pension Board, Officers, Section 151 Officers
25 August 2021 10:00 – 12:00	Investments – Strategy, asset allocation, pooling performance and risk management Hosted by Aon Virtual Training Session (recording of this session is available)	Pension Committee, Pension Board, Officers, Section 151 Officers
8 September 2021 10:00 – 12:00	Investments – Financial markets and products Hosted by Aon Virtual Training Session (recording of this session is available)	Pension Committee, Pension Board, Officers, Section 151 Officers

Date	Event Description	Audience
22 September 2021 10:00 – 12:00	Pensions Administration and Communications Hosted by Aon Virtual Training Session (recording of this session is available)	Pension Committee, Pension Board, Officers, Section 151 Officers

Upcoming external training events

Date	Event Description	Audience
9-10 September 2021	LGC Investment and Pensions Summit Royal Armouries Museum & New Dock Hall, Leeds	Pension Committee, Pension Board, Officers, Section 151 Officers
8-10 December 2021	LAPFF Annual Conference Format/Venue TBC	Pension Committee, Pension Board, Officers, Section 151 Officers
16-18 May 2022	PLSA Local Authority Conference 2022 Format/Venue TBC	Pension Committee, Pension Board, Officers, Section 151 Officers

West Northamptonshire Council

West Northamptonshire Council

Pension Committee

11/10/2021

Mark Whitby – Head of Pensions

Report Title	Northamptonshire Pension Fund Admission Bodies, Scheme Employers and Bulk Transfer Policy
Report Author	Cory Blose, Employer Services Manager, cory.blose@westnorthants.gov.uk

Contributors/Checkers/Approvers

MO	Geoff Wild on behalf of Catherine Whitehead	13/9/2021
S151	Martin Henry	16/9/2021
Head of Pensions	Mark Whitby	3/9/2021

List of Appendices

Appendix A – Northamptonshire Pension Fund Admission Bodies, Scheme Employers and Bulk Transfer Policy (clean copy)
Appendix B – Northamptonshire Pension Fund Admission Bodies, Scheme Employers and Bulk Transfer Policy (compare copy)

1. Purpose of Report

1.1. The purpose of the report is to seek approval of amendments to the Fund's Admission Bodies, Scheme Employers and Bulk Transfer Policy.

2. Executive Summary

2.1 The Admission Bodies, Scheme Employers and Bulk Transfer Policy outlines the Fund's policies regarding the treatment of admitted bodies and scheme employers in a range of scenarios, particularly their entry and exit from the Fund, and the bulk transfer of pension rights into and out of the Fund.

3. Recommendations

3.1 The Pension Committee is asked to approve the amendments to the Admission Bodies, Scheme Employers and Bulk Transfer Policy.

3.2 Reason for Recommendation: The policy has been updated in line with changes to the Fund's Funding Strategy Statement following a number of amendments to the LGPS Regulations.

4. Report Background

4.1 In September 2020 the LGPS Regulations were amended to allow the Fund to recalculate employer contributions outside of the triennial formal valuation and to allow greater flexibility around managing the exit of an employer from the Fund.

4.2 The Funding Strategy Statement was previously amended and was approved by the Committee for consultation with Scheme employers. The consultation has now closed and the amended statement has now been published.

4.3 The Admission Bodies, Scheme Employers and Bulk Transfer Policy has now been amended to reflect the current version of the Funding Strategy Statement.

5. Issues and Choices

5.1 The Admission Bodies, Scheme Employers and Bulk Transfer Policy included as Appendix A outlines the Fund's policies on the treatment of employers during their participation in the Fund, particular how they are treated when joining and leaving the Fund as well as requirements for payment of pension strain costs and other employer contributions and payments.

5.2 The policy document also details the Fund's policy on bulk transfers into and out of the Fund, particularly how they should be funded.

5.3 Amendments to the policy document include:

- The list of Pension Fund objectives relevant to the policy document have been updated to reflect the latest version of the Pension Fund Objectives.
- Changes to reflect the new regulations on reviewing employer contribution rates and managing employer exits, introduced in September 2020 and signposting to the Fund's policies on these matters within the Funding Strategy Statement.
- The Fund's policies on contribution rates and payments have been updated to reflect that a risk based approach is now taken when setting employer contribution rates, that the Fund no longer purchases external ill health insurance and other clarifying changes.
- The Fund's policy for tracking the funding position of employers has been updated to reflect that this now happens monthly using Hymans Robertson's HEAT solution.
- Clarification of the treatment of funding deficits and surpluses on cessation of an employer.

- Updates to the stabilisation of employer contribution rates for Academies to reflect the latest version of the Funding Strategy Statement.
- The Fund’s policy on bulk transfers has been updated to simplify the process and reduce the need for costly actuarial negotiations.
- Addition of policies for the bulk transfer of pension obligations between Academy Trusts
- Other non-material amendments that improve the wording of the document or provide clarity without materially changing policy positions.

6. Implications (including financial implications)

6.1 **Resources and Financial**

6.1.1 There are no direct finance and resourcing implications of this plan. The costs of most activities outlined in the document are recharged to the relevant employer(s) or including within the Fund’s annual administration budget.

6.2 **Legal**

6.2.1 Legal advice was taken in relation to the Fund’s policy on the payment of exit credits when drafting amendments for the Funding Strategy Statement. Changes to this document reflect those changes and the advice received at that time.

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	Residual risk rating
Information may not be provided to stakeholders as required.	Green
Failure to administer the scheme in line with regulations and guidance	Green

6.3.2 The Fund’s full risk register can be found on the Fund’s website at the following link: 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 ensure employer contributions are as stable as possible, recognising the characteristics, circumstances and affordability constraints of each employer.
- To ensure the long-term solvency of the Fund, taking a prudent long term view, so that sufficient funds are available to meet all members’/dependants’ benefits as they fall due for payment

- To ensure the long-term solvency of the Fund, taking a prudent long term view, so that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment.
- To ensure 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 Not applicable.

7. Background Papers

7.1 Funding Strategy Statement

Northamptonshire
Pension Fund

Admission bodies, scheme employers and bulk transfer policy 2021

West
Northamptonshire
Council

Contents

1 Introduction

This is the policy of the Northamptonshire Pension Fund (“The Fund”) regarding the treatment of admission bodies and scheme employers in the Fund (in particular their commencement and cessation) and the bulk transfer of pension rights to and from the Fund. This policy should be read in conjunction with the Funding Strategy Statement and relevant legislation, such as the Local Government Pension Scheme Regulations 2013 (as amended) (“The Regulations”). These Regulations can be found here.

2 Policy objectives

The Fund’s objectives related to this policy are as follows:

- To ensure employer contributions are as stable as possible, recognising the characteristics, circumstances and affordability constraints of each employer;
- 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 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.; and
- To ensure appropriate exit strategies are put in place both in the lead up to and termination of a scheme employer.

3 Purpose of the policy

The purpose of the policy is to:

- ensure the long-term solvency of the Fund as a whole and the solvency of each of the notional sub funds allocated to the individual employers;
- set out the process by which new employers are admitted into the Fund, including the various requirements they need to adhere to in order to achieve that;
- Set out the approach the Administering Authority will take in relation to bulk transfers into and out of the Fund;
- ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- not restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk;
- help employers recognise and manage pension liabilities, and the possible effect on the operation of their business;
- use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer ceasing participation or defaulting on its pension obligations;
- address the different characteristics of employers or groups of employers to the extent that this is practical and cost-effective; and
- maintain the affordability of the Fund to employers as far as is reasonable over the longer term.

4 Northamptonshire Pension Fund policies

4.1 Admission bodies

4.1.1 Bond, indemnity or guarantor requirements for entry

In accordance with The Regulations every admission body must carry out, to the satisfaction of the Fund, a risk assessment, taking account of actuarial advice. This should assess the level of risk arising on premature termination of the provision of service or assets by reason of the admission body's insolvency, winding up, or liquidation.

Where the body is admitted under Paragraph 1(d) of Part 3 of Schedule 2 such risk assessment must also be carried out to the satisfaction of the scheme employer entering into the contract or arrangement with that body (the "awarding authority").

Taking account of the outcome of any risks assessments the Administering Authority will require any potential admission body to provide a suitable guarantee to the Fund, depending on the type of admission taking place, as follows:

Bodies admitted under Paragraphs 1(a), (b), (c) and (e) of Part 3 of Schedule 2 to The Regulations (broadly speaking, most admission bodies other than those fulfilling a contract) must provide a guarantor considered by the Administering Authority to be reliable and financially durable (generally only a local authority or central government department) or a bond/indemnity the Administering Authority considers to have equivalent strength and coverage.

For bodies admitted under Paragraph 1(d) of Part 3 of Schedule 2 to The Regulations (broadly speaking, those fulfilling a contract, which will sometimes include charities) there is a preference for a bond or indemnity to be provided. This is not a mandatory requirement as the awarding authority is in effect a guarantor already under the terms of the LGPS Regulations. However, the awarding authority will have to satisfy the administering authority that the form of the guarantee is sufficient to justify the exclusion of a bond or indemnity. In any case the awarding authority will be required to confirm the approach it wishes to take.

In all circumstances where a bond or indemnity is provided, the bond or indemnity must be re-evaluated by the Administering Authority and renewed by the body at regular intervals.

The Administering Authority reserves the right to exercise its discretion and alter the guarantor or bond requirements where the individual circumstances of an application make it prudent to do so.

4.1.2 Approval for becoming an admission body

The officers of the Fund will be responsible for ensuring any bodies meet the criteria set out above, having regard to the appropriate legal and actuarial advice. The Fund's admission agreements will generally be standard and non-negotiable, drawn up on advice from the Fund actuary and legal advisor. These terms will include commencement, transfer, payment, bond/indemnity or guarantor requirements, as well as termination clauses to protect the other beneficiaries and participants in the

Fund.

All applications by bodies assessed by officers as complying with Paragraph 1(d) of Part 3 of Schedule 2 to The Regulations (broadly speaking, admissions to those fulfilling a contract), and meeting the terms of the admission agreement, will be accepted and reported to the Pension Fund Committee for information only. Applications that materially depart from these criteria and/or the standard terms of the admission agreement will be reported to the Pension Fund Committee for agreement, and may be refused.

All applications from bodies under Paragraphs 1(a), (b), (c) and (e) of Part 3 of Schedule 2 to The Regulations (broadly speaking, most admission bodies other than those fulfilling a contract) will be subject to agreement by the Pension Fund Committee.

4.1.3 Allocation of assets

The allocation of assets at the commencement of an admission agreement will be as follows:

- For bodies admitted under Paragraph 1(d) of Part 3 of Schedule 2 to The Regulations (broadly speaking, those fulfilling a contract) the assets allocated will be 100% of the value at date of admission of the past service liabilities of any transferring employees; (Any alternative approach proposed by the awarding authority is subject to agreement by the Fund)
- For bodies admitted under Paragraphs 1(a) (b), (c) and (e) of Part 3 of Schedule 2 to The Regulations (broadly speaking, admission bodies other than those fulfilling a contract) the asset allocation will be agreed in each individual case depending on the circumstances of the case, taking into consideration the views of any transferring employer and any relevant business agreement.
- In both cases, the assets will be calculated using the Fund's ongoing funding basis as set out in the Funding Strategy Statement.
- The respective admission body's asset share will be tracked on a monthly basis during the period of the admission agreement, allowing for cash flows in/out specific to the admission body and the Fund's investment returns. Note that for some admission bodies, such as those set up under a pass-through arrangement, the asset share is not tracked as the pension assets and obligations are generally retained by the awarding authority.

The assets will remain within the main Fund (i.e. no separate admission body fund will be set up).

4.1.4 Investment strategy

The investment strategy is set for the Fund as a whole, not for each employer's notional share of the Fund. Any alternative approach proposed is subject to agreement by the Fund.

4.1.5 Contribution rates and other costs

Admission bodies will be required to pay the employer contribution rate set out in the Fund actuary's initial report, and subsequently in the Fund's rates and adjustments certificate, issued as part of the triennial actuarial valuation of the Fund. The employer contribution is split into two parts – Primary and Secondary – as detailed in the Funding Strategy Statement and initial report, and employers must pay both parts. The rate will be set by the Fund's actuary using a risk-based approach and will be set in accordance with the Funding Strategy Statement (FSS), taking into consideration elements such as:

- the employer's funding target;
- the desired likelihood of achieving that funding target;
- the time horizon over which the funding target is to be met;
- whether the admission agreement is open or closed to new members; and
- the employer covenant and that of its guarantor (if any) and/or any bond or indemnity to be put in place.
- As well as its certified employer contributions, the admission body will be required to pay additional payments including, but not limited to:
- lump sums in relation to any early retirements or early payment of pension benefits;
- lump sums in relation to any award of additional benefits; and
- reimbursement of the administering authority's or other bodies' costs incurred as a result of activity directly related to or requested by the admission body or due to poor administration by the admission body.

All lump sums in relation to non-ill health early retirement will be paid immediately by the admission body unless the Head of Pensions and Section 151 Officer for West Northamptonshire Council jointly agree the payment may be extended over a maximum period of 3 years.

The Administering Authority reserves the right to also request immediate payment of any ill-health strain payment not covered by the Fund's ill health pooling policy.

As set out in 4.1.6, a pass-through arrangement may be entered into in certain circumstances which moves away from some of the principles mentioned above.

The Administering Authority may require any actuarial, legal, administration and other justifiable cost to be paid by the admission body. It may be agreed that these costs are partly or wholly paid for by the awarding authority (if any).

The Administering Authority will communicate the implications to the awarding authority of a transfer and may require the revision of the contribution rate payable by the awarding authority after the transfer occurs.

The Administering Authority reserves the right to require payment by the awarding authority of a lump sum contribution to cover any deficit in respect of transferees.

The Administering Authority will consider, in certain circumstances, amending the employer contribution rate between valuations, further information is set out in the Funding Strategy Statement.

4.1.6 Pass through arrangements

In the case of a body admitted under Para 1(d) of Part 3 of Schedule 2 to The Regulations (broadly speaking, those fulfilling a contract), and where agreed by the awarding authority and the body, the Administering Authority may allow that employer to enter into a pass-through arrangement.

Under the pass-through arrangement, the admission body:

- will either have a fixed contribution rate, or its contribution rate will vary in line with the awarding authority's rate;
- may be required to pay additional contributions in excess of its employer contribution rate to reflect the impact of excessive pay awards to the admission body's own employees;
- may be required to provide a limited bond or indemnity in respect of redundancy and any other risks identified by the scheme employer; and
- will continue to be required to pay strain costs in respect of non-ill-health early retirements.

In the event of cessation of the admission agreement, that agreement will clarify the position re any cessation debt / exit credit payment, etc. However, it should be noted that normally in a pass-through case there would be no assignment of assets or liabilities to the employer.

4.1.7 Ongoing monitoring of admission bodies

During the period of the admission agreement, the level of risk in relation to any guarantees, bonds or indemnities in place will be reassessed at regular intervals and the relevant admission bodies will be required to renew their bond or indemnity appropriately. As set out in 4.1.5 above, contribution rates will be reviewed at triennial actuarial valuations, however, in certain circumstances the Administering Authority will consider amending the employer contribution rate between valuations. The Administering Authority reserves the right to review contribution rates for admission bodies annually or more frequently, particularly within the final three years before the expected date of termination of the admission agreement.

Where an employer acts as a guarantor to an admission body or bodies, an assessment will be carried out every three years to establish the level of risk being borne by the employer in respect of its guarantees and to ensure that the strength of the guarantee continues to be to the satisfaction of the administering authority.

Furthermore, the Administering Authority will carry out ongoing monitoring and/or put in place processes to assist with ongoing monitoring. As per 4.1.5.9 above, the Administering Authority may review the employer contribution rate (i.e. outside of the formal triennial actuarial valuation cycle).

4.1.8 Cessation terms and requirements

The Administering Authority reserves the right for the admission agreement to be terminated in any of, but not limited to, the following circumstances and following unsuccessful attempts to enable the admission body to remedy the situation, where applicable:

- Where the admission body is not paying monies due to the Fund within the period required by the Fund;
- Where the admission body is not meeting administrative requirements relating to the provision of information;
- Where the admission body is not meeting its requirement to renew, adjust or review any bond/indemnity or to confirm an appropriate alternative guarantor;

- Where the admission body breaches any other obligations under the admission agreement, not covered above;
- Where no active members exist (and it is not expected that the admission body will acquire one or more active Fund members within the three-year period following the cessation event. In this situation the Administering Authority has discretion to defer taking action for up to three years);
- Where the employer becomes insolvent, is wound up, merged or ceases to exist; or
- On termination of a deferred debt agreement.

4.1.9 **Future cessation**

Where an admission agreement for a body that has no awarding authority or central government guarantor is closed to new entrants, the Administering Authority policy is to set contribution rates by reference to liabilities valued on the termination basis (as per 4.1.12 below). The purpose of this policy is to protect other employers in the Fund. This policy will increase regular contributions for such admission bodies and reduce, but not entirely eliminate, the possibility of a final deficit payment being required on termination. However, it will also assist the admission body in the affordability of its eventual cessation debt.

4.1.10 **Deferral of cessation debt**

Where an admission body has ceased from participating in the Fund but is expected to have one or more new active Fund members within the three-year period following the cessation event, the Administering Authority has the discretion to suspend payment of the cessation debt for an agreed period of time. Where approved, the Administering Authority will liaise directly with the employer and confirm the contribution rate requirements to be paid during the period of deferral.

4.1.11 **Deferred debt agreement ("DDA") alternative to immediate cessation**

The Administering Authority may, at its discretion, allow a ceasing employer who is continuing in business, to enter into a funding agreement whereby the payment of an exit debt is deferred and, instead, the employer continues to pay secondary contributions. Further details on this type of agreement are set out within the Funding Strategy Statement, but any agreement would be considered on an individual basis. The Administering Authority will likely require some form of security from the ceasing employer to enter into such an agreement.

4.1.12 **Basis of termination valuation**

The Fund's general principle on the cessation of an admission body is to assume a "clean break" on termination, i.e. the departing employer's liability to make further contributions to the Fund is extinguished on payment of the termination deficit calculated on an appropriate basis.

The Fund's policy in relation to the calculation of cessation valuations in various circumstances is shown below, albeit each case will be considered on its own merits in accordance with the West Northamptonshire Council's Scheme of Delegation.

a) Admission bodies with a predetermined contract end date which may be specified in the admission agreement.

- **Employers at the natural end of a contract** – Once the contract is complete or the employer has completed the services it was contracted to carry out (and no plans for extending the contract are in place); the employer will leave the Fund. Under these circumstances, it is usual for the remaining active employees to transfer back to the awarding authority or into a second (or later) generation contractor.

In this scenario, the Administering Authority would expect the responsibility for the deferred pensioners and pensioners to transfer back to the awarding authority. The cessation liabilities will normally be calculated on an ongoing valuation basis since the awarding authority (and, where relevant, the next generation contractor) will be taking responsibility for funding those liabilities.

If any member is made redundant at the natural end of the contract any resulting early retirement strain will be paid to the Fund by the ceasing employer.

- **Employers that leave the Fund prior to the natural end of an admission agreement** – Under these circumstances, it will need to be established whether the current active membership will transfer to another LGPS employer or contractor and who is responsible for any residual and future liabilities in respect of deferred pensioners and pensioners (and also potentially the past and future accrual of benefits of transferring active members).

  Under the admission agreement, those liabilities that cannot be recovered via a bond/indemnity or guarantor would usually fall back to the awarding authority (who may well be the guarantor) and ideally this should be written into the admission agreement or supporting documents. The Administering Authority should be advised if the transfer agreement between the awarding authority and the admission body dictates a different approach than above.

  In broad terms, when assessing a cessation debt on early termination, liabilities may be assessed on a lower risk termination basis to protect other Fund employers.

b) Non time limited admission bodies

- The cessation liabilities and final deficit will normally be calculated using a low risk exit basis as per the Funding Strategy Statement with an allowance for further future mortality improvements.
- It is now a condition of admission that such bodies will be "sponsored" by another scheme employer or another public body or provide an indemnity or security acceptable to the Fund.
- If, for some reason, the Fund is not able to recover the full amount of the final deficit from the admission body, the sponsor (or guarantor) will be expected to assume responsibility for the assets and liabilities in the Fund, which are attributable to the admitted body. Where this is the case, the cessation valuation will normally be re-calculated using an ongoing valuation basis appropriate to the investment strategy.
- If, for some reason, the Fund is not able to recover the full amount of the final deficit from the admission body and there is no guarantor (these will generally be historical cases), then together with any future deficit arising in respect of the membership it will be the responsibility of all the employers in the Fund.

The Administering Authority reserves the right to use different funding assumptions if they are deemed to be appropriate, after taking actuarial advice.

4.1.13 **Payment of cessation debt**

The Fund's preferred and default position will be to collect the cessation payment by way of a lump sum where it is the admission body that is making the payment. The Fund's normal policy is that the payment is made within 30 days of the admission body being notified. The admission body may be allowed to spread payment over an extended period where this is agreed by the Head of Pensions and the Section 151 Officer, however, some form of security relating to the unpaid amount may be required: further details are contained in the Funding Strategy Statement.

Where the cessation debt cannot be repaid by the admission body, any outstanding payment, once any bond, indemnity or alternative guarantor has been exhausted, may be recovered by one of the following means:

- by incorporating the cessation debt into the awarding authority's or guarantor's ongoing contribution rate, calculated by including the ceasing employer's assets and liabilities in the awarding authority/guarantor's share of the Fund. The Administering Authority reserves the right to require payment by immediate lump sum;
- where the deficit is to be spread amongst all the employers in the fund, the rates and adjustments certificate will allow for any ongoing deficit for departed employers at each triennial valuation, commencing from the first triennial valuation after the body or bodies depart (unless the results of that valuation have already been finalised);
- the approach in the previous bullet may be deferred whilst there are sufficient assets in the ceased employer's share, to pay benefits to its ex-employees;

The Administering Authority will in all cases seek to maximise the monies recoverable and hence minimise the risk of deficit costs being levied on other Fund employers. In exceptional circumstances this may result in an admission body paying less than the full cessation deficit. Any such cases will be subject to approval by the Pension Fund Committee.

4.1.14 Payment of surplus / exit credit

Where the Administering Authority determines that an exit credit may be payable, the Administering Authority will:

- promptly notify the employer – and any other relevant body – of its intention to make a determination as to the value, if any, of any exit credit payable to the employer
- revise the rates and adjustments certificate showing the excess of assets over the liabilities as assessed by the actuary
- make any necessary exit credit payment to an employer within six months of the cessation date (or another date agreed between the Administering Authority and the employer).

Further details can be found within the Funding Strategy Statement.

4.2 Scheduled and designating bodies ("scheme employers")

These are employers who have a right to participate in the Fund, as opposed to joining via an admission agreement. They include local authorities, town & parish councils, academy schools, and other employers listed in parts 1 and 2 of schedule 2 of the Regulations.

4.2.1 Allocation of assets

The allocation of assets at the commencement of an employer will be as follows:

- Academy conversion from LEA school – share of deficit basis where the amount of assets notionally transferred to an academy is based on the ongoing funding level of active members of the ceding local authority on the calculation date. The funding level is calculated as the ratio of the remaining assets after sufficient assets have been retained to meet the deferred and pensioner liabilities of the relevant ceding authority in full, to the value of active members' liabilities immediately prior to transfer.
- Academy free school – normally these are established with staff who have no prior LGPS service and hence will have nil assets and liabilities at the outset. If any members bring in individual transfers (whether from another Fund employer or another LGPS Fund) these will be brought in using standard GAD CETVs.
- Existing academy established as new employer, eg on failure of previous academy/trust and being brought into a Multi Academy Trust – this will normally be on the basis of all assets and liabilities (including deferreds and pensioners) being transferred from the existing academy.
- Non academy scheme employers - to be agreed in each individual case depending on the circumstances of the case, taking into consideration the views of any transferring employer and business agreement (unless a pooling arrangement is entered into as described later in this policy).

The assets will be calculated using the Fund's ongoing funding basis as set out in the Funding Strategy Statement.

The asset share will be tracked on a monthly basis during the period of participation in the Fund, allowing for cash flows in/out of the scheme employer and the Fund's investment returns.

4.2.2 Matched investment strategy

The investment strategy is set for the Fund as a whole, not for each employer's notional share of the Fund.

Any alternative approach proposed is subject to agreement by the Fund.

4.2.3 Contribution rates and other costs

The employer contribution rate will be set in accordance with the Funding Strategy Statement, using a risk-based approach, taking into consideration elements such as:

- The employer's funding target.
- The desired likelihood of achieving the funding target.
- The time period over which the funding target is to be met.
- In the case of an employer permitted to designate which of its employees may join the Scheme, whether such a designation applies to all employees or is restricted.

The approach taken is to calculate an individual contribution rate such that, when combined with the employer's asset share and anticipated market movements over the time horizon, the funding target is met with a given desired likelihood. Further information is available within the Funding Strategy Statement. The employer contribution is split into two parts – Primary and Secondary – and employers must pay both parts.

However, academies may opt to pay an employer contribution rate in line with the stabilisation mechanism offered by the Fund. The mechanism keeps year to year contribution rate variations within a pre-determined range, allowing academy employers to benefit from paying stable employer contribution rates.

In addition, a Scheme employer will be required to pay additional payments including, but not limited to:

- lump sums in relation to any early retirements or early payment of pension benefits; lump sums in relation to any award of additional benefits; and
- reimbursement of the administering authorities or other bodies costs incurred as a result of activity directly related to or requested by the admission body or due to poor administration by the employer.

All lump sums in relation to non-ill health early retirement will be paid immediately by the Scheme employer unless the Head of Pensions and Section 151 Officer for West Northamptonshire Council jointly agree the payment may be extended over a maximum period of 3 years.

The Administering Authority reserves the right to also request immediate payment of any ill-health strain payment not covered by the Fund's ill health pooling policy

The Administering Authority may require any actuarial, legal, administration and other justifiable cost to be paid by the Scheme employer.

The Administering Authority will consider, in certain circumstances, amending the employer contribution rate between valuations, further information is set out in the Funding Strategy Statement.

4.2.4 Ongoing monitoring of scheme employers

The Administering Authority will carry out ongoing monitoring and/or put in place processes to assist with ongoing monitoring. As per 4.2.4.8 above, the Administering Authority may review the employer contribution rate (i.e. outside the formal triennial actuarial valuation cycle).

4.2.5 Cessation terms and requirements

Termination of an employer would be considered to take place, though not limited to, the following circumstances:

- Where no further active members exist; or
- Where the employer is wound up, merged or ceases to exist; or
- Where the employer moves to another LGPS Fund, or another pension scheme, due to reorganisation.

4.2.6 Future cessations

Where a Scheme employer is likely to terminate within the next 5 to 10 years due to losing its last active member within that timeframe, the Administering Authority reserves the right to set contribution rates by reference to liabilities valued on the termination basis (as per below). The target in setting contributions for any employer in these circumstances is to achieve full funding on a termination basis by the time the employer terminates, in order to protect other employers in the Fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required on termination. However, it will also assist the employer in the affordability of its eventual cessation debt.

4.2.7 **Deferral of cessation debt**

Where an employer has ceased from participating in the Fund but is expected to have one or more new active Fund members within the three-year period following the cessation event, the Administering Authority has the discretion to suspend payment of the cessation debt for an agreed period of time. Where approved, the Administering Authority will liaise directly with the employer and confirm the contribution rate requirements to be paid during the period of deferral.

4.2.8 **Deferred debt agreement ("DDA") alternative to immediate cessation**

The Administering Authority may, at its discretion, allow a ceasing employer who is continuing in business, to enter into a funding agreement whereby the payment of an exit debt is deferred and, instead, the employer continues to pay secondary contributions. Further details on this type of agreement are set out within the Funding Strategy Statement, but any agreement would be considered on an individual basis. The Administering Authority will likely require some form of security from the ceasing employer to enter into such an agreement.

4.2.9 **Basis of termination valuation**

The Fund's general principle on the cessation of an employer is to assume a "clean break" on termination, i.e. the departing employer's liability to make further contributions to the Fund is extinguished on payment of the termination deficit calculated on an appropriate basis.

The Fund's policy in relation to the calculation of cessation valuations is shown below, albeit each case will be considered on its own merits in accordance with the Scheme of Delegation.

The cessation liabilities and final deficit will normally be calculated using a low risk exit basis as per the Funding Strategy Statement. If for some reason the Fund is not able to recover the full amount of the final deficit, then together with any future deficit arising in respect of the membership it will be the responsibility of all the employers in the Fund. In some circumstances, e.g. where employees are transferring to another LGPS employer such as the local authority, an ongoing valuation approach may be adopted for any transferring liabilities.

4.2.10 **Payment of cessation debt**

The Fund policy will be to collect this cessation payment by way of an immediate lump sum. The Fund's normal policy is that the payment is made within 30 days of the employer being notified. The employer may be allowed to spread payment over an extended period where this is agreed by the Head of Pensions and the Section 151 Officer, however, some form of security relating to the unpaid amount may be required: further details are contained in the Funding Strategy Statement.

In the case of academies, it may be possible for the cessation position to be covered either by another academy trust taking on the ceasing school's assets and liabilities, or by payment of the Department for Education guarantee.

Where the cessation debt cannot be repaid by the employer, any outstanding payment, once any bond, indemnity or alternative guarantor has been exhausted, may be recovered by one of the following means:

- where the deficit is to be spread amongst all the employers in the fund, the rates and adjustments certificate will allow for any ongoing deficit for departed employers at each triennial valuation, commencing from the first triennial valuation after the body departs (unless the results of that valuation have already been finalised);

- the approach in the previous bullet may be deferred whilst there are sufficient assets in the ceased employer's share, to pay benefits to its ex-employees.

The administering authority will in all cases seek to maximise the monies recoverable and hence minimise the risk of deficit costs being levied on other Fund employers. In exceptional circumstances this may result in an employer paying less than the full cessation deficit. Any such cases will be subject to approval by the Pension Fund Committee.

4.2.11 **Payment of surplus / exit credit**

Where the Administering Authority determines that an exit credit is payable, the Administering Authority will:

- promptly notify the employer – and any other relevant body – of its intention to make a determination as to the value, if any, of any exit credit payable to the employer
- revise the rates and adjustments certificate showing the excess of assets over the liabilities as assessed by the actuary
- make any necessary exit credit payment to an employer within six months of the cessation date (or another date agreed between the Administering Authority and the employer)
- Further details can be found within the Exit Credit Policy and Funding Strategy Statement.

4.3 Bulk transfers

4.3.1 **Calculation of bulk transfer out of the Fund**

Payments of bulk transfers from the Fund will be carried out in line with the following:

- Where the bulk transfer is to a broadly comparable scheme by virtue of a local authority or public sector outsourcing services to an employer fulfilling a contract under the ODPM Code of Practice on Workforce Matters and/or Fair Deal Guidance the transfer payment will represent the full value of the transferring liabilities on the ongoing funding basis, irrespective of the funding level of the transferring awarding authority. In exceptional circumstances, the bulk transfer may be adjusted to reflect specific issues of the transferring employer.
- In all other circumstances the bulk transfer, calculated on an ongoing basis, will be considered on the merits of the case. Generally, the Fund's approach is for Government Actuary's standard CETVs being paid.
- However, where the transferring employer is leaving the Fund in its entirety (for example as part of a reorganisation, or an academy moving to a Multi Academy Trust in another Fund), the bulk transfer value paid from the Fund should be equivalent to the employer's share of the assets in the Fund. In particular, this would apply where all deferred and pensioner members are also transferring (which will typically require a Secretary of State Direction).
- If an employer is leaving behind any liabilities (eg deferred and pensioner members) then the bulk transfer value to be paid should be equivalent to the employer's share of the assets in the Fund less an amount withheld to ensure non-transferring liabilities are fully funded on a low risk exit basis.

- Any shortfall between the bulk transfer payable by the Fund and that which the receiving scheme is prepared to accept must be dealt with outside of the Fund, for example by a top up from the employer to the receiving scheme or through higher ongoing contributions to that scheme. This will be particularly important where the transferring employer's participation in the Fund is ending and the bulk transfer payment is being reduced to accommodate a cessation valuation in respect of the remaining deferred and pensioner liabilities.
- Although there is no physical payment to or from the Fund, transfers between employers within the Fund should be treated in the same way as external transfers, particularly for outsourcings to employers fulfilling a contract, to ensure a level playing field between those offering a broadly comparable scheme and those proposing to seek admitted body status. This is to ensure that the level of security offered to the remaining employers in the Fund is not diminished by reason of the transfer.

4.3.2 Adjustment to transfer payment between transfer date and payment date

Normally the transfer value will be calculated as at the date the members transfer their employment (on the Transfer Date); this value is then adjusted until the actual Payment Date, which is typically some months or years later.

There is an overriding principle of minimising the risk to the Fund of paying out more in the bulk transfer than the Fund holds in assets which are attributable to the transferring liabilities. Consequently, the most appropriate adjustment would be to use the actual returns achieved on the Fund's assets over the appropriate period.

There are a number of practical difficulties associated with this, not least the fact that Fund returns are typically only available on a quarterly basis and there is a lag between the quarter end and the availability of the return information. As a result, an approximation is usually required for part of the period, which will typically take the form of:
(a) applying index returns in line with the benchmark agreed at the time of the bulk transfer, and/or
(b) applying implied returns from monthly asset values.

It may subsequently be agreed between both parties to carry out a "true-up" exercise whereby the original payment amount is updated to reflect Fund returns to the Payment Date (when they become available), the difference between the original amount and the revised amount is settled between the two parties.

Where the bulk transfer is between two employers in the Fund, the notional transfer of assets is assumed to occur on the transfer date so there is no need to specify such an adjustment.

4.3.3 Format of bulk transfer

The type of payment will usually be in cash but is at the discretion of the Fund, to be decided by the Section 151 Officer. A deduction to the bulk transfer will be made for any administration, legal and transaction costs incurred by Fund as a result of having to disinvest any assets to meet the form of payment that suits the receiving scheme.

4.3.4 Bulk transfers in

The Administering Authority will expect all bulk transfers in to be sufficient to meet the value of the accrued benefits on ongoing valuation assumptions (i.e. the Fund's funding basis) applicable at the transfer date.

There may be situations where the transfer amount accepted is less than the benchmark outlined above, in which case the receiving employer will be required to fund this deficit.

Depending on the strength of covenant of the receiving employer and the significance of the shortfall, any such shortfall will be met by either a lump sum payment or through increases to its ongoing contribution rate at the point the transfer is made or at the next funding valuation.

4.3.5 Approval process for paying or receiving a bulk transfer

The Administering Authority will normally agree to bulk transfers into or out of the Fund where this policy is adhered to. However, all bulk transfers into or out of the Fund will be put to the Pension Fund Committee for agreement, where the proposals depart from this policy.

4.3.6 Costs

The Administering Authority may require any actuarial, legal, administration and other justifiable cost to be paid by the employer in the Fund responsible for the transfer in or out.

Appendix 1

Admission bodies - overriding principles

The purpose of an admission policy is to ensure that only appropriate bodies are admitted to the Fund and that the financial risk to the fund and to employers in the fund is identified, minimised and managed accordingly.

The Fund's policy is drafted on the basis of the following key principles:

- to ensure the long-term solvency of the Fund as a whole and the solvency of each of the notional sub-funds allocated to the individual employers;
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- not to restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk;
- to help employers recognise and manage pension liabilities as they accrue with consideration to the effect on the operation of their business where the Administering Authority considers this appropriate;
- to minimise the degree of short-term change in the level of each employer's contributions where the Administering Authority considers it reasonable to do so;
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer ceasing participation or defaulting on its pension obligations;
- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective; and
- to maintain the affordability of the fund to employers as far as is reasonable over the longer term.
- to complement the Funding Strategy Statement (FSS)

There is also an overriding objective to ensure that the LGPS Regulations and any supplementary guidance (in particular the Best Value Authorities Staff Transfers (Pensions) Direction 2007 [Statutory Guidance to Local Authorities on Contracting effective from October 2007] and Fair Deal guidance) as they pertain to admission agreements are adhered to.

Appendix 2

Admission bodies and scheduled bodies - the regulatory and guidance framework

The LGPS

The Local Government Pension Scheme Regulations 2014, as amended, ("The Regulations") describe two main routes by which bodies may gain admission body status. These are;

1. By being linked with, funded by, or representative of a local authority or scheme employer, or providing a public service and having sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest
2. By providing a service as a result of the transfer of the service or assets by means of a contract or other arrangement (e.g. outsourcing).

In December 2009, the Department for Communities and Local Government ("DCLG") issued guidance explaining the LGPS regulatory provisions relating to admission bodies.

Employers may also be admitted to the Fund by virtue of being listed in Schedule 2 of The Regulations. Referred to as Scheduled bodies, such employers have a right to participate in the LGPS.

Fair deal, ODPM code of practice and the direction

Where employees are being transferred under TUPE, the principles of the Cabinet Office Statement of Practice ("COSOP") dated January 2000 and revised in December 2013 "Staff Transfers in the Public Sector – Statement of Practice", and in particular the "Fair Deal for Staff Pensions" guidance that supports "COSOP" (commonly known as 'Fair Deal') must also be adhered to. The Government published the reformed Fair Deal policy on 4 October 2013, which pertains to transfers from Central Government. The key requirements of this policy are: -

- that employees transferred to a supplier will in future automatically be entitled to remain in their existing public sector pension scheme.
- under the reformed Fair Deal winning bidders generally will not have an option to
- move employees eligible for public sector pension schemes to a broadly comparable private sector pension scheme apart from in exceptional cases.
  where provision of a broadly comparable pension scheme is agreed, payment of a bulk transfer and protection of past service by provision of day for day service credits (or equivalent allowing for differences in the benefit structure of the new scheme), and
- protection of other pension related terms and conditions of employment, such as enhancement of benefits on redundancy.

Fair Deal for the LGPS is still under consideration. However, it is expected that the spirit of the above policy will be followed.

Appendix 3

Bulk transfers – overriding principles

The purpose of bulk transfer negotiations is to determine the transfer payment to be paid and the amount of service credits to be awarded when a number of members transfer their benefits from one pension scheme to another.

The Fund's policy is drafted on the basis of the following key principles:

- when a group of active scheme members joins the Fund, the Administering Authority's objective is to ensure, as far as practical that the Fund does not accept an ongoing funding deficit in respect of the transferring employees;
- when a group of active scheme members leaves the Fund, in order to protect the funding position in respect of the remaining members, the transfer values in respect of the transferring members should be no more than the assets held in respect of the transferring liabilities, and at most be 100% of the transferring liabilities on the ongoing funding basis as set out in the Funding Strategy Statement; and
- service credits granted to active scheme members should fully reflect the value of the benefits being transferred, irrespective of the transfer value paid or received.
- There is also an overriding objective to ensure that the LGPS Regulations and any supplementary guidance (in particular the Statutory Guidance to Local Authorities on Contracting issued in August 2005 and Fair Deal guidance) as they pertain to bulk transfers are adhered to.

It should be noted that, as far as possible, employers should treat the Fund's preferred terms on bulk transfers as non-negotiable. Any differences between the value the Fund is prepared to pay (or receive) and that which the other scheme involved is prepared to accept should be dealt with by the employers concerned outside the Fund.

Appendix 4

Bulk transfer circumstances

Bulk transfers from the Fund to non-LGPS Funds

Bulk transfers of active scheme members from LGPS employers to approved non-LGPS schemes typically involve the outsourcing of services to a private sector employer with its own approved scheme under a transfer of undertakings (TUPE) or from the reorganisation of central government services (such as the merger of certain government agencies) where the active scheme members transfer to another public service scheme (e.g. NHS, PCSPS etc.).

Regulation 98 of the Local Government Pension Scheme Regulations 2013 ("The Regulations") governs the bulk transfer of members' pension liabilities out of the LGPS to an approved non-LGPS pension arrangement.

Regulation 98 allows for the payment of a bulk transfer value where at least two active members of the LGPS cease scheme membership and join another approved pension arrangement. The transferring and receiving schemes and the employer must agree that a bulk transfer will be made. If there is no agreement, then our understanding is that the standard cash equivalent transfer basis would apply if the active scheme member elected to transfer his or her accrued rights.

The 2003 ODPM Code of Practice on Workforce matters requires that the new employer's pension scheme allows the employees transferring their accrued rights from the LGPS to do so on a fully protected basis. Our interpretation is that this refers to protection of the benefits (i.e. value of service credits) not the amount of the bulk transfer since no reference is made to the bulk transfer payment having to reflect that fully protected basis.

For any bulk transfer the Fund's administrators must also obtain members' consent to be part of the bulk transfer.

The Regulations give the Fund's actuary discretion as to the calculation of the bulk transfer value. This means that, when paying bulk transfers from the Fund to a non-local-government scheme, it is possible for the calculation to be structured so as to minimise the risk of the transfer value exceeding the share of the Fund assets attributable to the transferring liabilities[1].

Bulk transfers between LGPS Funds within England and Wales: changes in the Fund

Transfers of membership between different LGPS funds commonly occur when employers within one council area expand into or merge with employers in another council area and/or LGPS fund.

Regulation 103 of The Regulations governs the bulk transfer of members' pension liabilities between funds within England & Wales. Regulation 86 requires a bulk transfer to be agreed between the actuaries to the transferring and receiving scheme where 10 or more members are affected by virtue of a single event.

The Regulations require the actuaries to each fund to agree on the amount of the bulk transfer payment to be made. If agreement is not reached within 12 months then the matter may be referred to a third actuary chosen by the two actuaries or, if they cannot agree, to an actuary chosen by the President of the Faculty and Institute of Actuaries and his decision will be final.

The active scheme member will be credited with the same period of service in the new fund as he or she had accrued in the Fund so there is no discretion to award anything other than day-for-day service credits.

---

[1] It is not possible to completely eliminate this risk, for example because the transfer value will be adjusted between the transfer date and the payment date and Northamptonshire Pension Fund returns may not be available for the full period.

Bulk transfers between employers in Fund

Bulk transfers between employers within the Fund may be relatively common. An example of this type of transfer is where a unitary authority transfers control of certain services to another body and the transferring active scheme members are eligible to remain in the Fund. These types of transfers can be broken into two different categories:

- The transferring active scheme members join a new employer in the Fund (e.g. a transferee admission body, community admission body, or even a new scheduled body); or
- The transferring active scheme members join an existing Fund employer.

There are no specific references in the Regulations to the allocation of assets for these types of scenario or any other guidance relating to such transfers. Obviously the ODPM Code of Practice on Workforce Matters and the Fair Deal guidance applies to transfers from local authorities to private contractors within the same fund.

Transfers in

Bulk transfers into the LGPS can occur for a number of reasons including a national restructuring resulting in the admission of an employer whose employees have LGPS service in another LGPS fund, where there is a reorganisation of central government operations (transfers in from other government sponsored schemes) or where an outsourced contract ceases and active scheme members (re)join the LGPS from a broadly comparable scheme.

Unlike bulk transfers out of the LGPS, there is no specific provision to allow for bulk transfers into the LGPS. As a result, any service in respect of a transfer value received into the LGPS, whether on the voluntary movement of an individual or the compulsory transfer of a number of employees, must be calculated the same way as individual transfers.

Northamptonshire
Pension Fund
Northamptonshire
Pension Fund

Admission bodies, scheme employers and bulk transfer policy 2021 ~~Transfer Policy 2015~~

West
Northamptonshire
Council

Northamptonshire Pension Fund

Contents

~~Page~~

1 Introduction

This is the policy of the Northamptonshire Pension Fund (“The Fund”) regarding the treatment of admission bodies and scheme employers in the Fund (in particular their commencement and cessation) and the bulk transfer of pension rights to and from the Fund. This policy should be read in conjunction with the Funding Strategy Statement and relevant legislation, such as the Local Government Pension Scheme Regulations 2013 (as amended) (“The Regulations”). These Regulations can be found here.

2 Policy objectives

The Fund’s objectives related to this policy are as follows:

- To ensure ~~that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of~~ employer contributions are as stable as possible, recognising the characteristics, circumstances and affordability constraints of each employer;

- To ensure the long-term solvency of the Fund, taking a prudent long term view, so that sufficient ~~resources~~funds are available to meet all ~~liabilities~~ members’/dependants’ benefits as they fall due~~;~~ for payment.;

- ~~Ensure benefits are paid people at the right time in the right amount; and~~

- ~~Put in place standards for~~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 ~~its~~ employers.; and
- To ensure ~~these standards~~appropriate exit strategies are ~~monitored, enforced~~put in place both in the lead up to and ~~developed as necessary~~termination of a scheme employer.

3 Purpose of the policy

The purpose of the policy is to—:

- ensure the long-term solvency of the Fund as a whole and the solvency of each of the notional sub funds allocated to the individual employers;

- set out the process by which new employers are admitted into the Fund, including the various requirements they need to adhere to in order to achieve that;
- Set out the approach the Administering Authority will take in relation to bulk transfers into and out of the Fund;
- ensure that sufficient funds are available to meet all benefits as they fall due for payment;

- not restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk;

- help employers recognise and manage pension liabilities ~~as they accrue with consideration to~~, and the possible effect on the operation of their business ~~where the Administering Authority considers this appropriate~~;

- ~~minimise the degree of short-term change in the level of each employer's contributions where the Administering Authority considers it reasonable to do so;~~

- use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer ceasing participation or defaulting on its pension obligations;

- address the different characteristics of ~~the disparate~~ employers or groups of employers to the extent that this is practical and cost-effective; and

- maintain the affordability of the Fund to employers as far as is reasonable over the longer term.

4 Northamptonshire Pension Fund policies

4.1 Admission bodies

4.1.1 Bond, indemnity or guarantor requirements for entry

In accordance with The Regulations every admission body must carry out, to the satisfaction of the Fund, a risk assessment, taking account of actuarial advice. This should assess the level of risk arising on premature termination of the provision of service or assets by reason of the admission body's insolvency, winding up, or liquidation.

Where the body is admitted under Paragraph 1(d) of Part 3 of Schedule 2 such risk assessment must also be carried out to the satisfaction of the scheme employer entering into the contract or arrangement with that body (the "awarding authority").

Taking account of the outcome of any risks assessments the Administering Authority will require any potential admission body to provide a suitable guarantee to the Fund, depending on the type of admission taking place, as follows:

Bodies admitted under Paragraphs 1(a~~) to~~), (b), (c) and (e) of Part 3 of Schedule 2 to The Regulations (broadly speaking, most admission bodies other than those fulfilling a contract) must provide a guarantor considered by the ~~Fund~~Administering Authority to be reliable and financially durable (generally only a local authority or central government department) or a bond/indemnity the ~~Fund~~Administering Authority considers to have equivalent strength and coverage.

For bodies admitted under Paragraph 1(d) of Part 3 of Schedule 2 to The Regulations (broadly speaking, those fulfilling a contract, which will sometimes include charities) there is a preference for a bond or indemnity to be provided. This is not a mandatory requirement as the awarding authority is in effect a guarantor already under the terms of the LGPS Regulations. However, the awarding authority will have to satisfy the administering authority that the form of the guarantee is sufficient to justify the exclusion of a bond or indemnity. In any case the awarding authority will be required to confirm the approach it wishes to take.

In all circumstances where a bond or indemnity is provided, the bond or indemnity must be re-evaluated by the ~~Fund~~Administering Authority and renewed by the body at regular intervals.

The Administering Authority reserves the right to exercise its discretion and alter the guarantor or bond requirements where the individual circumstances of an application make it prudent to do so.

4.1.2 Approval for becoming an admission body

The officers of the Fund will be responsible for ensuring any bodies meet the criteria set out above, having regard to the appropriate legal and actuarial advice. The Fund's admission agreements will generally be standard and non-negotiable, drawn up on advice from the Fund actuary and legal advisor. These terms will include commencement, transfer, payment, bond/indemnity or guarantor requirements, as well as termination clauses to protect the other beneficiaries and participants in the Fund.

All applications by bodies assessed by officers as complying with Paragraph 1(d) of Part 3 of Schedule 2 to The Regulations (broadly speaking, admissions to those fulfilling a contract), and meeting the terms of the admission agreement, will be accepted and reported to the Pension Fund Committee for information only. Applications that materially depart from these criteria and/or the standard terms of the admission agreement will be reported to the Pension Fund Committee for agreement, and may be refused.

All applications from bodies under Paragraphs 1(a~~) to~~), (b), (c) and (e) of Part 3 of Schedule 2 to The Regulations (broadly speaking, most admission bodies other than those fulfilling a contract) will be subject to agreement by the Pension Fund Committee.

~~4.1.10~~4.1.3 Allocation of assets

The allocation of assets at the commencement of an admission agreement will be as follows:

- For bodies admitted under Paragraph 1(d) of Part 3 of Schedule 2 to The Regulations (broadly speaking, those fulfilling a contract) the assets allocated will be 100% of the value at date of admission of the past service liabilities of any transferring employees;

(Any alternative approach proposed by the awarding authority is subject to agreement by the Fund)

- For bodies admitted under Paragraphs 1(a) ~~to~~(b), (c) and (e) of Part 3 of Schedule 2 to The Regulations (broadly speaking, admission bodies other than those fulfilling a contract) the asset allocation will be agreed in each individual case depending on the circumstances of the case, taking into consideration the views of any transferring employer and any relevant business agreement.
- In both cases, the assets will be calculated using the Fund's ongoing funding basis as set out in the Funding Strategy Statement.
- ~~This~~ The respective admission body's asset share will be tracked on a monthly basis during the period of the admission agreement ~~and adjusted no less frequently than at each formal triennial valuation~~, allowing for cash flows in/out specific to ~~take account of~~ the admission ~~body's actual experience over~~ body and the ~~period since~~Fund's investment returns. Note that for some admission bodies, such as those set up under a pass-through arrangement, the ~~previous valuation (or date of entry if later) against what was assumed~~asset share is not tracked as the pension assets and obligations are generally retained by the awarding authority.

The assets will remain within the main Fund (i.e. no separate admission body fund will be set up).

~~4.1.11~~4.1.4 Investment strategy

The investment strategy is set for the Fund as a whole, not for each employer's notional share of the Fund. Any alternative approach proposed is subject to agreement by the Fund.

~~4.1.12~~4.1.5 Contribution rates and other costs

Admission bodies will be required to pay the employer contribution rate set out in the Fund actuary's initial report, and subsequently in the ~~Fund~~Fund's rates and adjustments certificate, issued as ~~varied from time to time.~~ part of the triennial actuarial valuation of the Fund. The employer contribution is split into two parts – Primary and Secondary – as detailed in the Funding Strategy Statement and initial report, and employers must pay both parts. The rate will be set by the Fund's actuary using a risk-based approach and will be set in accordance with the Funding Strategy Statement~~,~~ (FSS), taking into consideration elements such as:

- ~~any past service;~~
- the employer's funding target;
- the desired likelihood of achieving that funding target;
- the time horizon over which the funding target is to be met;
- whether the admission agreement is open or closed~~;~~
- ~~whether the admission agreement is fixed term or not, and the period of any fixed contract period~~ to new members; and
- the employer covenant and that of its guarantor (if any) and/or any bond or indemnity to be put in place.
- As well as its certified employer contributions, the admission body will be required to pay additional payments including, but not limited to:

- lump sums in relation to any early retirements or early payment of pension benefits;
  ~~lump sums in relation to any award of additional benefits;~~
- lump sums in relation to any award of additional benefits; and
- reimbursement of the administering ~~authorities~~authority's or other ~~bodies~~bodies' costs incurred as a result of activity directly related to or requested by the admission body or due to poor administration by the admission body~~; and~~ .
- ~~additional payments in respect of early payment and/or enhancements for early retirements on ill-health grounds.~~

All lump sums in relation to non-ill health early retirement will be paid immediately by the admission body unless the Head of Pensions and Section 151 Officer for West Northamptonshire ~~County~~ Council jointly agree the payment may be extended over a maximum period of 3 years.

The ~~Fund~~Administering Authority reserves the right to also request immediate payment of any ill-health strain payment not covered by the Fund's ill health ~~insurance~~pooling policy.

As ~~mentioned later~~set out in 4.1.6, a pass-through arrangement may be entered into in certain circumstances which moves away from some of the principles mentioned above.

The ~~Fund~~Administering Authority may require any actuarial, legal, administration and other justifiable cost to be paid by the admission body. It may be agreed that these costs are partly or wholly paid for by the awarding authority (if any).

The ~~Fund~~Administering Authority will communicate the implications to the awarding authority of a transfer and may require the revision of the contribution rate payable by the awarding authority after the transfer occurs.

The ~~Fund~~Administering Authority reserves the right to require payment by the awarding authority of a lump sum contribution to cover any deficit in respect of transferees.

The Administering Authority will consider, in certain circumstances, amending the employer contribution rate between valuations, further information is set out in the Funding Strategy Statement.

~~4.1.13~~4.1.6 Pass through arrangements

In the case of a body admitted under Para 1(d) of Part 3 of Schedule 2 to The Regulations (broadly speaking, those fulfilling a contract), and where agreed by the awarding authority and the body, the ~~Fund~~Administering Authority may allow that employer to enter into a pass-through arrangement.

Under the pass-through arrangement, the admission body:

- will either have a fixed contribution rate, or its contribution rate will vary in line with the awarding authority's rate;
- may be required to pay additional contributions ~~due to~~in excess of its employer contribution rate to reflect the impact of excessive pay awards to the admission body's own employees;

- may be required to provide a limited bond or indemnity in respect of redundancy and any other risks identified by the scheme employer; and
- will continue to be required to pay strain costs in respect of non-ill-health early retirements.

In the event of cessation of the admission agreement ~~the admission body~~, that agreement will ~~not be required to pay~~clarify the position re any cessation ~~shortfall (except possibly for any additional~~debt / exit credit payment, etc. However, it should be noted that normally in a pass-through case there would be no assignment of assets or liabilities ~~resulting from excessive pay awards, any unpaid contributions and any strain costs in respect of non-ill health early retirements).~~ to the employer.

~~4.1.17~~4.1.7 Ongoing monitoring of admission bodies

During the period of the admission agreement, the level of risk in relation to any guarantees, bonds or indemnities in place will be reassessed at regular intervals and the relevant admission bodies will be required to renew their bond or indemnity appropriately. As set out in 4.1.5 above, contribution rates will be reviewed at ~~formal~~triennial actuarial valuations~~. In addition,~~, however, in certain circumstances the ~~Fund~~Administering Authority will consider amending the employer contribution rate between valuations. The Administering Authority reserves the right to review contribution rates for admission bodies annually or more frequently, particularly within the final three years before the expected date of termination of the admission agreement.

Where an employer acts as a guarantor to an admission body or bodies, an assessment will be carried out every three years to establish the level of risk being borne by the employer in respect of its guarantees and to ensure that the strength of the guarantee continues to be to the satisfaction of the administering authority.

Furthermore, the ~~Fund~~Administering Authority will carry out ongoing monitoring and/or put in place processes to assist with ongoing monitoring. ~~If it appears that~~As per 4.1.5.9 above, the ~~liabilities relating to an admission body have increased more than had been allowed for at the preceding triennial valuation, the Fund~~Administering Authority may review the employer contribution rate (i.e. outside of the formal triennial actuarial valuation cycle).

~~4.1.18~~4.1.8 Cessation terms and requirements

The ~~Fund~~Administering Authority reserves the right for the admission agreement to be terminated in any of, but not limited to, the following circumstances and following unsuccessful attempts to enable the admission body to remedy the situation, where applicable:

- Where the admission body is not paying monies ~~in a timely manner~~due to the Fund within the period required by the Fund;
- Where the admission body is not meeting administrative requirements relating to the provision of information;
- Where the admission body is not meeting its requirement to ~~provide~~renew, adjust or review any bond/indemnity or to confirm an appropriate alternative guarantor;
- ~~Where no further active members exist; or~~

- Where the admission body breaches any other obligations under the admission agreement, not covered above;
- Where no active members exist (and it is not expected that the admission body will acquire one or more active Fund members within the three-year period following the cessation event. In this situation the Administering Authority has discretion to defer taking action for up to three years);
- Where the employer becomes insolvent, is wound up, merged or ceases to exist; or
- On termination of a deferred debt agreement.

~~4.1.19~~4.1.9 Future cessation

Where an admission agreement for a body that has no awarding authority or central government guarantor is ~~likely~~closed to ~~terminate within~~new entrants, the ~~next 5 to 10 years or lose its last active member within that timeframe, the Fund reserves the right~~Administering Authority policy is to set contribution rates by reference to liabilities valued on the termination basis (as per 4.1.12 below). The ~~target in setting contributions for any employer in these circumstances is to achieve full funding on a termination basis by the time the agreement terminates or the last active member leaves in order~~purpose of this policy is to protect other employers in the Fund. This policy will increase regular contributions for such admission bodies and reduce, but not entirely eliminate, the possibility of a final deficit payment being required on termination. However, it will also assist the admission body in the affordability of its eventual cessation debt.

4.1.10 Deferral of cessation debt

Where an admission body has ceased from participating in the Fund but is expected to have one or more new active Fund members within the three-year period following the cessation event, the Administering Authority has the discretion to suspend payment of the cessation debt for an agreed period of time. Where approved, the Administering Authority will liaise directly with the employer and confirm the contribution rate requirements to be paid during the period of deferral.

4.1.11 Deferred debt agreement ("DDA") alternative to immediate cessation

The Administering Authority may, at its discretion, allow a ceasing employer who is continuing in business, to enter into a funding agreement whereby the payment of an exit debt is deferred and, instead, the employer continues to pay secondary contributions. Further details on this type of agreement are set out within the Funding Strategy Statement, but any agreement would be considered on an individual basis. The Administering Authority will likely require some form of security from the ceasing employer to enter into such an agreement.

~~4.1.20~~4.1.12 Basis of termination valuation

The ~~Funds~~Fund's general principle on the cessation of an admission body is to assume a "clean break" on termination, i.e. the departing employer's liability to make further contributions to the Fund is extinguished on payment of the termination deficit calculated on an appropriate basis~~;~~.

The Fund's policy in relation to the calculation of cessation valuations in various circumstances is shown below, albeit each case will be considered on its own merits in accordance with the West Northamptonshire Council's Scheme of Delegation.

a) ~~a) *Admitted*~~Admission bodies with a predetermined contract end date which may be specified in the admission agreement.

- **Employers at the natural end of a contract** – Once the contract is complete or the employer has completed the services it was contracted to carry out (and no plans for extending the contract are in place); the employer will leave the Fund. Under these circumstances, it is usual for the remaining active employees to transfer back to the awarding authority or into a second (or later) generation contractor.

In this scenario, the ~~Fund~~Administering Authority would expect the responsibility for the deferred pensioners and pensioners to transfer back to the awarding authority. The cessation liabilities will normally be calculated on an ongoing valuation basis since the awarding authority (and, where relevant, the next generation contractor) will be taking responsibility for funding those liabilities.

If any member is made redundant at the natural end of the contract any resulting early retirement strain will be paid to the Fund by the ceasing employer.

- **Employers that leave the ~~scheme~~Fund prior to the natural end of an admission agreement** – Under these circumstances, it will need to be established whether the current active membership will transfer to another LGPS employer or contractor and who is responsible for any residual and future liabilities in respect of deferred pensioners and pensioners (and also potentially the past and future accrual of benefits of transferring active members).

Under the admission agreement, those liabilities that cannot be recovered via a bond/indemnity or guarantor would usually fall back to the awarding authority (who may well be the guarantor) and ideally this should be written into the admission agreement or supporting documents. ~~Employers falling under this category will~~The Administering Authority should be ~~considered on a case by case basis since there may be circumstances where~~advised if the transfer agreement between the awarding authority and the admission body ~~(to which the Fund is a party) dictate~~dictates a different approach than above ~~to setting the basis relative to the admission body reaching the natural end of its contract.~~ .

In broad terms, when assessing a cessation debt on early termination, liabilities may be assessed on a lower risk termination basis to protect other Fund employers.

b) ~~b)~~ Non time limited admission bodies~~.~~

- The cessation liabilities and final deficit will normally be calculated using a ~~gilts basis~~low risk exit basis as per the Funding Strategy Statement with an allowance for further future mortality improvements.
- It is now a condition of admission that such bodies will be "sponsored" by another scheme employer or another public body or provide an indemnity or security acceptable to the Fund.
- If, for some reason, the Fund is not able to recover the full amount of the final deficit from the admission body, the sponsor (or guarantor) will be expected to assume responsibility for the assets and liabilities in the Fund, which are attributable to the

admitted body. Where this is the case, the cessation valuation will normally be re-calculated using an ongoing valuation basis appropriate to the investment strategy.

- If, for some reason, the Fund is not able to recover the full amount of the final deficit from the admission body ~~or~~and there is no guarantor (these will generally be historical cases), then together with any future deficit arising in respect of the membership it will be the responsibility of all the employers in the Fund.

The ~~Fund~~Administering Authority reserves the right to use different funding assumptions if they are deemed to be appropriate~~.~~, after taking actuarial advice.

~~4.1.21~~4.1.13 Payment of cessation ~~deficit~~debt

The ~~Fund policy~~Fund's preferred and default position will be to collect ~~this~~the cessation payment by way of a lump sum where it is the admission body that is making the payment. The Fund's normal policy is that the payment is made within 30 days of the admission body being notified. The admission body may be allowed to spread payment over an extended period where this is agreed by the Head of Pensions and the Section 151 Officer~~.~~, however, some form of security relating to the unpaid amount may be required: further details are contained in the Funding Strategy Statement.

Where ~~this is not~~ the ~~case~~cessation debt cannot be repaid by the admission body, any outstanding payment, once any bond, indemnity or alternative guarantor has been exhausted, may be recovered by one of the following means:

- by ~~an increase to~~incorporating the cessation debt into the awarding authority's or guarantor's ongoing contribution rate, calculated by ~~spreading the outstanding payment over a suitable period to be determined by~~including the ceasing employer's assets and liabilities in the awarding authority/guarantor's share of the Fund. The ~~Fund~~Administering Authority reserves the right to require payment by immediate lump sum;
- where the deficit is to be spread amongst all the employers in the fund, the rates and adjustments certificate will ~~be adjusted to~~ allow for any ongoing deficit for departed employers at each triennial valuation, commencing from the first triennial valuation after the body ~~departs~~or bodies depart (unless the results of that valuation have already been finalised);
- the approach in the previous bullet may be deferred whilst there are sufficient assets in the ceased employer's share, to pay benefits to its ex-employees;

The Administering Authority will in all cases seek to maximise the monies recoverable~~.~~ and hence minimise the risk of deficit costs being levied on other Fund employers. In exceptional circumstances this may result in an admission body paying less than the full cessation deficit. Any such cases will be subject to approval by the Pension Fund Committee.

4.1.14 Payment of surplus / exit credit

Where the Administering Authority determines that an exit credit may be payable, the Administering Authority will:

- promptly notify the employer – and any other relevant body – of its intention to make a determination as to the value, if any, of any exit credit payable to the employer

- revise the rates and adjustments certificate showing the excess of assets over the liabilities as assessed by the actuary
- make any necessary exit credit payment to an employer within six months of the cessation date (or another date agreed between the Administering Authority and the employer).

Further details can be found within the Funding Strategy Statement.

4.2 Scheduled and designating bodies ("scheme employers")

These are employers who have a right to participate in the Fund, as opposed to joining via an admission agreement. They include local authorities, town & parish councils, academy schools, and other employers listed in parts 1 and 2 of schedule 2 of the Regulations.

4.2.1 **Allocation of assets**

The allocation of assets at the commencement of an employer will be as follows:

- Academy conversion from LEA school – share of deficit basis where the amount of assets notionally transferred to an academy is based on the ongoing funding level of active members of the ~~Northamptonshire County Council Pool~~ceding local authority on the calculation date. The funding level is calculated as the ratio of the remaining assets after sufficient assets have been retained to meet the deferred and pensioner liabilities of the ~~Northamptonshire County Council Pool~~relevant ceding authority in full, to the value of active members' liabilities immediately prior to transfer.
- Academy free school – normally these are established with staff who have no prior LGPS service and hence will have nil assets and liabilities at the outset. If any members bring in individual transfers (whether from another Fund employer or another LGPS Fund) these will be brought in using standard GAD CETVs.
- Existing academy established as new employer, eg on failure of previous academy/trust and being brought into a Multi Academy Trust – this will normally be on the basis of all assets and liabilities (including deferreds and pensioners) being transferred from the existing academy.
- Non academy scheme employers - to be agreed in each individual case depending on the circumstances of the case, taking into consideration the views of any transferring employer ~~as follows~~and business agreement (unless a pooling arrangement is entered into as described later in this policy~~):~~).

The assets will be calculated using the Fund's ongoing funding basis as set out in the Funding Strategy Statement.

~~This~~The asset share will be tracked on a monthly basis during the period of participation ~~and adjusted no less frequently than at each formal triennial valuation to take account~~in the Fund, allowing for cash flows in/out of the ~~body's actual experience over the period since~~ scheme employer and the ~~previous valuation (or date of entry if later) against what was assumed~~Fund's investment returns.

4.2.2 **Matched investment strategy**

The investment strategy is set for the Fund as a whole, not for each employer's notional share of the Fund.

Any alternative approach proposed is subject to agreement by the Fund.

4.2.3 Contribution rates and other costs

The employer contribution rate will be set in accordance with the Funding Strategy Statement, using a risk-based approach, taking into consideration elements such as:

- ~~any past service;~~
- The employer's funding target.
- The desired likelihood of achieving the ~~deficit spread~~funding target.
- The time period over which the funding target is to be met.
- In the case of an employer permitted to designate which of its employees may join the Scheme, whether such a designation applies to all employees or is restricted.

The approach taken is to calculate an individual contribution rate ~~based on~~such that, when combined with the ~~cost of pension accrual for the Scheme~~ employer's ~~own membership plus an adjustment for any deficit inherited.~~asset share and anticipated market movements over the time horizon, the funding target is met with a given desired likelihood. Further information is available within the Funding Strategy Statement. The employer contribution is split into two parts – Primary and Secondary – and employers must pay both parts.

However, academies may ~~(at their own discretion) choose~~opt to pay ~~a~~an employer contribution rate ~~linked to that of Northamptonshire County Council. This is as per the Funding Strategy Statement from time to time, and is available due to the presence of~~in line with the ~~guarantee provided~~stabilisation mechanism offered by the ~~Department for Education. Academies will be made aware that the allocation of assets will be on a share of deficit basis and therefore paying the school~~Fund. The mechanism keeps year to year contribution rate ~~could lead to underfunding.~~ variations within a pre-determined range, allowing academy employers to benefit from paying stable employer contribution rates.

In addition, a Scheme employer will be required to pay additional payments including, but not limited to:

- lump sums in relation to any early retirements or early payment of pension benefits; lump sums in relation to any award of additional benefits; and
- reimbursement of the administering authorities or other bodies costs incurred as a result of activity directly related to or requested by the admission body or due to poor administration by the employer.
- ~~additional lump sum payments in respect of early payment and/or enhancements for early retirements on ill-health grounds.~~

All lump sums in relation to non-ill health early retirement will be paid immediately by the Scheme employer unless the Head of Pensions and Section 151 Officer for West Northamptonshire ~~County~~ Council jointly agree the payment may be extended over a maximum period of 3 years.

The ~~Fund~~Administering Authority reserves the right to also request immediate payment of any ill-health strain payment not covered by the Fund's ill health ~~insurance~~pooling policy

The ~~Fund~~Administering Authority may require any actuarial, legal, administration and other justifiable cost to be paid by the Scheme employer.

The Administering Authority will consider, in certain circumstances, amending the employer contribution rate between valuations, further information is set out in the Funding Strategy Statement.

4.2.4 Ongoing monitoring of scheme employers

The ~~Fund~~Administering Authority will carry out ongoing monitoring and/or put in place processes to assist with ongoing monitoring. ~~If it appears that~~As per 4.2.4.8 above, the ~~liabilities relating to a body have increased more than had been allowed for at the preceding triennial valuation, the Fund~~Administering Authority may review the employer contribution rate (i.e. outside the formal triennial actuarial valuation cycle).

4.2.5 Cessation terms and requirements

Termination of an employer would be considered to take place, though not limited to, the following circumstances:

- Where no further active members exist; or
- Where the employer is wound up, merged or ceases to exist; or
- Where the employer moves to another LGPS Fund, or another pension scheme, due to reorganisation.

~~4.2.17~~4.2.6 Future cessations

Where a Scheme employer is likely to terminate within the next 5 to 10 years due to losing its last active member within that timeframe, the ~~Fund~~Administering Authority reserves the right to set contribution rates by reference to liabilities valued on the termination basis (as per below). The target in setting contributions for any employer in these circumstances is to achieve full funding on a termination basis by the time the employer terminates, in order to protect other employers in the Fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required on termination. However, it will also assist the employer in the affordability of its eventual cessation debt.

4.2.7 Deferral of cessation debt

Where an employer has ceased from participating in the Fund but is expected to have one or more new active Fund members within the three-year period following the cessation event, the Administering Authority has the discretion to suspend payment of the cessation debt for an agreed period of time. Where approved, the Administering Authority will liaise directly with the employer and confirm the contribution rate requirements to be paid during the period of deferral.

4.2.8 Deferred debt agreement ("DDA") alternative to immediate cessation

The Administering Authority may, at its discretion, allow a ceasing employer who is continuing in business, to enter into a funding agreement whereby the payment of an exit debt is deferred and, instead, the employer continues to pay secondary contributions. Further details on this type of agreement are set out within the Funding Strategy Statement, but any agreement would be considered on an individual basis.

The Administering Authority will likely require some form of security from the ceasing employer to enter into such an agreement.

~~4.2.18~~4.2.9 **Basis of termination valuation**

The Fund's general principle on the cessation of an employer is to assume a "clean break" on termination, i.e. the departing employer's liability to make further contributions to the Fund is extinguished on payment of the termination deficit calculated on an appropriate basis.

The Fund's policy in relation to the calculation of cessation valuations is shown below, albeit each case will be considered on its own merits in accordance with the Scheme of Delegation.

The cessation liabilities and final deficit will normally be calculated using a ~~gilts~~low risk exit basis ~~with an allowance for further future mortality improvements.~~as per the Funding Strategy Statement. If for some reason the Fund is not able to recover the full amount of the final deficit, then together with any future deficit arising in respect of the membership it will be the responsibility of all the employers in the Fund. In some circumstances, e.g. where employees are transferring to another LGPS employer such as the local authority, an ongoing valuation approach may be adopted for any transferring liabilities.

~~4.2.19.0 The administering authority reserves the right to use different funding assumptions if they are deemed to be appropriate.~~

~~4.2.20~~4.2.10 **Payment of cessation ~~deficit~~ debt**

The Fund policy will be to collect this cessation payment by way of an immediate lump sum. The Fund's normal policy is that the payment is made within 30 days of the employer being notified. The employer may be allowed to spread payment over an extended period where this is agreed by the Head of Pensions and the Section 151 Officer, however, some form of security relating to the unpaid amount may be required: further details are contained in the Funding Strategy Statement.

In the case of academies, it may be possible for the cessation position to be covered either by another academy trust taking on the ceasing school's assets and liabilities, or by payment of the Department for Education guarantee.

Where the cessation debt cannot be repaid by the employer, any outstanding payment, once any bond, indemnity or alternative guarantor has been exhausted, may be recovered by one of the following means:

- where the deficit is to be spread amongst all the employers in the fund, the rates and adjustments certificate will allow for any ongoing deficit for departed employers at each triennial valuation, commencing from the first triennial valuation after the body departs (unless the results of that valuation have already been finalised);
- the approach in the previous bullet may be deferred whilst there are sufficient assets in the ceased employer's share, to pay benefits to its ex-employees.

The administering authority will in all cases seek to maximise the monies recoverable and hence minimise the risk of deficit costs being levied on other Fund employers. In exceptional circumstances this may result in an employer paying less than the full cessation deficit. Any such cases will be subject to approval by the Pension Fund Committee.

4.2.11 Payment of surplus / exit credit

Where the Administering Authority determines that an exit credit is payable, the Administering Authority will:

- promptly notify the employer – and any other relevant body – of its intention to make a determination as to the value, if any, of any exit credit payable to the employer
- revise the rates and adjustments certificate showing the excess of assets over the liabilities as assessed by the actuary
- make any necessary exit credit payment to an employer within six months of the cessation date (or another date agreed between the Administering Authority and the employer)
- Further details can be found within the Exit Credit Policy and Funding Strategy Statement.

4.3 Bulk transfers

4.3.1 Calculation of bulk transfer out of the Fund

Payments of bulk transfers from the Fund will be carried out in line with the following:

- Where the bulk transfer is to a broadly comparable scheme by virtue of a local authority or public sector outsourcing services to ~~a contractor~~an employer fulfilling a contract under the ODPM Code of Practice on Workforce Matters and/or Fair Deal Guidance the transfer payment will represent the full value of the transferring liabilities on the ongoing funding basis, irrespective of the funding level of the transferring awarding authority. In exceptional circumstances, the bulk transfer may be adjusted to reflect specific issues of the transferring employer. ~~The transfer terms in these situations will be non-negotiable.~~
- In all other circumstances the bulk transfer, calculated on an ongoing basis, will be considered on the merits of the case. Generally~~this will result in a share of fund bulk transfer~~, the Fund's approach is for Government Actuary's standard CETVs being paid.
- However, where the transferring employer is leaving the Fund ~~on the transfer date~~in its entirety (for example ~~because it no longer has any active scheme members~~as part of a reorganisation, or ~~its admission agreement is ceasing~~an academy moving to a Multi Academy Trust in another Fund), the bulk transfer value paid from the Fund should be equivalent to the employer's share of the assets in the Fund. In particular, this would apply where all deferred and pensioner members are also transferring (which will typically require a Secretary of State Direction).
- If an employer is leaving behind any liabilities (eg deferred and pensioner members) then the bulk transfer value to be paid should be equivalent to the employer's share of the assets in the Fund less an amount withheld to ensure non-transferring liabilities ~~(any deferred or pensioner members)~~ are fully funded on a ~~cessation~~low risk exit basis ~~on the transfer date (assuming the transfer date and termination date are the same).~~
- ~~The share of the Fund assets attributed to the transferring liabilities will be calculated by reference to the funding position of the transferring employer rather than the Fund as a whole.~~
- ~~The bulk transfer will be calculated using the assumptions adopted for~~

~~the most recent funding valuation, adjusted for market conditions at the transfer date, to place a value on the transferring liabilities. The funding level adjustment would then be calculated on the transfer date.~~

- ~~Should the employer's notional ongoing funding position be in surplus, such surplus will **not** normally be transferred as part of a bulk transfer.~~.
- Any shortfall between the bulk transfer payable by the Fund and that which the receiving scheme is prepared to accept must be dealt with outside of the Fund, for example by a top up from the employer to the receiving scheme or through higher ongoing contributions to that scheme. This will be particularly important where the transferring employer's participation in the Fund is ending and the bulk transfer payment is being reduced to accommodate a cessation valuation in respect of the remaining deferred and pensioner liabilities.
- Although there is no physical payment to or from the Fund, transfers between employers within the Fund should be treated in the same way as external transfers, particularly for outsourcings to ~~private contractors~~employers fulfilling a contract, to ensure a level playing field between those offering a broadly comparable scheme and those proposing to seek admitted body status. This is to ensure that the level of security offered to the remaining employers in the Fund is not diminished by reason of the transfer.

~~4.3.10~~4.3.2 Adjustment to transfer payment between transfer date and payment date

Normally the transfer value will be calculated as at the date the members transfer their employment (on the Transfer Date); this value is then adjusted until the actual Payment Date, which is typically some months or years later.

There is an overriding principle of minimising the risk to the Fund of paying out more in the bulk transfer than the Fund holds in assets which are attributable to the transferring liabilities. Consequently, the most appropriate adjustment would be to use the actual returns achieved on the Fund's assets over the appropriate period.

There are a number of practical difficulties associated with this, not least the fact that Fund returns are typically only available on a quarterly basis and there is a lag between the quarter end and the availability of the return information. As a result, an approximation is usually required for part of the period, which will typically take the form of:
(a) applying index returns in line with the benchmark agreed at the time of the bulk transfer~~.~~, and/or
(b) applying implied returns from monthly asset values.

It may subsequently be agreed between both parties to carry out a "true-up" exercise whereby the original payment amount is updated to reflect Fund returns to the Payment Date (when they become available), the difference between the original amount and the revised amount is settled between the two parties.

Where the bulk transfer is between ~~the~~two employers in the Fund, the notional transfer of assets is assumed to occur on the transfer date so there is no need to specify such an adjustment.

~~4.3.13~~4.3.3 Format of bulk transfer

The type of payment will usually be in cash but is at the discretion of the Fund, to be decided by the Section 151 Officer. A deduction to the bulk transfer will be made for any administration, legal and transaction costs incurred by Fund as a result of having to disinvest any assets to meet the form of payment that suits the receiving scheme.

~~4.3.14~~4.3.4 Bulk transfers in

The ~~Fund~~Administering Authority will expect all bulk transfers in to be sufficient to meet the value of the accrued benefits on ongoing valuation assumptions (i.e. the Fund's funding basis) applicable at the transfer date.

There may be situations where the transfer amount accepted is less than the benchmark outlined above, in which case the receiving employer will be required to fund this deficit.

Depending on the strength of covenant of the receiving employer and the significance of the shortfall, any such shortfall will be met by either a lump sum payment or through increases to its ongoing contribution rate at the point the transfer is made or at the next funding valuation. ~~Any deficit payments that Fund agree to include as part of the ongoing contribution rate will be based on a spreading period not exceeding that set out in the Funding Strategy Statement.~~

~~4.3.15~~4.3.5 Approval process for paying or receiving a bulk transfer

The ~~Fund~~Administering Authority will normally agree to bulk transfers into or out of the Fund where this policy is adhered to. However, all bulk transfers into or out of the Fund will be put to the Pension Fund Committee for agreement, ~~detailing any~~where the proposals ~~to~~ depart from this policy.

~~4.3.16~~4.3.6 Costs

The ~~Fund~~Administering Authority may require any actuarial, legal, administration and other justifiable cost to be paid by the employer in the Fund responsible for the transfer in or out.

Appendix 1

Admission bodies - overriding principles

The purpose of an admission policy is to ensure that only appropriate bodies are admitted to the Fund and that the financial risk to the fund and to employers in the fund is identified, minimised and managed accordingly.

The Fund's policy is drafted on the basis of the following key principles:

- to ensure the long-term solvency of the Fund as a whole and the solvency of each of the notional sub-funds allocated to the individual employers;
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- not to restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk;
- to help employers recognise and manage pension liabilities as they accrue with consideration to the effect on the operation of their business where the Administering Authority considers this appropriate;
- to minimise the degree of short-term change in the level of each employer's contributions where the Administering Authority considers it reasonable to do so;
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer ceasing participation or defaulting on its pension obligations;
- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective; -and
- to maintain the affordability of the fund to employers as far as is reasonable over the longer term.
- to complement the Funding Strategy Statement (FSS)

There is also an overriding objective to ensure that the LGPS Regulations and any supplementary guidance (in particular the Best Value Authorities Staff Transfers (Pensions) Direction 2007 [Statutory Guidance to Local Authorities on Contracting effective from October 2007] and Fair Deal guidance) as they pertain to admission agreements are adhered to.

Appendix 2

Admission bodies and scheduled bodies - the regulatory and guidance framework

The LGPS

The Local Government Pension Scheme Regulations 2014, as amended, ("The Regulations") describe two main routes by which bodies may gain admission body status. These are;

1. By being linked with, funded by, or representative of a local authority or scheme employer, or providing a public service and having sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest
2. By providing a service as a result of the transfer of the service or assets by means of a contract or other arrangement (e.g. outsourcing).

In December 2009, the Department for Communities and Local Government ("DCLG") issued guidance explaining the LGPS regulatory provisions relating to admission bodies.

Employers may also be admitted to the Fund by virtue of being listed in Schedule 2 of The Regulations. Referred to as Scheduled bodies, such employers have a right to participate in the LGPS.

Fair deal, ODPM code of practice and the direction

Where employees are being transferred under TUPE, the principles of the Cabinet Office Statement of Practice ("COSOP") dated January 2000 and revised in December 2013 "Staff Transfers in the Public Sector – Statement of Practice", and in particular the "Fair Deal for Staff Pensions" guidance that supports "COSOP" (commonly known as 'Fair Deal') must also be adhered to. The Government published the reformed Fair Deal policy on 4 October 2013, which pertains to transfers from Central Government. The key requirements of this policy are: -

- that employees transferred to a supplier will in future automatically be entitled to remain in their existing public sector pension scheme.
- under the reformed Fair Deal winning bidders generally will not have an option to
- move employees eligible for public sector pension schemes to a broadly comparable private sector pension scheme apart from in exceptional cases.
  where provision of a broadly comparable pension scheme is agreed, payment of a bulk transfer and protection of past service by provision of day for day service credits (or equivalent allowing for differences in the benefit structure of the new scheme), and
- protection of other pension related terms and conditions of employment, such as enhancement of benefits on redundancy.

Fair Deal for the LGPS is still under consideration. However, it is expected that the spirit of the above policy will be followed.

Appendix 3

Bulk transfers – overriding principles

The purpose of bulk transfer negotiations is to determine the transfer payment to be paid and the amount of service credits to be awarded when a number of members transfer their benefits from one pension scheme to another.

The Fund's policy is drafted on the basis of the following key principles:

- when a group of active scheme members joins the Fund, the Administering Authority's objective is to ensure, as far as practical that the Fund does not accept an ongoing funding deficit in respect of the transferring employees;
- when a group of active scheme members leaves the Fund, in order to protect the funding position in respect of the remaining members, the transfer values in respect of the transferring members should be no more than the assets held in respect of the transferring liabilities, and at most be 100% of the transferring liabilities on the ongoing funding basis as set out in the Funding Strategy Statement; and
- service credits granted to active scheme members should fully reflect the value of the benefits being transferred, irrespective of the transfer value paid or received.
- There is also an overriding objective to ensure that the LGPS Regulations and any supplementary guidance (in particular the Statutory Guidance to Local Authorities on Contracting issued in August 2005 and Fair Deal guidance) as they pertain to bulk transfers are adhered to.

It should be noted that, as far as possible, employers should treat the Fund's preferred terms on bulk transfers as non-negotiable. Any differences between the value the Fund is prepared to pay (or receive) and that which the other scheme involved is prepared to accept should be dealt with by the employers concerned outside the Fund.

Appendix 4

Bulk transfer circumstances

Bulk transfers from the Fund to non-LGPS Funds

Bulk transfers of active scheme members from LGPS employers to approved non-LGPS schemes typically involve the outsourcing of services to a private sector employer with its own approved scheme under a transfer of undertakings (TUPE) or from the reorganisation of central government services (such as the merger of certain government agencies) where the active scheme members transfer to another public service scheme (e.g. NHS, PCSPS etc.).

Regulation 98 of the Local Government Pension Scheme Regulations 2013 ("The Regulations") governs the bulk transfer of members' pension liabilities out of the LGPS to an approved non-LGPS pension arrangement.

Regulation 98 allows for the payment of a bulk transfer value where at least two active members of the LGPS cease scheme membership and join another approved pension arrangement. The transferring and receiving schemes and the employer must agree that a bulk transfer will be made. If there is no agreement, then our understanding is that the standard cash equivalent transfer basis would apply if the active scheme member elected to transfer his or her accrued rights.

The 2003 ODPM Code of Practice on Workforce matters requires that the new employer's pension scheme allows the employees transferring their accrued rights from the LGPS to do so on a fully protected basis. Our interpretation is that this refers to protection of the benefits (i.e. value of service credits) not the amount of the bulk transfer since no reference is made to the bulk transfer payment having to reflect that fully protected basis.

For any bulk transfer the Fund's administrators must also obtain members' consent to be part of the bulk transfer.

The Regulations give the Fund's actuary discretion as to the calculation of the bulk transfer value. This means that, when paying bulk transfers from the Fund to a non-local-government scheme, it is possible for the calculation to be structured so as to minimise the risk of the transfer value exceeding the share of the Fund assets attributable to the transferring liabilities[1].

Bulk transfers between LGPS Funds within England and Wales: changes in the Fund

Transfers of membership between different LGPS funds commonly occur when employers within one council area expand into or merge with employers in another council area and/or LGPS fund.

Regulation 103 of The Regulations governs the bulk transfer of members' pension liabilities between funds within England & Wales. Regulation 86 requires a bulk transfer to be agreed between the actuaries to the transferring and receiving scheme where 10 or more members are affected by virtue of a single event.

The Regulations require the actuaries to each fund to agree on the amount of the bulk transfer payment to be made. If agreement is not reached within 12 months then the matter may be referred to a third actuary chosen by the two actuaries or, if they cannot agree, to an actuary chosen by the President of the Faculty and Institute of Actuaries and his decision will be final.

The active scheme member will be credited with the same period of service in the new fund as he or she had accrued in the Fund so there is no discretion to award anything other than day-for-day service credits.

[1] It is not possible to completely eliminate this risk, for example because the transfer value will be adjusted between the transfer date and the payment date and Northamptonshire Pension Fund returns may not be available for the full period.

Bulk transfers between employers in Fund

Bulk transfers between employers within the Fund may be relatively common. An example of this type of transfer is where a unitary authority transfers control of certain services to another body and the transferring active scheme members are eligible to remain in the Fund. These types of transfers can be broken into two different categories:

- The transferring active scheme members join a new employer in the Fund (e.g. a transferee admission body, community admission body, or even a new scheduled body); or
- The transferring active scheme members join an existing Fund employer.

There are no specific references in the Regulations to the allocation of assets for these types of scenario or any other guidance relating to such transfers. Obviously the ODPM Code of Practice on Workforce Matters and the Fair Deal guidance applies to transfers from local authorities to private contractors within the same fund.

Transfers in

Bulk transfers into the LGPS can occur for a number of reasons including a national restructuring resulting in the admission of an employer whose employees have LGPS service in another LGPS fund, where there is a reorganisation of central government operations (transfers in from other government sponsored schemes) or where an outsourced contract ceases and active scheme members (re)join the LGPS from a broadly comparable scheme.

Unlike bulk transfers out of the LGPS, there is no specific provision to allow for bulk transfers into the LGPS. As a result, any service in respect of a transfer value received into the LGPS, whether on the voluntary movement of an individual or the compulsory transfer of a number of employees, must be calculated the same way as individual transfers.

This page is intentionally left blank

West Northamptonshire Council

West Northamptonshire Council

Pension Committee

11/10/2021

Mark Whitby – Head of Pensions

Report Title	**Employer Admissions and Cessations Report**
Report Author	**Cory Blose,** **Pensions Service Employer and Communications Manager,** **Cory.Blose@westnorthants.gov.uk**

Contributors/Checkers/Approvers

MO	Geoff Wild on behalf of Catherine Whitehead	13/9/2021
S151	James Smith on behalf of Martin Henry	16/9/2021
Head of Pensions	Mark Whitby	3/9/2021

List of Appendices
None

1. Purpose of Report

1.1 To report the admission of two admission bodies to the Northamptonshire Pension Fund
1.2 To report the admission of one designating body to Northamptonshire Pension Fund
1.3 To notify the Committee of three bodies ceasing in the Northamptonshire Pension Fund

2. Executive Summary

2.1 Following a number of TUPE transfers two contractors, Caterlink Limited and Cucina Restaurants Limited, 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 Wellingborough 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 The David Ross Education Trust has come to an end with the assets and liabilities being retained by the academy trust.

2.5 As a result of the transfer of Kingsthorpe College Academy to a new trust, The Collaborative Academies Trust has ceased to exist.

2.6 As a result of the last active member leaving the Scheme, Weldon Parish Council have ended their designated body status in the scheme.

3. Recommendations

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;

- Caterlink Limited
- Cucina Restaurants Limited

b) Note the admission of the following designating body to the Northamptonshire Pension Fund;

- Wellingborough Town Council

c) Note the exit of the following bodies from the Northamptonshire Pension Fund:

- Compass Contract Services Limited
- Collaborative Academies Trust
- Weldon Parish Council

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

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

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 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
04/04/2020	Caterlink Limited (Eastfield Academy)	The David Ross Education Trust have entered into a contract with Caterlink Limited to provide catering services at Eastfield 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 4 April 2020 and back dated contributions have been received.
12/04/2021	Cucina Restaurants Limited (Elizabeth Woodville School)	Tove learning Trust have entered into a contract with Cucina Restaurants Limited to provide catering services at Elizabeth Woodville 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 12 April 2021 and a deadline of 19 September was agreed for the payment of the outstanding contributions.

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 of the Regulations 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.

5.2.2 The designating body has to pass a resolution to designate employees as eligible for membership of the Local Government Pension Scheme.

5.2.3 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.

5.2.4 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 and has passed a resolution designating at least one employee as being eligible for membership of the LGPS.

Date of Admission	Designating Body	Background Information
01/04/2021	Wellingborough Town Council	Wellingborough Town Council was established as part of the reorganisation of Local Government in Northamptonshire to provide statutory services previously provided by the Borough Council of Wellingborough. Wellingborough Town Council passed a resolution designating the newly employed town clerk to join the LGPS. The backdated contributions from 1 April 2021 have been received.

5.3 Cessations

5.3.1 **Compass Contract Services Limited (David Ross Education Trust).**

5.3.1.1 Compass Contract Services Limited were admitted to the Fund under a pass through agreement on 1 September 2014, after entering into a contract with The David Ross Education Trust, to provide cleaning services across a number of academies within the Trust.

5.3.1.2 On 3 April 2020, the contract ended. No exit debit or credit will be required as the pension liabilities were retained by The David Ross Education Trust.

5.3.2 **Collaborative Academies Trust (Kingsthorpe College)**

5.3.2.1 Collaborative Academies Trust became a Scheduled Body on 1 November 2012 after Kingsthorpe College converted to an academy.

5.3.2.2 On 1 August 2021 Kingsthorpe College joined Orbis Multi Academy Trust. With no other academies in the Northamptonshire Fund, The Collaborative Academies Trust ceased to be an employer in the Fund. All assets and liabilities have been transferred to Orbis Multi Academy Trust.

5.3.3 **Weldon Parish Council**

5.3.3.1 Weldon Parish Council were admitted to the Fund as a designating body on 7 February 2017 when they passed a resolution designating their Clerk as eligible for membership of the LGPS.

5.3.3.2 On 5 March 2020 the last active member left employment. The cessation assessment identified a £5,000 funding deficit. An invoice was issued to the employer to collect the funding deficit in July 2021.

6. Implications (including financial implications)

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

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.

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 has been captured in the Fund's risk register as detailed below -

Risk	Residual risk rating
Failure to administer the scheme in line with regulations and guidance	Green
Failure to provide relevant information to the pension Committee/Pension Board to enable informed decision making	Green

6.3.3 Please see the Northamptonshire Pension Fund Risk Register for full details

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

None