



Local Pension Board

A meeting of the Local Pension Board will be held at the <https://www.youtube.com/channel/UCujrRO-y6RzkN6zPQ-xNAAtA> on Thursday 27 January 2022 at 2.00 pm

Agenda

1.	Apologies for Absence
2.	Appointment of Chair and Vice-Chair
3.	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.
4.	Minutes (Pages 5 - 14) To confirm the Minutes of the meeting of the Committee held on 4 th November 2021.
5.	Action Log (Pages 15 - 16)
6.	Internal Audit Report (Pages 17 - 30)
7.	Northamptonshire Pensions Fund - Administration Performance Report (Pages 31 - 38)
8.	Risk Monitoring Report (Pages 39 - 70)
9.	Pension Fund Business Plan and Medium Term Strategy Update Report to 31 December 2021. (Pages 71 - 92)

10.	Governance and Compliance Report (Pages 93 - 102)
11.	Business Continuity Plan (Pages 103 - 150)
12.	Investment Strategy Statement (Pages 151 - 180)
13.	<p>Urgent Business</p> <p>The Chairman to advise whether they have agreed to any items of urgent business being admitted to the agenda.</p>
14.	<p>Exclusion of Press and Public</p> <p>The following report(s) contain exempt information as defined in the following paragraph(s) of Part 1, Schedule 12A of Local Government Act 1972.</p> <p>*DELETE AS APPROPRIATE*</p> <p>Paragraph 1 – Information relating to any individual.</p> <p>Paragraph 2 – Information which is likely to reveal the identity of an individual.</p> <p>Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information).</p> <p>Paragraph 4 – Information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under, the authority.</p> <p>Paragraph 5 – Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.</p> <p>Paragraph 6 – Information which reveals that the authority proposes;</p> <ol style="list-style-type: none"> a) To give under any enactment a notice under or by virtue of which requirements are imposed on a person; or b) To make an order or direction under any enactment <p>Paragraph 7 – Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.</p> <p>Members are reminded that whilst the following item(s) have been marked as exempt, it is for the meeting to decide whether or not to consider each of them in private or in public. In making the decision, members should balance the interests of individuals or the Council itself in having access to the information. In considering their discretion members should also be mindful of the advice of Council Officers.</p> <p>Should Members decide not to make a decision in public, they are recommended to resolve as follows:</p>

	“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) XXXXX 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.”
15.	Update on Cyber Resilience (Pages 181 - 186)
16.	ACCESS Update (Pages 187 - 198)

Catherine Whitehead
Proper Officer
19 January 2022

Local Pension Board Members:

Alicia Bruce

Katy Downes

Councillor Ken Pritchard

Julie Petrie

Kevin Standish-Day

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

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.

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Queries Regarding this Agenda

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

Tel: 01327 302324

Email: jeverly.findlay@westnorthants.gov.uk

Or by writing to:

West Northamptonshire Council
One Angel Square
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Local Pension Board

Minutes of a meeting of the Local Pension Board held at <https://www.youtube.com/channel/UCujrRO-y6RzkN6zPQ-xNAAtA> on Thursday 4 November 2021 at 10.00 am.

Present

Alicia Bruce
Councillor Ken Pritchard
Julie Petrie

Substitute
Members:

Apologies for
Absence: Katy Downes
Kevin Standish-Day

Officers:

Paul Hanson	Democratic Services Manager
Mark Whitby	Head of Pensions
Joanne Kent	Governance & Regulations Manager
Michelle Oakensen	Governance Officer
Cory Blose	Employer Services and Systems Team Manager

14. **Appointment of Chair and Vice-chair**

The Democratic Services Manager advised that there were not enough members in attendance for the meeting to be quorate. Officers at North Northamptonshire Council had been contacted in order to propose a Councillor from that authority to sit on the Board but so far a nomination had not been provided; the request would be reiterated. As the meeting was not quorate, the business on the agenda could be considered but no decisions made and these would be deferred to the next meeting. The appointment of the Chair and Vice Chair would therefore be deferred.

RESOLVED: That the appointment of the Chair and Vice-chair be deferred to the meeting due to be held on 27th January 2022.

15. **Declarations of Interest**

No interests were declared.

16. **Minutes**

RESOLVED: The Local Pension Board approved the minutes of the meeting held on 1st July 2021.

17. Annual report of the Local Pension Board

The Democratic Services Manager presented the Annual report of the Local Pension Board which provided a summary of the work undertaken by the Board over the past year. The role of the Board was to provide a critical friend to the administering authority and provide feedback to that authority. Northants County Council (as the previous administering authority) had met to consider a report relating to the activities of the Local Pension Board in February. The annual report would be submitted to Full Council on 2nd December for approval, alongside the report from the Pensions Committee. If no Chair had been appointed, a representative from the Board may be asked to attend the Council meeting.

Alicia Bruce enquired as to whether the meeting not being quorate would have an impact on the operation of the Board. The Democratic Services Manager advised that as the Board was not a decision making body, the fact that the meeting was not quorate was not an issue. However he considered that the quorum being set at 4 was too high as there were only 6 members of the Board with one vacancy. Mark Whitby added that regular contact was maintained with North Northamptonshire as a scheme employer.

The Democratic Services Manager suggested that Board Members may want to add other issues to the work programme.

RESOLVED:

- (i) The Local Pension Board noted the draft Annual report and recommended it for approval at Full Council on 2nd December 2021.**
- (ii) That the Democratic Services Manager request that the quorum for the Local Pension Board be reduced from 4 to 3.**

18. Action Log

The Governance & Regulations Manager advised that there were no actions to note in the action log (copies of which had been previously circulated).

RESOLVED: That the Local Pension Board noted the action log.

19. Northamptonshire Pensions Fund - Administration Performance Report

Consideration was given to a report which provided an overview of the administrative activities (copies of which had been previously circulated).

The Governance and Regulations Manager drew the Board's attention to the table set out in section 5 of the report relating to the key performance indicators from 1st June until 30th September. There were a number of reds and ambers in the RAG status, which had arisen as a result of a system outage in August and days lost due to sickness which had obviously effected the 5 working day turnaround performance.

The impact was reflected in the deferred status; the active retirements were the priority for the service. The Head of Pensions added that annual leave had also effected performance.

Referring to appendix B, the Governance and Regulations Manager, highlighted that the contributions from employers of the scheme had been received on time. The two breaches referred to in the report were not deemed to be reportable to the Pensions Regulator.

There were currently 2 internal dispute resolution cases ongoing; a scheme member had transferred their pension overseas and was seeking compensation for deferred benefits, a claims management company was dealing with the case. Neither the stage 1 or stage 2 appeal had been accepted and the case could ultimately go to the Ombudsman. The other case had been raised by a member of the scheme regarding a delay in benefits as no electronic records had been available. The service believed that there was no liability and were waiting for evidence. Upon investigation there had been no records found in the archive storage.

Alicia Bruce queried how the members of the scheme had been affected by the delays due to the system outage. The Governance and Regulations Manager advised that around fifty members had been affected and they had received their pensions a couple of days late. As a result of the outage a change had been made to the firewall setting.

Further to an enquiry from Alicia Bruce regarding liabilities of the outstanding cases, the Governance and Regulations Manager advised that one of the cases had been raised querying whether a leaflet had been sent to members of the scheme to warn them about a scam. Unfortunately no proof could be provided that the leaflet had been sent. A change had been made to the process so that in the future such communications would be able to be evidenced.

With regard to the other case the Governance and Regulations Manager considered that the fund should not be held responsible for an unsatisfactory investment, however the Ombudsman may consider otherwise and they may decide that the service would have to pay compensation. Claims management companies were an emerging industry and the pensions service had strengthened the process to minimise the risks going forward.

RESOLVED: That the Pension Board noted the Northamptonshire Pensions Fund - Administration Performance Report.

20. **Pension Fund Business Plan Update**

The Head of Pensions provided an update on the Pension Fund Business Plan. The Fund's incumbent strategic adviser, Mercer LLC, had been re-appointed for the investment advisory services contract. Currently the local government reorganisation in Northamptonshire had not resulted in large changes but the situation was being kept under review. The Business Continuity Plan (BCP) covering the Fund's governance and administration need to be reviewed following the creation of the new unitary authority of West Northamptonshire Council and a template had now been

received. It was different to the previous BCP and therefore a fundamental review was being undertaken and risks considered. It would be submitted to a meeting of the Board in the future.

The majority of the milestones for the cyber-resilience strategy had been completed and an update would be provided later in the meeting.

Work was ongoing in preparation for the application of the McCloud age discrimination remedy and employers had to provide the service with information within two months. It was noted that conversations had been undertaken up to Assistant Director levels regarding the West Northamptonshire Council payroll. Julie Petrie enquired as to whether it was anticipated that the percentage of employers' contributions would have an impact. The Head of Pensions advised that the contributions had been built in from last time and although there had been a significant administrative exercise undertaken, for the majority of people there would be nil or little difference.

It was noted that preparation for the 2022 Valuation of the Pension Fund had commenced in August with the Fund's actuarial advisors to develop requirements and plan for the triennial valuation of the Pension Fund.

The Head of Pensions referred to the increase of 335 undecided leaver records since 31 July 2021, that was due to an increase in volume of cases in the business as usual team following the end of the school year. The project team were dealing with the backlog in house and the quality of reporting was being altered. When a benefit was processed, the LGPS national insurance number database had to be checked to see if there were other benefits due to the members of the scheme and employers had to be contacted, which could lead to delays. It was hoped that the numbers would decrease in the following year.

It was hoped that the Fund's Responsible Investment (RI) Policy would be signed off by the Pensions Committee in December. Work on the Property Strategy had just commenced and a pool led solution was being considered.

Alicia Bruce welcomed the detailed report and queried whether there was sufficient capacity within the service to meet the target dates of March/April 2022; a number of the delays seemed to be due to legalities. The Head of Pensions advised that the authority would be one of the first to go through this process and more resourcing would be required for the cloud remedy. A review was being undertaken of the structure and funding and investments would be merged for one manager post. The business as usual areas were of the greatest concern and 2 new officers had recently been recruited.

Julie Petrie enquired if the overheads charged from councils would be revisited and whether they could be challenged. In response, the Head of Pensions advised that the rates charged were still those decided by Northamptonshire County Council and it was expected that West Northamptonshire Council would review them in the following financial year. A line by line breakdown of the charges was provided and costs were benchmarked through CIPFA. There was currently an underspend on staff.

RESOLVED: That the Local Pension Board noted the Business Plan Update to 30 September 2021.

21. **Governance and Compliance Report**

The Governance and Regulations Manager introduced the report (copies of which had been previously circulated) which was submitted for consideration to every meeting. It was noted that the Pensions Regulator had consulted on a new code of practice which come into force in the spring/summer 2022. The service would produce an action plan in order to ensure that it complied with the code.

It was a legal requirement that all members of the Local Pension Board undertake training for their roles. Appendix A of the report listed the main events that were deemed useful.

The training sessions were hosted by Aon and web links to them could be accessed by the members of the Local Pension Board. Whilst the web links would remain live until 31 March 2022, it was hoped that all Board members would view all of the training sessions by the 31 December 2021.

RESOLVED: That the Local Pension Board noted the contents of the report.

22. **Risk Monitoring**

Consideration was given to the Northamptonshire Pension Fund Risk Register (previously circulated).

The Governance Officer, referring to section 5 of the report, highlighted that the gross and residual score for risk 24 had increased due to recruitment issues and an additional recruitment service was now being utilised. No new risks had been identified, but sickness had impacted on the service as aforementioned. The risk of training not being undertaken by the Board and Committee Members was identified in risks 8 and 9.

The Governance Officer advised that the format of the risk register would alter in the future to illustrate the tracked changes over time, but the numbers would be retained to avoid confusion. An additional risk position column had been added to the executive summary.

Councillor Ken Pritchard queried what additional recruitment avenues were being utilised. The Governance and Regulations Manager advised that specialist recruitment agencies were being used. Julie Petrie added that recruitment was proving difficult nationally but the situation was improving.

RESOLVED: That the Local Pension Board reviewed the current risks facing the Fund.

23. **Admission Bodies, Scheme Employers and Bulk Transfer Policy**

The Employer Services and Systems Team Manager informed the Board that the policy had been updated in line with changes to the Fund's Funding Strategy Statement following a number of amendments to the LGPS Regulations and that it had been approved by the Pension Committee on 11 October 2021.

Alicia Bruce queried whether there had been an adverse impact on the fund due to the regulatory changes. The Employer Services and Systems Team Manager advised that there had not been; the service was in control of the fund and complied with the legislative requirements.

RESOLVED: That the Local Pension Board noted the amendments to the Admission Bodies, Scheme Employers and Bulk Transfer Policy.

24. **Training Strategy**

The Governance Officer reported that the Training Strategy had been reviewed following additional training and CIPFA skills and knowledge framework guidance. The tracked changes illustrated the revisions and when the final guidance was produced it would be reviewed again. Currently there was a credit system in place but it was considered that this did not demonstrate a wide enough range of knowledge and could be subjective. For example a two day course could be less relevant than a one day course. Training would be provided to a consistent standard for all Members and would be compulsory. Supplementary training would also be provided when key decisions needed to be undertaken and external government training highlighted.

Alicia Bruce welcomed the positive change to the modules to make them more prescriptive and considered that there should be a balance between online training and face-to-face training. Alicia Bruce enquired what engagement there had been with regard to the online modules; the Governance Officer advised that it looked like there had been a good uptake but this had not been reviewed in detail as yet. Members would be reminded to complete the modules leading up to the 31st December deadline.

RESOLVED: That the Local Pension Board noted the changes made to the Training Strategy.

25. **Exclusion of Press and Public**

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

RESOLVED: That the next meeting of the Local Pension Board take place at 2 pm.

The meeting closed at 12.10 pm

Chair: _____

Date: _____

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

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**NORTHAMPTONSHIRE
PENSION FUND**

**Local Pension Board
Action log from Local Pension Board meeting held on 4 November 2021**

Agenda Item:

This log captures the actions from the Northamptonshire Local Pension Board of the 4 November 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 17 January 2022.

Actions from 4 November 2021:

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

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West Northamptonshire Council

Local Pension Board

27/01/2022

Internal Audit

Report Title	Internal Audit Report 2020-21
Report Author	Jacinta Fru, Head of Audit jacinta.fru@westnorthants.gov.uk

Contributors/Checkers/Approvers

Head of Pensions	Mark Whitby	12/01/2021
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List of Appendices

Appendix A – Internal Audit Report: Administration of the Northamptonshire Pension Fund 202-21

1. Purpose of Report

1.1. To present the findings of Internal Audit work during 2020-21.

2. Executive Summary

2.1 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

2.2 The work of Internal Audit complements and supports the work of external auditors in forming their opinion on the financial accounts. Internal audit work is coordinated with the external auditors and they place reliance on the work of internal audit to reduce the level of testing they undertake themselves. This reduces overall costs by avoiding unnecessary duplication of effort and supports delivery of an efficient and effective service.

3. Recommendations

- 3.1 The Pension Board is asked to note the findings from Internal Audit work during 2020-21.
- 3.2 Reason for Recommendation: To receive independent assurance along with other stakeholders around the robustness of arrangements supporting the administration of the Northamptonshire Pension Fund.

4. Report Background

- 4.1 During 2020-21, Internal Audit work focused on the annual audit of the administration of the Northamptonshire Pension Fund.
- 4.2 The audit assessed the adequacy of design and implementation of controls for the administration of the pension fund. Based on the completion of our fieldwork and the testing carried out, we gave **substantial** assurance the control environment in place and for **good** assurance for compliance. The full report is included as Appendix A.
- 4.3 The Internal Audit findings were noted by the Pension Committee in July 2021.

5. Issues and Choices

- 5.1 Not Applicable

6. Implications (including financial implications)

6.1 Resources and Financial

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

6.2 Legal

- 6.2.1 The requirement for an Internal Audit function derives from section 151 of the Local Government Act 1972. All principal local authorities and other relevant bodies subject to the Accounts and Audit Regulations 2015 in England should make provision for Internal Audit in accordance with the Code.

- 6.2.2 There are no legal implications arising from this report.

6.3 Risk

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

Risk	Residual risk rating
Contributions to the Fund are not received on the correct date and/or for the correct amount	Amber
Risk of fraud and error	Green
Failure to understand and monitor risk and compliance	Green
Failure to administer the scheme in line with regulations and guidance.	Green
Incorrect/poor quality data held on the Pension Administration and Payroll platforms leading to incorrect information being provided to members and stakeholders.	Green

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

6.4 Relevant Pension Fund Objectives

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

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

6.5 Consultation

6.5.1 Consultation was not required for this report.

7. Background Papers

7.1 Not Applicable

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Internal Audit Final Report

Administration of the Northamptonshire Pension Fund

Governance Opinion

Adequacy of System	Substantial
Compliance	Good
Organisational Impact of findings	Minor

Report Issued	30/4/2021
Follow up Date	January 2022

Executive Summary

1. Background

- 1.1. Pensions administers the Local Government Pension Scheme on behalf of Northamptonshire County Council and Cambridgeshire County Council. There are 156,000 members of the Northamptonshire and Cambridgeshire Pensions Funds and circa 563 scheme employers, the service holds a portfolio of assets in excess of £5.4 billion.
- 1.2. The administration of the scheme is subject to an annual audit and provides assurance around arrangements to the employer organisations, the Pensions Committee and also the Pension Fund's External Auditors.

2. Scope of Audit and Approach

- 2.1. The objectives of the review were to ensure that:

- New members are set up accurately (including transfers in) and on a timely basis.
- The correct contributions are received from employer organisations on a timely basis.
- Appropriate action is taken upon notification that a member has left the scheme.
- Pension payments are made accurately and in accordance with LGPS regulations and in line with relevant administering authority and employing authority discretions.
- Reconciliations related to Pensions are completed on a timely basis, with prompt action taken to clear unreconciled items.

The review also followed up actions agreed in the 2019/2020 review.

- 2.2. Approach

The audit process involved:

- Undertaking interviews with relevant officers, to ascertain the procedures in place.
- Evaluating whether the procedures in place provided for an adequate and effective level of control.
- Testing, where appropriate, that the controls identified were operating in practice.
- Reviewing procedures for efficiency and, where appropriate, identify opportunities to make improvements to processes.

2.3. Acknowledgements

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

3. Internal Audit Opinion and Main Conclusions

- 3.1.** The assurance given to the system design is **Substantial**. The assurance level reflects our view that effective and embedded procedures are in place to support pensions and that the audit identified minor control weaknesses in how key activity as defined in section 2.1 of the report was being administered.
- 3.2.** The assurance given for compliance is **Good**. Overall, the review found high levels of compliance with agreed procedures although the review did identify that independent checks were not always undertaken.
- 3.3.** The organisational impact of the findings is **Minor**. This reflects the fact that whilst a small number of improvements have been identified, these are considered to have a limited impact on the Northamptonshire Pension Fund.
- 3.4.** Main recommendations
- For each of the issues identified, we have agreed actions in the action plan. When implemented these will positively improve the control environment. Detailed agreed actions are listed within the Management Action Plan (MAP) at pages 7 and 8 of this report.

Detailed Findings

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

4.1. Employers are responsible for notifying Pensions Fund of any employees who wish to join the pension scheme. This information is currently received by Pensions through two mechanisms:

- Electronic data submissions via I-connect, which is a bespoke system which interfaces with the pensions system.
- Manual forms from employees and employers these are very rare.

4.2. Irrespective of the mechanism, checks are undertaken to ensure that only correct and complete records are uploaded into the pensions system (Altair), which are then used to create the member record. This includes:

- Independent checks on manual information input onto the pensions system by Pension Officers, and
- Checks to ensure that electronic data received is accurately transferred to the pensions system. This includes ensuring that all submissions received from employers have been processed and that any rejected data is investigated and resolved.

4.3. A log is maintained to monitor receipt of the monthly employers returns and this also details outstanding information and queries resulting from returns. As at 12th April 2021 9 returns are overdue and there is a process in place to follow these up.

4.4. At the year end, a validation check is undertaken to ensure all data is correct. At the time of reporting, 2,884 queries relating to 2019-20 had not yet been resolved. Of these 2,604 are waiting for further information from the employer before these can be actioned. It has been acknowledged that resources have been prioritised on other work which has contributed to the work not yet being completed.

(See MAP 1)

4.5. New members who wish to transfer in from another pension scheme are able to do so providing they complete the appropriate forms and meet defined criteria. Ten transfers into the Northamptonshire Pension Fund (NPF) were tested and controls were found to be working in that:

- A transfer in request form was on file signed by the member.
- The pension certificate has been provided by the previous pension provider.
- The payment had been received from the previous pension provider.
- The member's pension record on Altair had been updated accurately.

In reviewing oversight of this activity, whilst procedures detail that the calculation of the transfer value should be subject to an independent check by a senior administrator, we found that:

- In five instances, no evidence of independent review was found. We were advised that working practice is that where an experienced administrator undertakes this task, no independent check is required for cases up to £10,000. From an audit perspective, we would expect independent checks on all calculations and that if a decision is made to change the process, this should be formally reflected in procedures agreed by the Head of Pensions in conjunction with the Pensions Committee.

(See Map 2)

- In another, an independent check was undertaken although this was by a Pensions Officer and not a Team Leader.

(See MAP 3)

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

- 5.1.** A clearly defined process is in place to oversee the monthly payment of employer contributions to the NPF. Employers submit details of their contributions each month on a PEN18 electronic return. The PEN18s system checks that employer contributions received agree to actuary percentage rate for pensionable pay for employer's contributions. This system is automated so that when the data is fed into the system it calculates the amount due based on pensionable pay, this is then compared to the amount received. A check is also completed at the same time to monies received. Where variances occur the employer is contacted and they either adjust the next payment or invoice the employer.
- 5.2.** Records are maintained for employers and their contributions. For a limited sample, evidence was found that contributions reflected in the PEN18 returns (which provide details of summary total employer and employee contributions) were agreed as accurate. Payments were received from employers in line with agreed deadlines and traced to the Pension Fund bank account.
- 5.3.** In addition to the monthly process, an annual reconciliation of employer and member contributions to monies received takes place. A review of the 2019-20 reconciliation identified three queries which have been investigated and resolved.

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

- 6.1.** Employers notify the Pensions Team when an employee leaves and the member's pension is then "deferred" until payments are due. Action is taken if a request or event takes place. These are considered below.
- 6.2.** Ten transfers out of the pension scheme were reviewed and testing highlighted that:
- A transfer out request form was on file signed by the member.
 - Confirmation from the employer / Payroll was on file to confirm the member had left their pensionable employment.

- A calculation of the transfer out value was on file which had been subject to review and authorisation. One of the sample was approved by a Pension Officer rather than a Team Leader (See section 4.5).
- The payment had been made to the appropriate Pension Fund.

(See MAP 3)

6.3 Notification of five pensioner deaths were reviewed and testing highlighted that:

- A death certificate was on file in all cases.
- The pension was stopped on a timely basis.
- A reconciliation had been completed to confirm if over / under payments had occurred and appropriate action was taken based on the findings.

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

7.1. Pension payments can be set up for both new and dependent pensioners. For a new pensioner, the Pensions Team will initially seek confirmation that the member has left their pensionable employment. This information can either be provided by the employer or through Payroll. The Pensions Team then seek to validate key information including the member's date of birth, length of service and pay details. This information is then used to calculate the pension payment and then the payment is set up on the pension payroll. Both the calculation and setting up on the pension payroll are subject to independent checks for accuracy. Testing of five new pensioners highlighted that in three cases, a calculation was checked by a Pensions Officer rather than a Team Leader.

(See MAP 3)

7.2. For dependent pensioners, similar checks are undertaken as outlined above apart the initial focus is on seeking official notification that the member has died, and confirming the status of the dependent, and for death in service / pensioner deaths, a calculation of potential death grants was also completed. Testing of five new dependent pensioners found pensions being paid all relevant confirmation and documents were received from the respective parties. However, testing found four instances where the calculation was checked by a Pension Officer rather than a Team Leader.

(See MAP 3)

7.3. For all pensioners, the annual payment uplift process is an automated process as pensioner and payroll records are held on the Altair System. Evidence of the uplift process was held and the checking process undertaken to confirm that the correct uplift had been actioned.

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

8.1. Bank Reconciliations – The Council has four bank accounts, namely:

- 1) Accounts Payable
- 2) Accounts Receivable

- 3) Liquidity
- 4) Salaries

- 8.3.** A review of monthly reconciliations completed by the NCC Business Systems Team covering the period April 2020 to January 2021 highlighted that:
- Monthly reconciliations had all been completed.
 - Reconciliations were completed on a timely basis.
 - A clear audit trail existed as to the officer in the Business Systems Teams who has completed and reviewed the reconciliation.
- 8.4** A detailed review of the June, September and December 2020 reconciliations for all four bank accounts found that the reconciliations completed were accurate and that all entries could be agreed to appropriate source documentation. Across the four accounts, we have found that unreconciled items were generally cleared on a timely basis. Based on a review of the January 2020 reconciliations, there were no unreconciled in excess of three months old.
- 8.5** **Payroll Control Accounts** – Based on the same approach to bank reconciliations, audit tested seven pension fund control accounts (e.g. Net Pay, Debtors, Suspense, Altair Third Party Payment, Altair, Payroll Control and Payroll Third Party) between April 2020 and January 2021.
- 8.6** Whilst the review found some administrative issues with the reconciliations which will be raised with Payroll directly, testing highlighted that monthly reconciliation had been completed on a timely basis with a clear audit trail to support who had completed and reviewed the reconciliation. Furthermore, we found that unreconciled items were generally cleared on a timely basis by Pensions with only a small number of unreconciled items in excess of three months old, which were linked to the Altair Third Party Payment control account.

Management Action Plan

Likelihood	H	S	I	E	Impact	The Agreed Actions are categorised on the following basis:				
	M	S	I	E		Essential	Action is imperative to ensure that the objectives for the area under review are met.			
	L	S	I	E		Important	Requires action to avoid exposure to significant risks in achieving objectives for the area under review.			
	L	M	H	I		Standard	Action recommended enhancing control or improving operational efficiency.			

Ref	Issue and Risk	Category	Agreed actions	Responsible Manager & Target Date
1	<p><u>Annual Validation Check</u></p> <p>At the year end, a validation check is undertaken to ensure all data is correct. At the time of reporting, 2,884 queries relating to 2019-20 had not yet been resolved. Of the these 2,604 are waiting for further information from the employer before these can be actioned. It has been acknowledged that resources have been prioritised on other work which has contributed to the work not yet being completed.</p> <p><u>Risk</u></p> <p>Creates a delay in processing payments. Potential errors are not identified.</p>	Important	To develop a plan of action to resolve the outstanding queries and ensure there is a mechanism in place to prevent the build of queries going forward.	Projects & Systems Manager 30/6/2021

Ref	Issue and Risk	Category	Agreed actions	Responsible Manager & Target Date
2.	<p><u>Transfer In – Independent Check</u> Based on testing, we identified five transfer calculations that were not subject to independent review. We were advised that working practice is that where an experienced administrator undertakes the calculation of the transfer value, no independent check is required for cases up to £10,000. This is not consistent with procedures and no evidence was provided as to who agreed not to follow procedures in such circumstances.</p> <p><u>Risk</u> Errors not detected.</p>	Important	To review the current practices in light of the risk of error and align practices to approved procedures.	Operations & Technical Manager 31/8/2021
3.	<p><u>Independent Checks</u> Through sample testing of various activity, we identified a relatively small number of cases where the independent check was undertaken by a Pensions Officer rather than a Team Leader as stated in procedures. From an audit perspective, the important factor is that routine independent checks are carried out by an appropriately experienced officer rather than by an officer at a certain grade.</p> <p><u>Risk</u> Non-compliance with procedures.</p>	Standard	To align working practices with procedures.	Operations & Technical Manager 31/12/2021

Distribution List

Full Report Issued for Action: Mark Whitby – Head of Pensions
Joanne Walton - Governance and Regulations
Manager

Full Report Issued for Information: Martin Henry - Executive Director Finance
James Smith - Assistant Director Finance
(Strategy)

Issue Date: 30/4/2021

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

LGSS Chief Internal Auditor Approval: Duncan Wilkinson

Quality Reviewed: Stephen Mangan

Lead Auditor: Minashi Patel



West Northamptonshire Council

Local Pension Board

27/01/2022

Mark Whitby – Head of Pensions

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

Contributors/Checkers/Approvers

Head of Pensions	Mark Whitby	11/1/2022
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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 Board a report on the administrative performance of the Northamptonshire Pension Fund.

2. Executive Summary

- 2.1 This report sets out the performance of the Northamptonshire Pension Fund on the following areas of administration:
- 2.1.1 The achievement against the Key Performance Indicators for the period 1 October 2021 to 31 December 2021 (appendix A)
 - 2.1.2 Timeliness of receipt of employee and employer pension contributions for the payroll periods of December 2020 to November 2021 (appendix B)
 - 2.1.3 Occurrences of breaches of the law for the period 1 October 2021 to 31 December 2021 (section 5.3).
 - 2.1.4 Details of any Internal Dispute Resolution Procedure cases during the period 1 October 2021 to 31 December 2021 (section 5.4).
 - 2.1.5 Details of new employers admitted to the Northamptonshire Pension Fund and those that have ceased (section 5.5).

3. Recommendations

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

4. Report Background

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

5. Issues and Choices

5.1 Key Performance Indicators

- 5.1.1 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 October 2021 to 31 December 2021 can be found in appendix A along with the explanations for any underperformance.
- 5.1.2 Over the 3-month period, service performance has been consistently good with all targets being met.

5.1.3 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 December 2020 to 30 November 2021.
- 5.2.3 In September, October and November 2021, 100% of payments were made on time. The current yearly average for payments made on time is 99.8% and schedules being received on time is 99.4%.

5.3 Breaches of the Law

- 5.3.1 There are many laws relating to the Local Government Pension Scheme, with various individuals, including the Pension Committee and Local Pension both (collectively and as individuals) having a statutory duty to report material breaches of those laws to the Regulator. The Northamptonshire Pension Fund maintains a record of both material breaches that are reported to the Pensions Regulator as well breaches that are deemed not to be of material significance and so are not reported to the Pensions Regulator.
- 5.3.2 For the period 1 October 2021 to 31 December 2021 the following breaches of the law occurred.

Type of breach	Detail of breach	Course of action
Material	None	n/a
Non-material	9 refund of contribution payments were paid outside of the statutory 5 year period.	No further action at this stage, it is likely that the legislation surrounding this will be amended to remove the 5 year requirement.

5.4 Internal Dispute Resolution Procedure cases

- 5.4.1 Members, prospective members, and beneficiaries may not always agree with pension decisions that are made or may be unhappy that decisions have not been made, by either an administering authority or a scheme employer. The Internal Dispute Resolution Procedure (IDRP) is the route by which they may raise their concerns and challenge such decisions.
- 5.4.2 In the period 1 October 2021 to 31 December 2021 there was no activity in this area. All Stage 1 and Stage 2 administering authority cases have been fully responded to. No new disputes have arisen.

5.5 Employers Admissions and Cessations

5.5.1 The following admitted bodies were admitted to the Northamptonshire Pension Fund:

- Birkin Cleaning Services Ltd (Elizabeth Woodville Academy)
- CleanTEec Services Ltd (The Chenderit School)
- Easy Clean Contractors Ltd (Campion School Academy)

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

- Aspens Services Ltd (Southfields School for Girls)

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

The Fund's full risk register can be found on the Fund's website at the following link:

[Northamptonshire Risk Register](#)

6.4 **Relevant Pension Fund Objectives**

6.4.1 The following objectives have been considered in this report -

- To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.

- To ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
- To continually monitor and 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 October to 31 December 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%	October	144	124	20	92	Green	SLA target met
			November	101	91	10	90	Green	SLA target met
			December	127	116	11	91	Green	SLA target met
Payment of retirement benefits from active employment	Notify employees retiring from active membership of benefits award, from date payable or date of receiving all necessary information if later within 5 working days.	95%	October	59	59	0	100	Green	SLA target met
			November	47	46	1	98	Green	SLA target met
			December	30	30	0	100	Green	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%	October	51	47	4	92	Green	SLA target met
			November	58	53	5	91	Green	SLA target met
			December	63	58	5	92	Green	SLA target met
Award dependant benefits – Statutory	Issue award within 5 working days of receiving all necessary information.	95%	October	37	37	0	100	Green	SLA target met
			November	32	32	0	100	Green	SLA target met
			December	14	14	0	100	Green	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%	October	39	35	4	90	Green	SLA target met
			November	33	31	2	94	Green	SLA target met
			December	45	44	1	100	Green	SLA target met

Appendix A - Key Performance Indicators – 1 October to 31 December 2021

Provide transfer-in quote to scheme member – Statutory	Letter issued within 10 working days of receipt of all appropriate information.	95%	October	54	54	0	100	Green	SLA target met
			November	56	56	0	100	Green	SLA target met
			December	35	34	1	100	Green	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%	October	8	8	0	100	Green	SLA target met
			November	40	40	0	100	Green	SLA target met
			December	25	25	0	100	Green	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.

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
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
July 2021	99.7	0.3	98.2	1.8
August 2021	100	0	100	0
September 2021	100	0	100	0
October 2021	100	0	100	0
November 2021	100	0	99.1	0.9
Average for period	99.8	0.2	99.4	0.6

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West Northamptonshire Council

Local Pension Board

27/01/2022

Mark Whitby – Head of Pensions

Report Title	Northamptonshire Pension Fund – Risk Register
Report Author	Michelle Oakensen, Governance Officer michelle.oakensen@westnorthants.gov.uk

Contributors/Checkers/Approvers

Head of Pensions	Mark Whitby	11/01/2022
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Appendix A – The Northamptonshire Pension Fund Risk Register

1. Purpose of Report

- 1.1. To present the Pension Board with the Northamptonshire Pension Fund Risk Register.

2. Executive Summary

- 2.1 The Northamptonshire Pension Fund Risk Register is reviewed by the Local Pension Board at every meeting and bi-annually by the Pension Committee.
- 2.2 The Risk Register was last reviewed by the Local Pension Board on 4 November 2021 and the Pension Committee on 15th December 2021.
- 2.3 Appendix A of this report contains the current Risk Register.
- 2.4 Section 5.3 of this report details the short to medium term risks that the Fund is actively managing at this time.

3. Recommendations

- 3.1 The Pension Board is asked to review the Risk Register.

4. Report Background

- 4.1 The Northamptonshire Risk Strategy and Risk Register were reviewed and approved by the Pension Committee in March 2019. Following this approval, the Pension Fund Board have reviewed the risks facing the Fund on a quarterly basis and the Pension Fund Committee have reviewed on a bi-annual basis. This report is a continuation of the review process to ensure the risk register remains up to date and relevant.
- 4.2 At this time it was agreed that the Pension Board would monitor risks on a quarterly basis and the Pension Fund Committee would review on a bi-annual basis unless any concerns were raised by the Board prior to this.
- 4.3 This supports the Pension Regulator’s Code of Practice 14 – Governance and administration of public service pension schemes with regards to monitoring and reviewing risks. This code of practice can be found at the following link - [Codes of practice | The Pensions Regulator](#).

5. Issues and Choices

- 5.1 Presentational changes have been applied to the Risk Register summary to allow the reader to easily identify any changes in risk scores at each review and the objectives have also been included to allow easier cross referencing for each risk.
- 5.2 The more detailed changes to the register as part of this review are listed below:

Risk No	Risk	Proposed change(s)
1.	Employers unable to pay increased contribution rates.	To remove the word <u>increased</u> from the risk description as a difficulty to pay contributions may not necessarily be linked to an increase in the rate.
3.	As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund’s investments.	Mitigations amended/added as follows: <ul style="list-style-type: none">• A new Responsible Investment Policy has been agreed that increases the climate and carbon reporting requirements of the Fund and its managers• An action plan is being developed to help reduce the carbon risk within the Fund’s investments and transition to a more sustainable portfolio• The Head of Pensions is chairing an ACCESS Task & Finish Group helping ensure the Fund’s Responsible Investment ambitions can be met through the ACCESS Pool
6.	The Pension Fund and its members may become a target for fraudsters and criminals (cyber-crime).	Mitigation added: <ul style="list-style-type: none">• Highest risk third parties have completed a cyber survey and action plans are being developed from responses
8.	The Investment Strategy’s risk reward profile does not match the requirements of the Fund.	Mitigation added: <ul style="list-style-type: none">• Investment allocations are closely monitored, in particular, the Investment Sub Committee receives quarterly performance reports which highlight variations from the strategic asset allocation

12	Lack of understanding of employer responsibilities which could result in statutory and non-statutory deadlines being missed.	Updated mitigation: <ul style="list-style-type: none"> Escalation pathways have been agreed with the Fund's major providers of member data.
13.	Failure to recognise and manage conflicts of interest.	Mitigation added: <ul style="list-style-type: none"> Conflicts of Interest Policy will be developed following guidance from the Scheme Advisory Board and DLUHC resulting from the Good Governance Review
14	Incorrect/poor quality data held on the Pension Administration and Payroll platforms or delays with receiving information leading to incorrect information/delayed provision of information to members and stakeholders	Updated mitigations: <ul style="list-style-type: none"> The Data Improvement Policy and Plan are in place and reviewed annually. The Local Pension Board have oversight of policy reviews in line with Pension Committee approvals.
20	Actual experience materially differs from actuarial assumptions used at each valuation.	Mitigation updated: <ul style="list-style-type: none"> Investment performance is reported quarterly to the Fund Actuary.
24.	Unable to deliver pension services due to inadequate recruitment and retention processes.	Risk scoring updated: <ul style="list-style-type: none"> Residual likelihood 3 moved back to 2 due to establishment increase.
25	Investment decisions and portfolio management may not achieve the return required or be performed in accordance with instructions provided.	Updated mitigation: <ul style="list-style-type: none"> The Fund has an appropriate Investment Strategy Statement in place which the Fund's Responsible Investment Policy. An action plan is being developed to help reduce the carbon risk within the Fund's investments and transition to a more suitable portfolio.

5.3 Board members are asked to review the full risk register located in appendix A of this report and advise if any further changes are required.

5.4 Officers have identified a number of short term risks that should be noted by the Pension Board as follows:

5.4.1 The impact of the pandemic – In light of the Omicron variant, most Officers are still predominately working from home. Numbers of staff in the office have been kept to a minimum to allow for the continuation of incoming and outgoing calls for members.

The Service has seen minimal impact due to covid related illness during the period.

5.4.2 Knowledge for new members of the Pension Committee and Pension Board – The deadline for completion of the core competency modules was 31 December 2021, however not all Committee and Board members had completed all 7 modules of this training and an email was issued confirming an extension to 31 January 2022. It is imperative that all the training is undertaken by this time to comply with the Pensions Regulator requirements and to reduce the risk of challenge on any decisions made.

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 None

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
Failure to understand risk and compliance	Green
Failure to provide relevant information to the Pension Fund Committee/Pension Board to enable informed decision making	Green

The Fund’s full risk register can be found in appendix A.

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 - Northamptonshire Pension Fund Risk Register

Risk No	Risk Description	Previous Assessment			Current Assessment			Movement	Action/Comment
		Impact	Likelihood	Residual Rating	Impact	Likelihood	Residual Rating		
1.	Employers unable to pay contribution rates.	4	3	12	4	3	12	-	
2.	Failure to respond to changes in economic conditions.	4	3	12	4	3	12	-	
3.	As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund's investments.	3	3	9	3	3	9	-	
4.	Contributions to the Fund are not received on the correct date and/or for the correct amount.	4	2	8	4	2	8	-	
5.	Fund assets are not sufficient to meet obligations and liabilities.	4	2	8	4	2	8	-	
6.	The Pension Fund and its members may become a target for fraudsters and criminals (cybercrime)	4	2	8	4	2	8	-	
7.	Information may not be provided to stakeholders as required.	3	2	6	3	2	6	-	
8.	The Investment Strategy's Risk Reward profile does not match the requirements of the Fund.	3	2	6	3	2	6	-	
9.	Those charged with governance are unable to fulfil their responsibilities effectively.	3	2	6	3	2	6	-	
10.	Risk of fraud and error.	3	2	6	3	2	6	-	
11.	Failure to understand and monitor risk compliance.	3	2	6	3	2	6	-	
12.	Lack of understanding of employer responsibilities which could result in statutory and non-statutory deadlines being missed.	2	3	6	2	3	6	-	
13.	Failure to recognise and manage conflicts of interest.	2	3	6	2	3	6	-	

Risk No	Risk Description	Previous Assessment			Current Assessment			Movement	Action/Comment
		Impact	Likelihood	Residual Rating	Impact	Likelihood	Residual Rating		
14.	Incorrect/poor quality data held on the Pension Administration and Payroll platforms or delays with receiving information leading to incorrect information/delayed provision of information to members and stakeholders	3	2	6	3	2	6	-	
15.	Custody arrangements may not be sufficient to safeguard Pension Fund assets.	4	1	4	4	1	4	-	
16.	Pension Fund systems and data may not be secure and appropriately maintained	4	1	4	4	1	4	-	
17.	Failure to administer the scheme in line with regulations and guidance.	4	1	4	4	1	4	-	
18.	Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making.	2	2	4	2	2	4	-	
19.	Pension Fund investments may not be accurately valued.	2	2	4	2	2	4	-	
20.	Actual experience materially differs from actuarial assumptions used at each valuation.	2	2	4	2	2	4	-	
21.	Failure to act appropriately upon expert advice and/or risk of poor advice.	2	2	4	2	2	4	-	
22.	Failure to assess and monitor the financial strength of an employer covenant to ensure employer liabilities are met in conjunction with the Fund Actuary/specialist advisors.	2	2	4	2	2	4	-	
23.	Unable to deliver pension services due to an inadequate business continuity plan.	2	2	4	2	2	4	-	

Risk No	Risk Description	Previous Assessment			Current Assessment			Movement	Action/Comment
		Impact	Likelihood	Residual Rating	Impact	Likelihood	Residual Rating		
24.	Unable to deliver pension services due to inadequate recruitment and retention processes.	2	3	6	2	2	4	↓	Decrease in residual likelihood score to reflect appointments being made within the service.
25.	Investment decisions and portfolio management may not achieve the return required or be performed in accordance with instructions provided.	3	1	3	3	1	3	-	
26.	Incorrect production of accounts, notices, publications and management reports leading to possible financial and reputational damage.	3	1	3	3	1	3	-	
27.	Pension Fund objectives are not defined and agreed.	2	1	2	2	1	2	-	

Potential impact if risk occurred

5 Catastrophic	5	10	15	20
4 Major	4	8	12	16
3 Moderate	3	6	9	12
2 Minor	2	4	6	8
1 Insignificant	1	2	3	4
	1 Rare (5%)	2 Unlikely (15%)	3 Possible (40%)	4 Likely (65%)

Likelihood of risk occurring

Appendix A - Northamptonshire Pension Fund Risk Register

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
1.	Employers unable to pay contribution rates. <i>Responsible Lead(s): Employer Services and Systems Manager. Relevant objective: 9</i>	4	4	16	R	<ul style="list-style-type: none"> Provisional contribution rates are consulted on with each scheme employer as part of the valuation process. Review of employer covenant, looking at the terms of the admission agreement and bond/guarantor arrangements. Negotiate terms of deficit recovery whilst keeping employer contribution rates as stable and affordable as possible. 	4	3	12	A
2.	Failure to respond to changes in economic conditions. <i>Responsible Lead(s): Fund Accounting Manager and Investment Manager. Relevant objectives: 15,16.</i>	4	4	16	R	<ul style="list-style-type: none"> The Fund has established a quarterly Investment Sub Committee dedicated to focus on Investment matters. The Fund receives quarterly performance reports which consider operational and strategic investment issues. A formal review of the strategic asset allocation is undertaken on at least a triennial basis. The Fund publishes an Investment Strategy Statement, incorporating a Responsible Investment Policy, which is regularly reviewed. Coronavirus pandemic: Increased engagement with investment managers and monitoring of asset movements. 	4	3	12	A

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
3.	<p>As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund's investments.</p> <p><i>Responsible Lead(s): Fund Accounting Manager and Investment Manager.</i> <i>Relevant objectives: 18,19.</i></p>	4	4	16	R	<ul style="list-style-type: none"> Investment managers are required to take account of both financial and non-financial factors in their investment decisions. A new Responsible Investment Policy has been agreed that increases the climate and carbon reporting requirements of the Fund and its managers An action plan is being developed to help reduce the carbon risk within the Fund's investments and transition to a more sustainable portfolio The Head of Pensions is chairing an ACCESS Task & Finish Group helping ensure the Fund's Responsible Investment ambitions can be met through the access Pool. 	3	3	9	A
4.	<p>Contributions to the Fund are not received on the correct date and/or for the correct amount.</p> <p><i>Responsible Lead(s): Fund Accounting Manager.</i> <i>Relevant objectives: 1,8,9,16.</i></p>	4	3	12	A	<ul style="list-style-type: none"> Employer contributions are set as stable as possible and the Fund works with employers closely to ensure pragmatic solutions if an employer is unable to meet monthly contributions. A procedure is in place to identify non-payment and late payment of contributions as defined in the Employee and Employer Late Payment Policy. The Policy includes a reporting process to report late payments to Committee and the Pensions Regulator. Internal Audit reviews take place on an annual basis and external audit review the accounts annually. 	4	2	8	A

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
5.	<p>Fund assets are not sufficient to meet obligations and liabilities.</p> <p><i>Responsible Lead(s): Fund Accounting Manager and Investment Manager.</i> <i>Relevant objectives: 2,16,17,19</i></p>	4	3	12	A	<ul style="list-style-type: none"> The Funding Strategy Statement is reviewed every 3 years or more often as required. The Fund Actuary considers asset valuations and the Fund Investment Strategy in setting employer contributions rates. 	4	2	8	A
6.	<p>The Pension Fund and its members may become a target for fraudsters and criminals (cybercrime).</p> <p><i>Responsible Lead(s): All managers</i> <i>Relevant objectives: 10,11</i></p>	4	3	12	A	<ul style="list-style-type: none"> Cyber hygiene arrangements in place for system access. Disaster recovery plans are in place for major data processors. Compulsory annual online training for Officers on Cyber resilience and Data Protection. Cyber Strategy and Action Plan developed Data asset mapping undertaken (and will be continually reviewed) to understand risks during data transfer and whilst data is held by third parties Highest risk third parties have completed a cyber survey and action plans are being developed from responses 	4	2	8	A

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
7.	Information may not be provided to stakeholders as required. <i>Responsible Lead(s): All Managers</i> <i>Relevant objectives: 14.</i>	3	3	9	A	<ul style="list-style-type: none"> Officers keep up to date with disclosure regulations and distribute knowledge to teams accordingly using resources such as relevant websites, seminars, professional bodies and working groups. Letters are generated through task management for consistency and are checked before being sent out. Communications Officer now in place. Membership of the LGA Communications Working Group. Membership of the Regional Joint Communications Group. Communication and Digital Communication Strategy in place. 	3	2	6	G

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
8.	<p>The Investment Strategy's risk reward profile does not match the requirements of the Fund.</p> <p><i>Responsible Lead(s): Fund Accounting Manager and Invest Manager.</i></p> <p><i>Relevant objectives: 16,17,18.</i></p>	3	3	9	A	<ul style="list-style-type: none"> Investment Strategy in place which is in accordance with LGPS investment regulations. A formal review of the strategic asset allocation is undertaken on a triennial basis. The Fund appoints professional investment advisers to support the Pension Committee's investment decisions. At each triennial valuation the Fund Actuary considers and makes a statement on the links and consistency between the Fund's Funding Strategy and Investment Strategy. Investment allocations are closely monitored, in particular the Investment Sub Committee receives quarterly performance reports which highlight variations from the strategic asset allocation. Committee and Board members are encouraged to participate in Skills & Knowledge training with respect to investments and attend relevant industry conferences. Detailed training records are maintained. 	3	2	6	G

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
9.	Those charged with governance are unable to fulfil their responsibilities effectively. <i>Responsible Lead(s): Governance and Regulations Manager. Relevant objectives: 2,3.</i>	3	4	12	A	<ul style="list-style-type: none"> • Training Strategy in place to facilitate the continual development of both Committee and Board members. • New members are provided with relevant documentation to assist them in their roles. • The Fund subscribes to relevant professional bodies such as the Local Authority Pension Funds Forum (LAPFF) and the Pension and Lifetime Savings Association (PLSA). • CIPFA Skills and Knowledge training within 6 months of joining followed by targeted training based on decisions that the Committee are asked to make. 	3	2	6	G
10.	Risk of fraud and error. <i>Responsible Lead(s): All Managers Relevant objectives: 2,10.</i>	3	3	12	A	<ul style="list-style-type: none"> • Anti- Fraud and Corruption policy in place. • Fund participates in the National Fraud Initiative and undertakes overseas pensioner existence checks. • Robust processes in place including segregation of duties and authorisation protocols. • Working to achieve full compliance with the Pensions Regulator pledge to combat pension scams. • Aspects of the control environment are tested by Internal Audit and External Audit. 	3	2	6	G

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
11.	<p>Failure to understand and monitor risk compliance.</p> <p><i>Responsible Lead(s): Governance and Regulations Manager.</i> <i>Relevant objective: 5.</i></p>	3	2	6	G	<ul style="list-style-type: none"> • Business Continuity plan in place and is reviewed at least annually. • Active risk register in place, the Committee and Board are updated if there are any risk movements between scheduled reporting timescales. • The Local Pension Board have oversight of risk monitoring to assist the Pensions Committee on decision making. 	3	2	6	G
12.	<p>Lack of understanding of employer responsibilities which could result in statutory and non-statutory deadlines being missed.</p> <p><i>Responsible Lead(s): Employer Services and Systems Manager.</i> <i>Relevant objective: 8.</i></p>	3	4	12	A	<ul style="list-style-type: none"> • Employers are made aware of their responsibilities upon admission via the Pension Service website and direct employer communication. • Training is provided to employers by a dedicated Employer's Team as required. • The importance of statutory deadlines is stressed to employers through regular communications and events such as the Employer Forum. • Support is also available through the website, dedicated employers help line and templates issued where applicable. • An Administration Strategy is in place setting out employer performance targets. • Escalation pathways have been agreed with the Fund's major providers of member data. 	2	3	6	G

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	• Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
13.	<p>Failure to recognise and manage conflicts of interest.</p> <p><i>Responsible Lead(s): Governance and Regulations Manager. Relevant objectives: 2,10.</i></p>	4	2	8	A	<ul style="list-style-type: none"> • Declaration of interests are made at the beginning of all statutory meetings where not held on the Councillor declaration register. • Conflicts of Interest Policy in place for the Local Pension Board. • Committee and Board members are encouraged to undertake the Pension Regulator's Toolkit which includes a conflicts of interest module. • Governance and legal advice sought as required • Conflicts of Interest Policy will be developed following guidance from the Scheme Advisory Board and DLUHC resulting from the GGR 	2	3	6	G

14.	<p>Incorrect/poor quality data held on the Pension Administration and Payroll platforms or delays with receiving information leading to incorrect information/delayed provision of information to members and stakeholders</p> <p><i>Responsible Lead(s): Governance and Regulations Manager Relevant objectives: 15,16.</i></p>	3	3	9	A	<ul style="list-style-type: none"> • The Data Improvement Policy and Plan are in place and reviewed annually. • The Local Pension Board have oversight of policy reviews in line with Pension Committee approvals. • The Pension Committee and Local Pension Board receive updates against the plan quarterly. • Dedicated Employer Services Team to query/chase data as required. • Administration Strategy in place which sets out expectations of employers and potential sanctions. • Escalation process in place for repeated incorrect or delayed data being received by the Fund. 	3	2	6	G
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Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
15.	<p>Custody arrangements may not be sufficient to safeguard Pension Fund assets.</p> <p><i>Responsible Lead(s): Fund Accounting Manager and Investments Manager</i> <i>Relevant objectives: 1,2,3.</i></p>	4	2	8	A	<ul style="list-style-type: none"> • The Custodian is selected from experienced providers on the LGPS National Framework who have met the quality criteria for the framework. • Complete and authorised agreements are in place with external custodian. • External custodian's compliance with International Standard on Assurance Engagements (ISAE) No. 3402, Assurance Reports on Controls at a Service Organisation. • Officers of the Fund engage in quarterly monitoring of custodian performance. 	4	1	4	G

Appendix A - Northamptonshire Pension Fund Risk Register

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
16.	<p>Pension Fund systems and data may not be secure and appropriately maintained.</p> <p><i>Responsible Lead(s): Employers Services and Systems Manager. Relevant objectives: 10,11.</i></p>	4	2	8	A	<ul style="list-style-type: none"> System user controls are in place including regular password changes. Access rights are controlled and data is backed up. Audit trails are in place. Pension system is protected against viruses and other system threats. The pensions administration system is updated to ensure LGPS requirements are met by adhering to legislation, meeting disclosure regulations and following statutory guidance. Hosted pensions server and backup server are at separate sites. Disaster recovery plans are in place for both the administration system software supplier and the authority. Compulsory annual online training for Officers on Cyber resilience and Data Protection. Data asset mapping is being undertaken (and will be continually reviewed) to understand risks during data transfer and whilst data is held by third parties. <p>Continually keeping up to date with evolving developments to ensure robust cyber resilience in conjunction with specialist advice, including the resilience when using laptops and non-corporate Wi-Fi networks.</p>	4	1	4	G

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
17.	<p>Failure to administer the scheme in line with regulations and guidance.</p> <p><i>Responsible Lead(s): All Managers</i> <i>Relevant objectives: 1,2,3,16.</i></p>	5	2	10	A	<ul style="list-style-type: none"> • Policies and strategies are in place and are accessible on the Fund website. • Policies and strategies are subject to review at appropriate intervals and subject to stakeholder consultation where necessary. • A Training Strategy is in place for those charged with governance. • Officers attend regional Pension Officer working groups and consult with professional advisors where appropriate. • Employers are aware of their responsibilities within the Fund and what information is required, in what format and by when. • The Fund subscribes to relevant professional bodies such as the Local Authority Pension Funds Forum (LAPFF) and the Pension and Lifetime Savings Association (PLSA). • Working to achieve full compliance with the Pensions Regulator pledge to combat pension scams. 	4	1	4	G

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
18.	<p>Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making.</p> <p><i>Responsible Lead(s): All Managers</i> <i>Relevant objectives: 1,2,3,16.</i></p>	3	2	6	G	<ul style="list-style-type: none"> Committee and Board papers are provided for each scheduled meeting, providing relevant information to inform decision making. Papers are subject to appropriate approvals including that of the Monitoring Officer and Section 151 Officer (for Pensions Committee papers) and Head of Pensions. Yearly effectiveness reviews for Committee and Board members are carried out to identify if any changes need to be made to the information delivered. 	2	2	4	G
19.	<p>Pension Fund Investments may not be accurately valued.</p> <p><i>Responsible Lead(s): Fund Accounting Manager and Investments Manager.</i> <i>Relevant objectives: 2,10,17,18.</i></p>	3	2	6	G	<ul style="list-style-type: none"> The Fund employs a custodian to independently review the fund asset values applied by Fund Managers and these valuations are applied in the year-end financial statements. The year-end financial statements record the Funds asset position and is subject to robust review by external audit. Officers work closely with the Fund's Custodian to ensure accuracy of asset valuations. Officers perform a quarterly reasonableness check on the Custodian valuations by comparison with investment manager reports. 	2	2	4	G

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
20.	Actual experience materially differs from actuarial assumptions used at each valuation. <i>Responsible Lead(s): Employer Services and Systems Manager. Relevant objectives: 9,17,18.</i>	3	3	9	A	<ul style="list-style-type: none"> Assumptions and actual experience are analysed through triennial valuations to ensure assumptions remain appropriate. Officers in partnership with Fund advisers report asset allocation performance quarterly to the Investment Sub Committee. Investment performance is reported quarterly to the Fund Actuary. A specialist longevity service is employed to provide accurate Fund specific longevity analysis. Probability based/stochastic modelling techniques are used by the Fund Actuary to reduce the reliance on deterministic assumptions, ensuring numerous possible financial scenarios are modelled. 	2	2	4	G

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
21.	<p>Failure to act appropriately upon expert advice and/or risk of poor advice.</p> <p><i>Responsible Lead(s): All Managers</i> <i>Relevant objectives: 17,18,19,20.</i></p>	4	2	8	A	<ul style="list-style-type: none"> • Pension Committee decisions and oversight by the Local Pension Board. • Investment consultants and independent advisors appointed via a robust appointment process. • Members are encouraged to participate in Skills & Knowledge training and attend relevant industry conferences. Detailed training records are maintained. • Working to achieve full compliance with the Pensions Regulator pledge to combat pension scams. • Continually keeping up to date with evolving developments ensure robust cyber resilience in conjunction with specialist advice. 	2	2	4	G
22.	<p>Failure to assess and monitor the financial strength of an employer covenant to ensure employer liabilities are met in conjunction with the Fund Actuary/specialist advisors.</p> <p><i>Responsible Lead(s): Employer Services and Systems Manager.</i> <i>Relevant objectives: 9,17,18.</i></p>	3	3	9	A	<ul style="list-style-type: none"> • Assessment of the strength of individual employer covenants in conjunction with the actuary and what bond/guarantor arrangements are in place. • Close liaison with employers in managing exit strategy in line with the Admitted bodies, Scheme employers and Transfer Policy. • Ensure individual employers are monitored closely to pre-empt when they are likely to cease and put in arrangements to fund cessation on an appropriate basis. 	2	2	4	G

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
23.	<p>Unable to deliver pension services due to an inadequate business continuity plan.</p> <p><i>Responsible Lead(s): All Managers.</i> <i>Relevant objectives: 8.</i></p>	3	2	6	G	<ul style="list-style-type: none"> • Business Continuity plan in place and is reviewed at least annually. • Business continuity arrangements includes the ability for staff to work remotely to meet the demands of the service. • Multi skilling across the service for flexibility and resilience. 	2	2	4	G
24.	<p>Unable to deliver pension services due to inadequate recruitment and retention processes.</p> <p><i>Responsible Lead(s): All Managers.</i> <i>Relevant objectives: 8.</i></p>	3	3	9	G	<ul style="list-style-type: none"> • Establishment reporting undertaken monthly to identify any recruitment/retention issues. • Recruitment undertaken utilising all available avenues including agency staff. • Staff leaving interviewed to understand reason for cessation. • Regular performance reporting across all business processes serves as early warning system. • Consultancy contracts in place as a backstop. • Establishment increased to allow for a higher vacancy factor in key teams • Utilising additional recruitment avenues. 	2	2	4	G

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
25.	<p>Investment decisions and portfolio management may not achieve the return required or be performed in accordance with instructions provided.</p> <p><i>Responsible Lead(s): Fund Accounting Manager and Investment Manager.</i> <i>Relevant objectives: 1,2,3,19.</i></p>	3	2	6	G	<ul style="list-style-type: none"> • The Fund is compliant with Investment regulations and best practice guidance. • The Fund appoints professional investment advisers to support the Pension Committees investment decisions. • The Funds asset allocation is considered by the Actuary when undertaking the triennial valuation. • Investment performance is closely monitored, in particular the Investment Sub Committee receives quarterly performance reports provided by recognised industry professionals highlighting key issues. • The Fund has an appropriate Investment Strategy Statement in place which the Fund's Responsible Investment Policy. An action plan is being developed to help reduce the carbon risk within the Fund's investments and transition to a more suitable portfolio. 	3	1	3	G

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
26.	<p>Incorrect production of accounts, notices, publications and management reports leading to possible financial and reputational damage.</p> <p><i>Responsible Lead(s): All Managers.</i> <i>Relevant objectives: 1,2,10.</i></p>	3	2	6	G	<ul style="list-style-type: none"> Automated extraction of data where viable and agreed procedures for reporting. Robust authorisation protocols in place. Internal and External audit reviews. Contributions are reconciled against employer monthly reports and the bank account, which is subject to both internal and external audit review as part of the year end process. Membership year end reconciliation and investigate variations from the accounting valuations. Management and administration are maintained in accordance with the SORP and the Financial Regulations. Data Improvement Policy and Plan are in place. Anti-Fraud and Corruption Policy in place. 	3	1	3	G
27.	<p>Pension Fund objectives are not defined and agreed.</p> <p><i>Responsible Lead(s): Governance and Regulations Manager.</i> <i>Relevant objectives: 4.</i></p>	4	2	8	A	<ul style="list-style-type: none"> Objectives are agreed as part of the Annual Business Plan and Medium Term Strategy by the Pensions Committee. Relevant objectives are referenced on every committee report. Objectives are referenced in all policy documents and the risk register to ensure appropriate focus. 	2	1	2	G

Criteria for assessing impact and likelihood

Impact

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

Likelihood

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

Appendix A - Northamptonshire Pension Fund Risk Register

Pension Fund Objectives

- 1 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.
- 2 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.
- 3 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.
- 4 To continually monitor and measure clearly articulated objectives through business planning.
- 5 To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
- 6 To ensure regular monitoring of employer covenants, putting in place mitigations of adequate strength to protect the Fund.
- 7 To ensure appropriate exit strategies are put in place both in the lead up to and termination of a scheme employer.
- 8 To put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary.
- 9 To ensure employer contributions are as stable as possible, recognising the characteristics, circumstances and affordability constraints of each employer.
- 10 To administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration.
- 11 To maintain accurate records and ensure data is protected and used for authorised purposes only.
- 12 To promote the scheme as a valuable benefit.
- 13 To deliver consistent plain English communications to stakeholders.
- 14 To provide scheme members with up to date information about the scheme in order that they can make informed decisions about their benefits.
- 15 To seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund.
- 16 To ensure cash flows in to and out of the Fund are timely and of the correct amount.
- 17 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.

- 18 To put in place a Strategic Asset Allocation ensuring it is appropriately maintained taking into account the Funding Strategy.
- 19 To maximise investment returns over the long term within agreed risk tolerances.
- 20 To ensure an appropriate cash management strategy is in place so that net cash outgoings can be met as and when required.



West Northamptonshire Council

Local Pension Board

27/1/2022

Mark Whitby – Head of Pensions

Report Title	Northamptonshire Pension Fund - Business Plan and Medium Term Strategy Update Report to 31 December 2021.
Report Author	Jo Kent, Governance and Regulations Manager Joanne.kent@westnorthants.gov.uk

Contributors/Checkers/Approvers

Head of Pensions	Mark Whitby	17/1/2022
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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

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 Board 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 Board is asked to:
Note the Business Plan Update to 31 December 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 expired 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	Completed
Complete Management Performance Reporting procurement	June 2021	Not applicable
Transition/handover (including historical performance data)	July 2021 to September 2021	Not applicable
New contract begins	1 October 2021	Completed with a commencement date of 9 December 2021
Strategy health check	31 March 2022	Not applicable

4.1.3 Update: The successful supplier was the Fund's incumbent strategic adviser, Mercer, therefore a health check on the current strategy by a new provider is not applicable. Following a delay due to the logistics of obtaining wet signatures, the contract has now been signed with a commencement date of 9 December 2021.

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)	Completed.
Complete transition to the new custodian (if required).	July 2021 to September 2021	Not applicable.

4.2.3 Update: Northern Trust was awarded the contract and formally signed by all parties in November 2021 with an effective contract start date of 1 October 2021. Completed.

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: A decision was made to extend the actuarial services contract by a further 12 months to and to re-tender for a provider of benefits and governance consultancy services in time for the current contract end date of 1 April 2023. Completed.

4.4 Re-tender 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	Completed
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: Requests that have been received from members to disaggregate benefits have been actioned. These requests have been minimal and therefore have not impacted business as usual activities. Other casework volumes have been within normal expectations.

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 revised business continuity plan is to be presented to the Pension Fund Board at this meeting.

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. Awaiting analysis from Aon's specialist cyber team.
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	Completed

4.7.3 Update: A detailed update on the continuing actions being undertaken to ensure the Fund's resilience to cyber-crime following completion of the above activities is within a separate agenda item to be presented at this meeting.

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	Completed
Process amendments highlighted from GMP rectification analysis	January 2022 to March 2023	On target

4.9.3 Update: ITM have reviewed the data held on Altair against GMP data held by HMRC and 1,841 variances were identified for further investigation. Of the 1,841 cases, GMP information was updated for 1,565 cases by of a bulk process using a software tool and the remainder by manual intervention.

Out of the 1,841 cases, 844 cases were not yet in payment, leaving 997 cases to be looked at to assess whether an under/overpayment of a pension has occurred. This work commenced in January 2022 with any underpayments being paid to members and any overpayments being written off in accordance with the Fund's Overpayment of Pension Policy and the previously agreed approach for the contracted-out exercise. .

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 case 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	Completed.
Work with employers to collect the data required.	Rescheduled to October to December 2021 (previously June to October 2021)	Completed for most employers with extensions until the end of January for nil returns.
Make necessary amendments to member records for previously missing data.	June 2021 to March 2022	On target
Send communications to members (upon release of amended LGPS Regulations).	Expected to be April 2022 (pending guidance from DLUHC).	On target
Application of the revised underpin (following release of amended LGPS Regulations).	Expected to commence in 2022/23 DLUHC to provide guidance on this matter, including time period within which this work will be undertaken).	On target

4.10.3 Update: All scheme employers have been issued with data sheets to verify that the data held on their employee's pension records is correct. Any employers who did not meet the December deadline to return this information received a final notification on 7 January 2022 for completion by 22 January 2022. For any nil-returns the Pensions Service will assume that the data held is correct after this time.

Some exemptions have been applied to several large payroll providers to ensure the quality of data being received is acceptable.

The next step is to upload the received returns into the system by the end of January 2022. Subsequent uploads will be scheduled in accordance with the extended deadline for the large payroll providers.

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: Over the reporting period, membership data for the large scheduled bodies; the Unitary authority and the Police and Fire authorities has been provided to the Fund actuary and data cleansing activities have been carried out. The parameters for the modelling of contribution strategies for these employers has also been agreed and modelling is now underway with results expected at the end of January/beginning of February. The results of the separate covenant monitoring activities have also been reviewed and officers are preparing communications to these employers for further discussions ahead of the valuation. The nature of these conversations depends on the outcome of the covenant assessment and whether further information is needed to determine the approach to be taken at the valuation.

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: The volume of incomplete cases has increased to 8,448 as at the end of December 2021 from the original baseline of 7,986. Additional resource is being recruited to the Projects Team to help meet the demands of this area as well as business as usual teams to prevent further build-up of cases. A revised plan incorporating this additional resource will be incorporated into the 2022-23 business plan.

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	Postponed with effect from October 2021 to focus resources on the processing of undecided leavers.
Scope exercise, formulate project plan and conduct exercise (small commutable pensions).	April 2022 to March 2023	Postponed with effect from October 2021 to focus resources on the processing of undecided leavers.

4.13.3 Update: No update due to reprioritisation of this activity.

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 year 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 recommencement date is January 2022.
Officers to consider outcome of review	May 2021	Pending completion of review
Present findings of review to Pension Committee	July 2021	Pending completion of review
Plan and undertake the required actions as a result of the review (as approved by Pension Committee)	August 2021 (onwards)	Pending completion of review

4.14.3 Update: Aon have recommenced their review of the administrative performance of the Fund’s AVC providers in January 2022. The timing of the outcome of the review is dependent on the ease of obtaining information from the providers.

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.	Rescheduled to 11 October Committee (formerly July 2021)	Completed
Devise and implement action plan.	August 2021 to September 2022	Not applicable

4.15.3 Update: Decision not to proceed made in October 2021. Completed.

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
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: The results of the covenant monitoring exercise have been reviewed with PwC and the Fund Actuary to determine any particular concerns and the next steps. Employers have been categorised according to risk rating (High, Medium and Low) as well as employer type to determine the next steps required. Discussions on how to incorporate these results into the valuation have begun with the Actuary but some further dialogue is needed with employers to help inform the approach taken to each group.

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: The Fund, along with 4 other authorities, transferred its existing investment in the M&G Alpha Opportunities Fund into a new ACCESS sub-fund on 1 December 2021.

Illiquid assets- The procurement for the implementation adviser is now complete with MJ Hudson chosen as the successful supplier. The contract has been finalised with MJ Hudson and was signed on 24 December 2021, effective from 31 December 2021. This will now enable MJ Hudson to review with each ACCESS authority their illiquid requirements.

Promoting the Fund’s requirements- Following approval at the December Joint Committee of the guiding principles for requesting new sub-funds, officers have submitted a request, along with 2 other authorities, to create a new sub-fund for the Funds’ Multi Asset Credit mandate with Bluebay. It is expected that the request will be ratified at the March 2022 meeting of the Joint Committee.

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 (formerly October 2021)	Completed.

4.18.3 Update: The ISS was reviewed at the September ISC with no comments provided. Due to a full agenda at the October Pension Committee, the ISS was approved at the December meeting and published on the Fund’s web pages on 17 December 2021. The ISS will be discussed under a separate agenda item during this meeting.

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	Completed
Complete the review and submit report to the Investment Sub Committee	September 2022 (formerly February 2022)	On target – revised date due to re-prioritisation of Responsible Investment commitments.
If a change to Strategic Allocation, approval by Pension Committee	October 2022 (formerly March 2022)	On target – revised date due to re-prioritisation of Responsible Investment commitments.
Communicate the Fund’s requirements to the ACCESS pool	November 2022 (formerly April 2022)	On target – revised date due to re-prioritisation of Responsible Investment commitments.

4.19.3 Update: Officers have reviewed the scope for the property investment review with the Independent Adviser and Mercer, however following discussion with the Chair of the Pensions Committee, this work has been re-prioritised due to the increasing commitment regarding the Responsible Investment workstream.

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	Completed
Implement revised reporting	March 2022	Completed

4.20.3 Update: A revised reporting template has been used for the September 2021 quarterly performance report and presented at the November ISC. Future publications will take into account feedback from ISC members. Completed.

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: Officers have reviewed the services provided by the current supplier of specialist legal services and will be making a recommendation to the Pension Committee at the March meeting that the contract be extended for a further 12 months.

5.1.4

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 and Board each meeting. The Business Plan sets out the cost of each activity where known and where costs become known during the course of the year the Pension Committee and Board will be updated accordingly.

7.2 Legal

7.2.2 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	Completed
Re-tender for global custody services	Procurement of services	December 2020 to September 2021	Completed
Review contracts for actuarial, benefits and governance consultancy services	Procurement of services	June 2021	Completed
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	Postponed to 2022/23
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	Completed
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	Completed
Review the Property Strategy	Investment related activities	October 2021 to April 2022	Postponed to 2022/23
Review of Performance Reporting and Benchmarks	Investment related activities	April 2021 to March 2022	Completed

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

Fund Account	2021/22 Estimate	2021/22 Forecast	Variance	Comments
	£000	£000	£000	
Contributions	(107,000)	(117,000)	(10,000)	Contributions in line with current membership numbers
Transfers in from other pension funds	(7,000)	(13,000)	(6,000)	Demand led
Total income	(114,000)	(130,000)	(16,000)	
Benefits payable	100,000	108,000	8,000	Benefits in line with current membership numbers.
Payments to and on account of leavers	7,000	10,000	3,000	Demand led
Total Payments	107,000	118,000	11,000	
	(7,000)	(12,000)	(5,000)	
Management Expenses	3,367	3,382	15	See below
Total income less expenditure	(3,633)	(8,618)	(4,985)	
Investment income	(35,000)	(35,000)	-	Actual Q2 return followed by actuarial long term growth assumption
Taxes on income	-	-	-	
(profit) and losses on disposal of investments and changes in the market value of investments	(117,000)	(224,452)	(107,452)	
Net return on investments	(152,000)	(259,452)	(107,452)	
Net (increase)/decrease in the net assets available for benefits during the year	(155,633)	(268,070)	(112,437)	

Management Expenses	2021-22 Estimate	2021-22 Forecast	Variance	Comments
	£000	£000	£000	
Total Administration Expenses	2,247	2,277	30	See below
Total Governance Expenses	675	674	(1)	
Total Investment Invoiced Expenses	445	431	(14)	
Total Management Expenses	3,367	3,382	15	

Administration Expenses Analysis	2021-22 Estimate	2021-22 Forecast	Variance	Comments
	£000	£000	£000	
Staff Related	1,461	1,433	(28)	Vacancy factor higher than forecast
Altair administration and payroll system	299	323	24	Altair insights addendum
Data projects	46	80	34	McCloud change request
Communications	21	24	3	
Other Non-Pay and Income	15	12	(3)	
County Council Overhead Recovery	405	405	-	
Total Administration Expenses	2,247	2,277	30	

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West Northamptonshire Council

Local Pension Board

27/01/2022

Mark Whitby – Head of Pensions

Report Title	Governance and Compliance Report
Report Author	Jo Kent, Governance and Regulations Manager Joanne.Kent@westnorthants.gov.uk

Contributors/Checkers/Approvers

Head of Pensions	Mark Whitby	17/1/2022
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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 Local Pension Board with information on the following significant current issues which have an impact on the governance, management and administration.
- Department for Levelling Up, Housing and Communities – SF3 data 2020/21 and Section 13 Report
 - Scheme Advisory Board – UN Letter regarding investments in the Israeli settlement economy and Scheme Member representation on Asset Pools
 - New legislation – Pension Scams
 - Skills and knowledge opportunities

3. Recommendations

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

4. Report Background

4.1 This report provides an update on developments and issues that impact the LGPS that members of the Local Pension Board 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 the scrutiny of decisions made by the Pension Committee and assists members of the Local Pension Board in the ongoing attainment of skills and knowledge as required by the Pensions Regulator and the Public Services Pensions Act 2013.

5. Issues

5.1 The Department for Levelling Up, Housing and Communities (DLUHC)

5.1.1 SF3 statistics 2020/21

5.1.1.1 On 21 December, DLUHC published the final SF3 statistics for 2020/21. This is a statistical release containing information on the LGPS' total expenditure, income and membership for 2020/21 in England and Wales. The statistics were based on data provided by all 85 administering authorities. The headline statistics are as follows:

- Total LGPS expenditure in 2020/21 was £13.6bn. This was an increase of £0.2bn (1.2%) on 2019/20.
- Total LGPS income in 2020/21 was £17.3bn. This was an increase of £1.3bn (8.4%).
- Employers' contributions to the LGPS amounted to £10.3bn, up by 3.4%. This reflects the early deficit payments made by many employers following the triennial valuation.
- Employees' contributions to the LGPS were £2.4bn in 2020/21, up by 4.9%
- The market value of the 85 LGPS Funds at the end of March 2021 was £337.1bn, an increase of £64.7bn (23.8%).
- The LGPS encompassed 6.1 million people at the end of March 2021. Of this, 2 million are employees who still contribute to the scheme, 1.8 million are pensioners and 2.3 million are former employees who are entitled to a pension in the future.
- There were 82,936 retirements from the LGPS in 2020/21, a decrease of 6,070 (6.8%) compared with 2019/20.

5.1.1.2 The full SF3 report can be found [here](#).

5.1.2 Section 13 Report

5.1.2.1 On 16 December 2021, the DLUHC published the Government Actuary's Department (GAD) report on the 2019 LGPS Fund valuations as required by section 13 of the Public Service Pensions Act 2013.

5.1.2.2 GAD found the scheme's financial position had strengthened since its previous review in 2016 on the back of buoyant investment returns between 2016 and 2019. The main findings of the Section 13 report are as follows:

- Compliance – Fund valuations were compliant with relevant regulations.
- Consistency – Funds had implemented GAD's 2016 recommendation to provide a standard valuation dashboard to aid readers when comparing results for different Funds. However, differences in methodology and assumptions do mean that a like for like comparison is not straightforward.
- Solvency – the size of Funds has grown considerably more than local authority budgets since 2016, so there's an increased risk of strain on employers from any future funding changes.
- Long-term cost efficiency – where relevant Funds had generally acted on GAD's 2016 recommendations on operating plans to close any deficit funding gaps. GAD highlighted four Funds they are concerned about the level or trajectory of employer contributions and the implications for taxpayers. The Northamptonshire Fund is not one of those four Funds.

5.1.2.3 GAD's recommendations for Funds or the SAB to consider during the 2022 valuations include:

- Improve consistency in the approach to assessing emerging and existing key issues, such as recent legal judgements (McCloud) and setting employer contributions for new academies.
- Ensuring deficit recovery plans can be demonstrated to be a continuation of the previous plan.
- Continue with ongoing improvements on transparency through an expanded valuation dashboard.
- Review the governance around asset transfer arrangements from local authorities.

5.1.2.4 The full Section 13 report can be found [here](#).

5.3 Scheme Advisory Board

5.3.1 UN Letter about investments in the Israeli settlement economy

5.3.1.1 On 22 November 2021, Michael Lynk, United Nations Special Rapporteur on the Palestinian Territories sent a letter to all Pension Committee Chairmen/women. The letter asks a number of questions of LGPS administering authorities concerning investment in companies that may be involved in the Israeli settlement economy. The Scheme Advisory Board has agreed that they will engage with the Local Authority Pension Fund Forum to discuss a response and has agreed to meet with Mr Lynk in early 2022.

5.3.2 Scheme member representation in Asset Pools

5.3.2.1 On 17 December the Scheme Advisory Board expressed its disappointment that the ACCESS asset pool continues not to have adopted the SABs policy on including member representation in its governance arrangement. SAB urges representatives of the pool's Funds to reconsider the position to include scheme member representation, either as full members, with, or without voting rights or as observers.

5.3.2.2 The next Joint Committee meeting of the ACCESS asset pool is to be held on 7 March 2022 with this issue being an item of discussion on the agenda.

5.4 New legislation

5.4.1 On 8 November 2021:

- the Government published its response to the Pension Scams: empowering trustees and protecting members consultation;
- The Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021 were laid;
- The Pensions Regulator published its guidance on dealing with transfer requests.

5.4.2 The Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021 took effect from 30 November 2021 and introduce further legal restrictions on the member's right to transfer out of the scheme.

5.4.3 The regulations give administering authorities tools to act if they have suspicions about the circumstances that have led the member to request a transfer. The member will not longer be able to insist on a statutory transfer taking place in these circumstances.

5.4.4 These changes will affect the payment of cash equivalent transfers for:

- Deferred members who request a statement of entitlement on or after 30 November 2021
- AVC members who elect for payment of a transfer on or after 30 November 2021
- Pension credit members (divorce benefits) who elect for payment of a transfer on or after 30 November 2021.

5.4.5 Officers have updated processes and documents for members impacted by these new regulations to ensure compliance.

5.5.1 Skills and knowledge opportunities

5.5.1 The Public Services Pensions Act 2013 and the Pensions Regulator's Code of Practice (Governance and administration of public service pension schemes) require all members of the

Local Pension Board to maintain the necessary skills and knowledge to undertake their role effectively.

- 5.5.2 In order to facilitate the acquisition of skills and knowledge for members of the Local Pension Board, appendix A lists the main events that are deemed useful and appropriate.
- 5.5.3 It was recognised that recent local elections have resulted in a significant change to the membership of the Pension Fund Committee and so an introductory training session was held on 21 June 2021 covering at a high level the knowledge requirements of being a Pension Fund Committee and Pension Fund Board member hosted by the advisers from the Fund's benefits and governance advisors, Aon and legal advisors, Squire Patton Boggs.
- 5.5.4 A series of more in-depth training sessions to cover the CIPFA Skills and Knowledge core modules (see appendix 1), again hosted by Aon, began on 1 July 2021 and concluded in September 2021.
- 5.5.5 Web links to all of the recordings of all these training sessions have been made available to all members of the Local Pension Board and Committee so that any missed sessions can be watched at a later date. Whilst the web links will remain live until 31 March 2022, it was hoped that all Board and Committee members will view all training sessions by the 31 December 2021 to ensure there is sufficient individual knowledge to be able to scrutinise and challenge decisions made by the Pension Committee at forthcoming meetings. The deadline has now been extended further to 31 January 2022 to ensure all Board and Committee members complete this training.

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

The Fund's full risk register can be found on the Fund's website at the following link:
<https://pensions.northamptonshire.gov.uk/governance/key-documents/northamptonshire/>

6.4 Relevant Pension Fund Objectives

- 6.4.1 The following objectives have been considered in this report -

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

6.5 Consultation

6.5.1 Not applicable.

6 Background Papers

7.1 Not applicable.

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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 by **31 January 2022**.

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 – please see email from Laura Caudwell from Aon)	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 - please see email from Laura Caudwell from Aon)	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 - please see email from Laura Caudwell from Aon)	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 - please see email from Laura Caudwell from Aon)	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 - please see email from Laura Caudwell from Aon)	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 - please see email from Laura Caudwell from Aon)	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 - please see email from Laura Caudwell from Aon)	Pension Committee, Pension Board, Officers, Section 151 Officers

Past training events

Date	Event Description	Audience
8-10 December 2021	LAPFF Annual Conference Bournemouth LAPFF Annual Conference LAPFF (lapfforum.org)	Pension Committee, Pension Board, Officers, Section 151 Officers
20-21 January 2022	LGPS Governance Conference Face to Face in Bournemouth or online flyer_final.pdf (eventsforce.net)	Pension Committee, Pension Board, Officers, Section 151 Officers

Upcoming training events

Date	Event Description	Audience
1 February 2022 2.30pm Virtual	In-house/Hymans Robertson Triennial Valuation Training (the session will be recorded for those who are unable to attend)	Pension Committee, Pension Board, Officers, Section 151 Officers
Late February/Early March 2022 TBC Virtual	In-house/Aon Cyber Security Awareness Training (the session will be recorded for those who are unable to attend)	Pension Committee, Pension Board, Officers, Section 151 Officers
9-10 March 2022	PLSA ESG Conference 2022 Online ESG Conference (plsa.co.uk)	Pension Committee, Pension Board, Officers, Section 151 Officers
13-15 June 2022	PLSA Local Authority Conference 2022 Gloucestershire Local Authority Conference (plsa.co.uk)	Pension Committee, Pension Board, Officers, Section 151 Officers

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West Northamptonshire Council

Local Pension Board

27/01/2022

Mark Whitby – Head of Pensions

Report Title	Business Continuity Plan
Report Author	Jo Kent, Governance and Regulations Manager Joanne.Kent@westnorthants.gov.uk

Contributors/Checkers/Approvers

Head of Pensions	Mark Whitby	17/01/2022
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List of Appendices

Appendix A – Pensions Service Business Continuity Plan

1. Purpose of Report

1.1 To present the Pensions Service Business Continuity Plan to the Local Pension Board.

2. Executive Summary

2.1 An updated Business Continuity Plan (BCP) covering the Fund's governance and administration was required 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.

3. Recommendations

3.1 The Local Pension Board is asked to:
a) Review the content of the Business Continuity and make any suggestions for improvement.

4. Report Background

4.1 The Business Continuity Plan (BCP) has been subject to a thorough review following the transition between Northamptonshire County Council to West Northamptonshire Council.

4.2 As part of the review, external suppliers to the Fund, such as those that provide and host the pension administration platform, regularly supply detailed confirmation that they have satisfactorily conducted disaster recovery and penetration testing.

5. Issues

- 5.1 A corporate BCP template was acquired from West Northamptonshire Council (WNC) and has been completed to reflect the new arrangements within WNC and to look at wide range of scenarios such as loss of premises and loss of IT.
- 5.2 Board members are asked to review the BCP located in appendix 1 of this report and provide comments for consideration by Officers.
- 5.3 Once finalised the BCP will formally be adopted by the Pensions Service and submitted to West Northamptonshire Council to form part of the corporate plan.
- 5.4 The Board are asked to note that personal information such as staff contact details have been redacted from the BCP to ensure that this information remains available only to individuals that will be required to use it for the purposes of a BCP event.

5 Implications (including financial implications)

6.1 Resources and Financial

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

6.2 Legal

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

6.3 Communication

- 6.3.1 The Business Continuity Plan will be shared with West Northamptonshire Council to ensure it operates as a corporate document effectively.

6.4 Risk

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

Risk	Residual risk rating
Unable to deliver pension services due to an inadequate business plan	Green

The Fund's full risk register can be found on the Fund's website at the following link:
<https://pensions.northamptonshire.gov.uk/governance/key-documents/northamptonshire/>

6.5 Relevant Pension Fund Objectives

- 6.5.1 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.

6.6 Consultation

6.5.1 Not applicable.

7 Background Papers

7.1 Not applicable.

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PENSIONS SERVICE

BUSINESS CONTINUITY PLAN



**West
Northamptonshire
Council**

IMPORTANT

**IF YOU NEED TO ACTIVATE THIS PLAN
IMMEDIATELY, GO TO PAGE 10**

Plan Owner	Mark Whitby, Head of Pensions
Service Area BC Lead	Mark Whitby, Head of Pensions
Plan Approved By	
Date Approved	
Report date	

Plan Invocation

A list of service leads with the authority to invoke the plan

Name	Title	Contact
Mark Whitby	Head of Pensions	07990 556197

Version Control

Version	Date	Details of Changes	Action Owner
0.1	01/10/2021	Initial population of information	Mark Whitby
0.2	04/10/2021	Check of information and staff details	Jo Walton
0.3	2/12/2021	Population of remaining sections following Senior Manager review	Mark Whitby

Review

Version	Date of Next Review	To be reviewed by

Distribution List

Version	Name	Position	Date

Document Location

Electronic Storage Location	
Other Storage Location	

Related Documents

Document Title
Corporate BCP

Exercise of Plan

Exercise Details	Date

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1.0 AIMS AND OBJECTIVES OF THE PLAN

1.1 Purpose

The purpose of this Business Continuity Plan is to provide a flexible response so that this service can:

- Respond to a disruptive incident (incident management)
- Maintain delivery of prioritised activities during an incident (business continuity)

1.2 Objectives

The objectives of this Business Continuity Plan are to:

- Detail the immediate response to a disruptive incident.
- Identify the prioritised services and activities in the service area.
- Set out actions of how the prioritised services and activities can be maintained at a pre-determined level following a disruptive event.
- Define the recovery actions required.

1.3 Corporate Statement of Intent

The following is a corporate statement of intent endorsed by the Chief Executive and Leader of West Northamptonshire Council which is detailed in the Business Continuity Management Policy and Strategy document:

“At West Northamptonshire Council, we are firmly committed to providing public services that are essential to those who live in, work at and visit West Northamptonshire.

Our vision sets out our long-term aspiration which is that we will:

“Work with the local community to make West Northants a great place to live, work, visit and thrive”

Our commitment to our local community goes beyond the provision of public services. Our commitment is to maintain vital services when things do not go to plan, putting the safety and lives of our local residents and staff at the very forefront of everything we do.

We will work tirelessly to keep services running in the event of unforeseen circumstances and that we will make the necessary plans to do so to the very best of our endeavours.”

1.4 Activation Triggers

Conditions or circumstances under which the plan could be activated include the following which could have major disruption to council services:

- Serious loss or damage to key assets
- Emergency situations in Northamptonshire
- Serious danger to the welfare of council staff, members or visitors
- Loss of key staff or skills
- Denial of access to premises
- ICT failure
- Activation of the Corporate Business Continuity Plan, which automatically activates all service business continuity plans until each team has assessed the impact to the delivery of the service. This might result in no action being taken by the service.

1.5 Corporate Business Continuity Plan

If the Corporate Business Continuity Plan has been activated by one of the triggers in section 4.0 then the Incident Response Team should meet and discuss any impacts on services. It should be noted that members of the Executive Leadership Network may also be discussing the impacts of the corporate disruption.

1.6 Stand-By

If the triggers for activation have not been met but the disruption has the potential to impact on the continued delivery of the service in the near future, then the person responsible for plan activation may want to consider discussing the potential impact with members of the Incident Response Team and monitor the situation.

1.7 Priority Activities

- Priority Activity: This is assessed in the Business Impact Analysis and is defined as 'the activities to which priority must be given following an incident in order to mitigate impacts'.
- Recovery Time Objective: Target time set for the resumption of service after the initial disruption.

1.8 Incident Response Team

The role of the Incident Management Team (IMT) is to provide the strategic command, control and decision making during a disruptive event. This is usually lead by the Chief Executive or Duty Gold Manager. Further information on the Incident Management Team to internal and external emergencies is detailed in the WNC Corporate Business Continuity Plan and the WNC Emergency Plan.

2.0 PRIORITY ACTIVITIES

	Prioritised Activity	Recovery Time Objective (RTO)	Minimum Business Continuity Objective (MBCO)	Recovery Point Objective
1	Payment of existing monthly pensions	24 hours	Criticality stems from proximity of event to payroll deadlines. Pensioner payroll runs cannot be missed or delayed to prevent financial hardship, financial claims and reputational damage.	24 hours
2	Calculation and payment of new monthly pensions	3 working days	Cases need to be processed and loaded onto altair and ERP prior to payroll deadlines, irrespective of delays.	3 working days
3	Administration of death notifications	3 working days	Access to Tell Us Once system and Accurate monthly mortality screening required in order to prevent pension overpayments.	3 working days

4	Payment of retirement and death grants	3 working days	Able to process a payment with no longer than a 3 working day delay to prevent complaints, disputes and reputational damage.	3 working days
5	Governance processes for Pension Committees, Investment Sub-Committees and Local Pension Boards	3 working days	Committee and Board documentation must still be prepared and approved in advance of relevant publication deadlines. Publication deadlines can only be extended by relevant Monitoring Officer.	3 working days
6	Reconciliation of employee/employer contributions	3 working days	Late payers are notified with no longer than a 3 working day delay and breaches of the law continue to be accurately recorded and reported.	3 working days
7	Investment activities (payments into and out of Funds)	3 working days	To ensure investment commitments continue to be made according to agreed timescales, thus	3 working days

			avoiding additional, possibly material, costs.	
8	Implementing Court Orders (Pension Sharing on Divorce)	5 working days	To implement as soon as possible, prioritising those taking immediate effect, thus avoiding complaints, disputes and reputational damage.	5 working days
9	Processing of early leavers (deferred benefits)	5 working days	The timescale would still enable the Fund to meet the statutory two-month deadline for the processing of such cases, thus avoiding breaches of the law.	5 working days
10	Production of accounting disclosures for scheme employers	5 working days	Enabling scheme employers to complete their accounts in a timely manner.	5 working days
11	Reconciliation of payments from third parties including scheme employers	5 working days	Required in order to understand whether charges, fees, and strain payments have been received.	5 working days

12	Completion of employer data exercises in connection with activities such as TUPE and cessations	7 working days	To provide information to enable completion of employer projects and to provide cessation information/decisions with no longer than a 7 working day delay.	7 working days
13	Reconciliation of transfer payments into the Funds, including AVCs for retirement, death and transfer	7 working days	To ensure members are notified of the transfer in with no longer than a 7 working day delay.	7 working days
14	Payment of transfer payments out of the Funds	10 working days	To prevent complaints and reputational damage, prioritising urgent cases.	10 working days
15	Payment of refunds	10 working days	To ensure refunds of contributions are made with no longer than a 10 working day delay.	10 working days
16	Payment to suppliers and payment of fees to investment managers	10 working days	To keep suppliers and investment managers apprised of any delays and to make payment with no longer than a 10 working day delay.	10 working days

RTO = the period of time following an incident within which a service or activity must be resumed, or resources must be recovered (How quickly should this activity be recovered?)

MBCO = the minimum level of services/activities that is acceptable to the organisation to achieve its business objectives during a disruption.

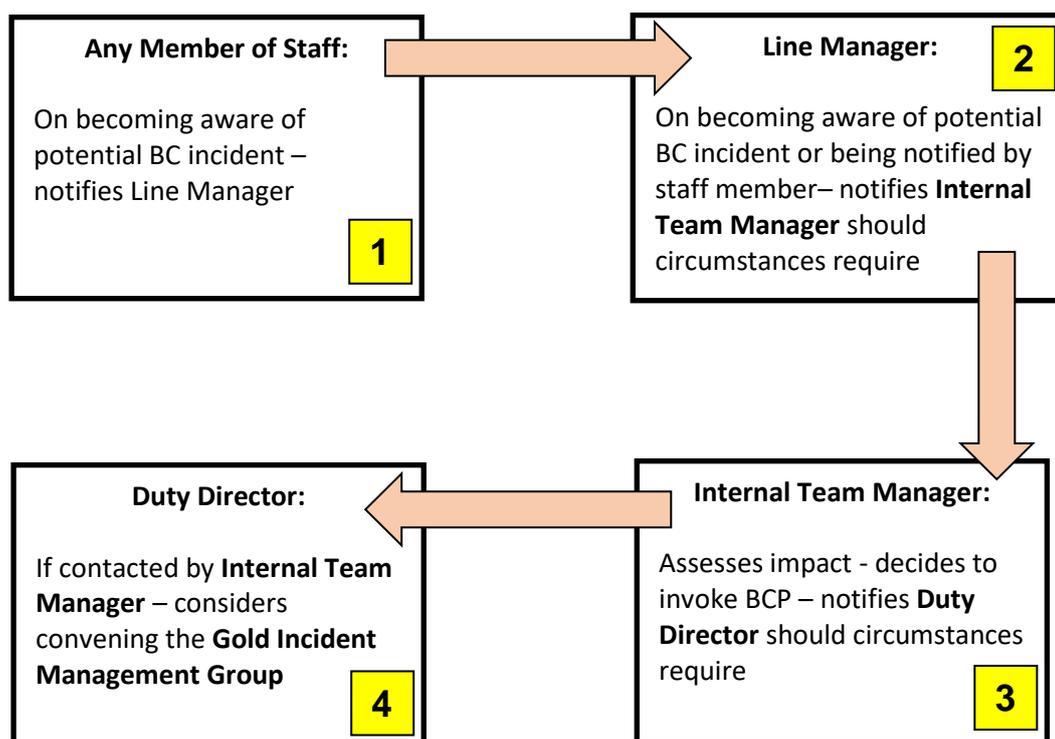
RPO = the point in time in which data used by an activity must be restored to enable the activity to operate.

3.0 PROCESS FOR ACTIVATION AND HOW TO USE THIS PLAN

In the event of a disruptive incident the **Team Manager/Tactical Manager** (*as detailed on the title page*) or his/her deputy, shall be responsible for invoking and co-ordinating the incident response. In the absence of either of these persons, the most **senior manager within the service** shall assume responsibility.

THE FIRST INDICATION OF A POTENTIAL INCIDENT WILL MOST LIKELY COME FROM A MEMBER OF FRONTLINE STAFF AND THERE MUST BE A FORMAL, STRUCTURED PROTOCOL FOR ESCALATION THAT IS FULLY UNDERSTOOD BY ALL STAFF.

All staff have a responsibility to notify their line manager, or other appropriate manager, if they feel the service area's ability to operate effectively may be in danger or there may be a need to invoke Business Continuity Plans (BCP). This should then be escalated to an **Internal Team Manager**. During out-of-hours, the **Emergency Planning Duty Officer** will be contacted to escalate the response to the **Duty Gold Manager**.



3.1 Business Continuity Incident Status

In the event of a serious incident affecting the operations of the service area, the following status levels will be used to indicate and assess the likely impact of the Business Continuity Incident.

STATUS	DESCRIPTION
GREEN	An issue not deemed to be of a serious enough nature to alert the Assistant Director .
AMBER	An issue showing the potential to affect the Priority Activities of either a team site or service that may escalate and require a full invocation of a Business Continuity Plan and 'Stand by' notification to the Assistant Director (Internal Silver Manager) .
RED	A serious issue affecting the Priority Activities of either a team site or service requiring immediate invocation of a Business Continuity Plan and notification of the Duty Gold Manager .

A Business Continuity Incident will be declared by the duty Gold Manager, or Duty Silver when one of the following conditions arises:

1. Access to or the ability to operate **Priority Activities** from a council site is either fully or partially interrupted due to an incident occurring.
2. There is significant disruption to **Priority Activities** due to the loss of key staff or skills.
3. The council's IT systems are interrupted or failing causing significant disruption to the **Priority Activities** of either a service or wider group of users.
4. There is a failure of service provision of **Priority Activities** provided by a third party supplier.

And as a result of the incident there may be an impact on:

1. the **health and safety** of public or staff, and/or;
4. the **financial security** or **reputational standing** of the council, and/or;
3. **accommodation**, requiring the location of alternative working premises or service delivery resources.

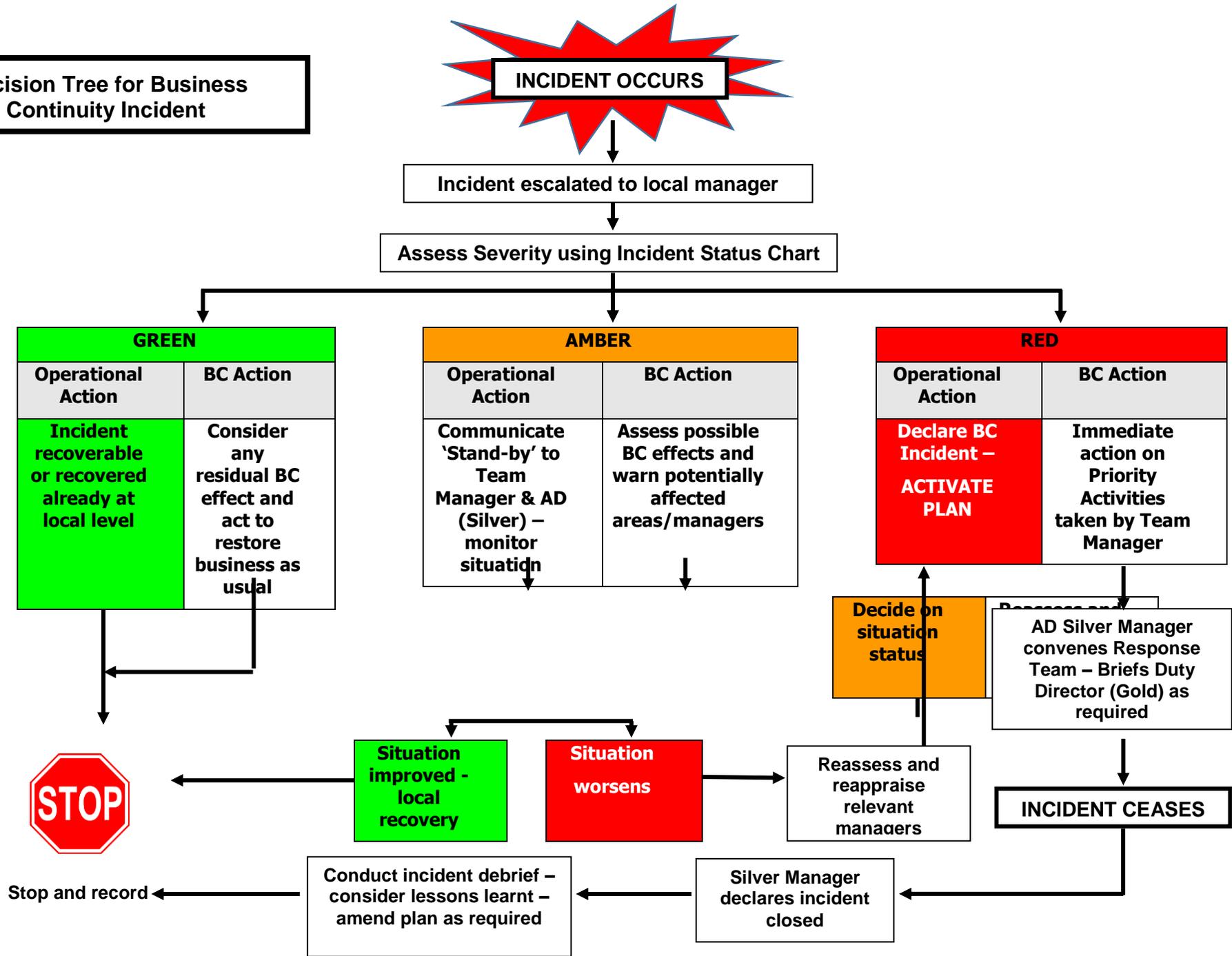
4.0 ACTIVATION TRIGGERS

As part of the Business Impact Analysis (BIA) process the Priority Activities of the service will already have been identified (see Section 2.0 above) and allocated a maximum time of acceptable disruption, an ideal target time for service resumption and an agreed level of service provision following resumption.

Events triggering a business continuity response will fall into eight broad categories:

Loss of people: (Examples)
<ul style="list-style-type: none"> • Flu pandemic/wide scale community illness/Covid-19 • Transport disruption • Industrial action • Loss of key skills
Loss of premises: (Examples)
<ul style="list-style-type: none"> • Fire in building or adjacent properties • Internal flooding • External flooding • Application of security cordon
Loss of IT: (Examples)
<ul style="list-style-type: none"> • Internet provider failure • Data loss • Connectivity failure • Software failure • Loss of VOIP phones
Loss of specialist equipment: (Examples)
<ul style="list-style-type: none"> • Failure of machinery • Loss of vehicles • Failure of specialised printers
Loss of suppliers: (Examples)
<ul style="list-style-type: none"> • Loss of service providers • Loss of product suppliers • Failure of partner agencies
Loss of utilities: (Examples)
<ul style="list-style-type: none"> • Loss of electricity supply • Loss of water supply • Loss of gas supply • Loss of sanitary/sewerage facilities
Severe and widespread snow (Examples)
<ul style="list-style-type: none"> • Beast from the East – February 2018
Constraints on fuel supplies (Examples)
<ul style="list-style-type: none"> • Industrial action • Public protest • Scarcity of fuel supply • Technical problems with fuel supply infrastructure.

Decision Tree for Business Continuity Incident



5.0 INCIDENT RESPONSE

5.1 Incident Response Roles and Responsibilities

Role	Designated Employee	Alternate
Head of Pensions	Name: Mark Whitby Contact Information: 07990 556197	Name: Akhtar Pepper Contact Information: 07990 556197
Incident Responsibilities may include: <ul style="list-style-type: none"> • Ensure the Business Continuity Plan has been activated • Oversee smooth implementation of the response and recovery section of the plan • Follow continuity tasks, for instance, is there a need for an alternate site? If so, activate this • Ensure resources are allocated where needed • Ensure measures are in place to protect staff welfare. • Ensure sites remain safe and secure • Communicate with key stakeholders as needed • Provide information for the Communications Officer for distribution • Keep key staff updated of any changes to the situation • Attends IMT meeting during incidents and reports level of impact on service to IMT. • Determine the need for and activate the use of an alternate site and other continuity tasks. • Oversee smooth implementation of the response and recovery section of the plan • Ensure records of decision making are kept and any expenditure arising out of recovery operations. 		

Role	Designated Employee	Alternate
Operations Manager	Name: Akhtar Pepper Contact Information: 07718 099646	Name: Jo Kent Contact Information: 07342 065329
Incident Responsibilities may include: <ul style="list-style-type: none"> • Focus on continuation of services • Responding to effects of an incident • Ordering and purchasing replacement equipment where needed • Recovery of damaged files, vehicles, equipment and premises. 		

5.2 Evacuation Procedures

Location of evacuation plan:	https://wnugov.sharepoint.com/sites/WNC-HealthSafety/Shared Documents/Forms/AllItems.aspx?id=%2Fsites%2FWNC-HealthSafety%2FShared Documents%2FOAS Emergency Evacuation procedure%2Epdf&parent=%2Fsites%2FWNC-HealthSafety%2FShared Documents
The assembly point for the team is:	One Angel Square does NOT operate a policy to muster staff during core hours. Dispersal from immediate area for 20 minutes following standard Emergency Evacuation Procedures. Further instructions will be provided on return.

5.3 Grab Bag

Location of service grab bag:	Not applicable
-------------------------------	----------------

5.4 Initial Response Checklist For Team Manager (Tactical)

This stage is often the most crucial; actions taken during this phase of our response can impact on the ability to recover efficiently and with minimum disruption, its purpose is to:

- a) Protect the safety of staff, visitors and the wider community
- b) Protect vital assets e.g. equipment, data, reputation etc.
- c) Ensure necessary communication takes place
- d) Support the Business Continuity phase
- e) Support the Recovery and Resumption phase.

The following actions will be taken to protect the immediate safety of staff, visitors and the public:

No.	INCIDENT RESPONSE ACTION	✓	ACTION TAKEN AND BY WHO
1	Receive notification of potential BC incident.	<input type="checkbox"/>	
2	Determine nature of incident and extent of impact on Priority Activities .	<input type="checkbox"/>	
3	Assess severity of incident using the BC Incident Status Chart (Page 7).	<input type="checkbox"/>	
4	DECISION - Invoke/do not invoke Business Continuity Plan.	<input type="checkbox"/>	
5	If severity of incident warrants it, contact Assistant Director (Silver) and provide initial situation report (SitRep). Agree a time for the next SitRep.	<input type="checkbox"/>	
6	Evacuate the building if necessary	<input type="checkbox"/>	Use normal evacuation procedures for the building.
7	Ensure all staff report to the Assembly Point.	<input type="checkbox"/>	
8	Check that all staff, contractors and any visitors have been evacuated from the building and are present.	<input type="checkbox"/>	
9	Record names and details of any injured or distressed persons.	<input type="checkbox"/>	
10	Call emergency services (as appropriate)	<input type="checkbox"/>	

11	Ensure log of incident is started and maintained throughout the incident phase	<input type="checkbox"/>	Use a decision and action log to do this. The log template can be found in Appendix C.
12	Activate staff members and resources	<input type="checkbox"/>	
13	Brief team members of the incident	<input type="checkbox"/>	Refer to Appendix B restrict or deny staff and or public access to council.
14	Allocate specific roles and responsibilities.	<input type="checkbox"/>	
15	Contact key stakeholders and any relevant regulatory bodies	<input type="checkbox"/>	
16	Log details of any damage	<input type="checkbox"/>	
17	Identify the RECOVERY TIME OBJECTIVES (RTOs) of proritised activities that have been disrupted. Ensure you have identified both the short term priorities (24 hours and 24-48 hours) and the longer term actions (1 week and 1-2 weeks).	<input type="checkbox"/>	
18	Consider the unaffected activities which may need protecting/sustaining.	<input type="checkbox"/>	
19	Have understood and complied with any regulatory/compliance requirements?	<input type="checkbox"/>	
20	Identify issues for escalation to Assistant Director or equivalent (e.g. financial requirements, communication with media etc.)	<input type="checkbox"/>	
21	Consider whether the involvement of other teams, services or organisations are required to support the management of the incident	<input type="checkbox"/>	
22	Keep staff informed, agree reporting channels, frequency of meetings and additional team members required and/or agencies involved.	<input type="checkbox"/>	
23	Ensure costs are recorded. Gain authorisation from Finance for emergency expenditure – Log expenditure decisions in Appendix D	<input type="checkbox"/>	

6.0 BUSINESS CONTINUITY

The purpose of the business continuity phase of response is to ensure that priority activities are resumed as quickly as possible and/or continue to be delivered during a disruption to key dependencies (premises, staff, IT, utilities, suppliers/partners).

6.1 Business Continuity Checklist for Team Manager

At the operational level these are the actions to be considered:

No.	BUSINESS CONTINUITY ACTION	✓	ACTION TAKEN AND BY WHO
1	Convene a Resilience Working Group	<input type="checkbox"/>	Plan actions and priorities
2	Identify any other staff required to be involved in the BC response	<input type="checkbox"/>	The Tactical Group may need additional/specific input in order to drive the recovery of priority activities
3	Evaluate the impact of the incident	<input type="checkbox"/>	Use an incident impact assessment form to understand the impact of the incident on 'business as usual' working activities.
4	Plan how prioritised services and activities will be maintained (refer to section 6.2 below) in the event of;	<input type="checkbox"/>	<ul style="list-style-type: none"> ▪ Loss Of People ▪ Loss Of Premises ▪ Loss of ICT ▪ Loss of Specialist Equipment ▪ Loss of Suppliers ▪ Loss of Utilities ▪ Severe and Widespread Snow ▪ Constraints on Fuel Supplies
5	Log all decisions and actions	<input type="checkbox"/>	Use a decision and action log (Appendix C) Include decisions not to do something with a rationale to provide the context.
6	Log all financial expenditure	<input type="checkbox"/>	Create a log of expenditure (Appendix D)
7	Allocate specific roles as necessary	<input type="checkbox"/>	Roles allocated will depend on the incident and availability of staff
8	Secure resources to enable prioritised activities to continue/be recovered	<input type="checkbox"/>	Consider requirements such as staffing, premises, equipment.
9	Deliver appropriate communication actions as required	<input type="checkbox"/>	Ensure methods of communication and key messages are developed as appropriate to the needs of your key stakeholders e.g. customers, suppliers, staff, executive, members etc.

6.2 Action and contingency plans for continuing prioritised service/activities

Consider what actions will need to be taken to ensure prioritised activities are resumed within the Recovery Time Objective (RTO) and to the agreed level Minimum Business Continuity Objective (MBCO). Also consider the minimum resources required to do so.

Planning Assumptions

There are planning assumptions listed under each risk heading below. The National Business Resilience Planning Assumptions (which summarise the government's assessment of the potential impact of a range of national risks) have been used as a reference tool to support and inform WNC's planning assumptions in relation to business continuity risks.

LOSS OF PEOPLE

Planning assumption: 50% loss of staff for up to 13 weeks due to illness, absence, incident or response arrangements.

PHASE 1 – ACTIONS TO BE TAKEN IN FIRST 24 HOURS			
Priority activity	Action	Person Responsible	Complete
1	Determine nature of incident and expected staffing levels for duration of incident across senior management, team leaders and officers.	Head of Pensions	
2	Communicate business continuity plan to senior managers and ensure information cascade to staff.	Head of Pensions	

PHASE 2 – ACTIONS TO BE TAKEN IN DAYS 2-7			
Priority activity	Action	Person Responsible	Complete
1	Determine activities that can be undertaken within expected resource level.	Senior Management	
2	Prioritise critical activities and put in place required resourcing, reassigning senior managers, team leaders and officers as appropriate.	Head of Pensions Senior Management	
3	Determine any impact on suppliers and internal services supporting critical functions.	Senior Manager responsible for contract	
4	Identify any additional resourcing required and nature of role, particularly where specialist cover is required.	Senior Management	
5	Determine whether any non-critical functions can be suspended, for what period and what is the impact.	Head of Pensions Senior Management	
6	Identify any training needs due to reskilling and commence training.	Senior Management	
7	Inform key stakeholders of impacts including responsible officers and Committee/Board Chairmen	Head of Pensions	
8	Reach out to professional advisors and contacts in other Funds as appropriate.	Head of Pensions	

9	Communicate impacts to scheme members and scheme employers through website, helpdesks and via email.	Communications Manager	
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PHASE 3 – ACTIONS TO BE TAKEN IN THE FOLLOWING WEEK

Priority activity	Action	Person Responsible	Complete
1	Continuation of officer training	Senior Management	
2	Recruitment of additional resource	Senior Management	
3	Continue communications to scheme members and employers as required	Communications Manager	
4	Completion of weekly staffing spreadsheets to understand absences within service and across wider organisation	Head of Pensions	

LOSS OF PREMISE

Planning assumption: No notice denial of access to a main building, with no alternative provision for at least 72 hours.

PHASE 1 – ACTIONS TO BE TAKEN IN FIRST 24 HOURS			
Priority activity	Action	Person Responsible	Complete
1	Determine reason for denial of access via Property Service if not already evident.	Head of Pensions	
2	Monitor corporate communications and understand expected timeline for restoration of building access.	Head of Pensions	
3	Communicate business continuity plan to senior managers and ensure information cascade to staff.	Head of Pensions	
4	Instruct staff to work remotely for duration of incident.	Head of Pensions	
5	Identify whether alternative location available for hard copy post to be re-routed to and where essential scanning/printing can be undertaken.	Head of Pensions Operations Manager	
6	Establish whether a Helpdesk facility can be provided and update website/voicemail appropriately.	Head of Pensions Operations Manager	

PHASE 2 – ACTIONS TO BE TAKEN IN DAYS 2-7			
Priority activity	Action	Person Responsible	Complete
1	Establishment of reduced office-based team to undertake critical functions – scanning/printing and helpdesk.	Operations Manager	
2	Alternatively, identification of scanning/printing solution through existing suppliers or wider corporate solution to ensure business continuity.	Operations Manager	
3	Management of remote working arrangements of staff, ensuring adequate equipment is made available.	Senior Management	

PHASE 3 – ACTIONS TO BE TAKEN IN THE FOLLOWING WEEK

Priority activity	Action	Person Responsible	Complete
1	Continuation of alternative working arrangements as necessary.	Senior Management	
2	Establish learning points from loss of premises incident.	Head of Pensions	

LOSS OF ICT

Planning assumption: No notice loss of ICT systems for at least 72 hours.

PHASE 1 – ACTIONS TO BE TAKEN IN FIRST 24 HOURS			
Priority activity	Action	Person Responsible	Complete
1	Determine which systems are unavailable	Head of Pensions	
2	Communicate business continuity plan to senior managers	Head of Pensions	
3	Determine whether there are alternative pathways available to mitigate the impact of any loss of specific ICT systems e.g. accessing altair from outside the corporate network.	Head of Pensions Systems Manager	
4	Determine which activities cannot be undertaken due to the loss of ICT systems.	Senior Management	
5	If ICT system failure is at a key supplier (e.g. altair system) liaise with supplier over disaster recovery process.	Systems Manager	
6	Review critical business processes impacted by incident to identify any workarounds e.g. manual processing, alternative payment methods	Senior Management	
7	Communicate nature and impact of incident to staff through email, if available, or otherwise through direct information cascade.	Head of Pensions	

PHASE 2 – ACTIONS TO BE TAKEN IN DAYS 2-7			
Priority activity	Action	Person Responsible	Complete
1	Ensure available workarounds are implemented within teams.	Senior Management	
2	Communicate impacts to scheme members and scheme employers through available communication channels.	Communications Manager	
3	Communicate restoration of services to scheme members and scheme employers.	Communications Manager	

PHASE 3 – ACTIONS TO BE TAKEN IN THE FOLLOWING WEEK			
Priority activity	Action	Person Responsible	Complete
1	Establish learning points from ICT incident including from corporate ICT team and/or from supplier	Head of Pensions	

LOSS OF SUPPLIERS/ CONTRACTORS

Planning assumption: Immediate loss of critical suppliers and/or contractors without warning and without a timescale for restoration.

PHASE 1 – ACTIONS TO BE TAKEN IN FIRST 24 HOURS			
Priority activity	Action	Person Responsible	Complete
1	(Note: If loss of altair system/server please go to Loss of ICT incident) Identify supplier and specific services impacted through discussion with relevant supplier.	Senior Manager responsible for contract	
2	Communicate business continuity plan to senior managers	Head of Pensions	
3	Establish supplier's business continuity arrangements.	Senior Manager responsible for contract	
4	Identify activities impacted by incident and consider against business as usual activities, business plan activities and statutory responsibilities.	Senior Management	

PHASE 2 – ACTIONS TO BE TAKEN IN DAYS 2-7			
Priority activity	Action	Person Responsible	Complete
1	Establish likely timescales for restoration of supplier services.	Senior Manager responsible for contract	
2	Plan how activities identified as being impacted by loss of supplier will be delivered e.g. utilising other existing professional relationships, utilising procurement avenues including National Frameworks, delivering in-house.	Senior Management	
3	Consider reprioritisation of activities to deal with loss of supplier where an option.	Senior Management	
4	Implement action plan to deal with loss of supplier.	Senior Management	
5	Communicate loss of supplier with key stakeholders as necessary e.g. scheme employers, statutory officers, Committee/Board members.	Head of Pensions	

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PHASE 3 – ACTIONS TO BE TAKEN IN THE FOLLOWING WEEK			
Priority activity	Action	Person Responsible	Complete
1	Continuation of action plan as necessary.	Senior Management	
2	Establish learning points from incident in collaboration with supplier	Head of Pensions	

LOSS OF UTILITIES

Planning Assumption: Widespread loss of power across Northamptonshire for at least 72 hours.

PHASE 1 – ACTIONS TO BE TAKEN IN FIRST 24 HOURS			
Priority activity	Action	Person Responsible	Complete
1	Determine scope of loss of utilities and geographical area impacted.	Head of Pensions	
2	Monitor corporate communications and understand expected timeline for restoration of power at One Angel Square and across area impacted.	Head of Pensions	
3	Communicate business continuity plan to senior managers	Head of Pensions	
4	Ensure information cascade to all staff regarding loss of power, by phone if loss of power not localised to One Angel Square.	Senior Management	
5	Establish which staff are impacted by loss of power based on home location.	Senior Management	
6	Instruct staff to work remotely for duration of incident where possible.	Senior Management	
7	Identify alternative working arrangements for staff impacted by loss of power at home.	Senior Management	
8	Identify whether alternative location available for hard copy post to be re-routed to and where essential scanning/printing can be undertaken.	Operations Manager	
9	Establish whether a Helpdesk facility can be provided and update website/voicemail appropriately.	Operations Manager	

PHASE 2 – ACTIONS TO BE TAKEN IN DAYS 2-7			
Priority activity	Action	Person Responsible	Complete
1	Establishment of reduced office-based team to undertake critical functions – scanning/printing and helpdesk.	Operations Manager	

2	Alternatively, identification of scanning/printing solution through existing suppliers or wider corporate solution to ensure business continuity.	Operations Manager	
3	Management of remote working arrangements of staff, ensuring adequate equipment is made available.	Senior Management	

PHASE 3 – ACTIONS TO BE TAKEN IN THE FOLLOWING WEEK

Priority activity	Action	Person Responsible	Complete
1	Continuation of alternative working arrangements as necessary.	Senior Management	
2	Establish learning points from loss of power incident.	Head of Pensions	

SEVERE AND WIDESPREAD SNOW

Planning assumption: – Severe and widespread snow affecting the whole county for at least 72 hours.

PHASE 1 – ACTIONS TO BE TAKEN IN FIRST 24 HOURS			
Priority activity	Action	Person Responsible	Complete
1	Determine extent of snow incident and monitor corporate communications on subject.	Head of Pensions	
2	Understand impacts of the severe and widespread snow, particularly on the One Angel Square site.	Head of Pensions	
3	Communicate business continuity plan to senior managers	Head of Pensions	
4	Cascade an expected message that staff should work remotely for duration of incident where possible (but subject to the specifics of the general corporate message).	Head of Pensions	
5	Understand impact of incident on other suppliers and provision of corporate services to the Funds e.g. Royal Mail.	Senior Management	
6	Establish who is unable to work (e.g. due to needing to undertake childcare due to school closures) and who can attend work in person (e.g. if they live close to One Angel Square).	Senior Management	
7	Identify suitable work locations for staff and that a team is available to undertake critical office-based activities such as scanning/printing and helpdesk.	Operations Manager	

PHASE 2 – ACTIONS TO BE TAKEN IN DAYS 2-7			
Priority activity	Action	Person Responsible	Complete
1	Establishment of reduced office-based team to undertake critical functions – scanning/printing and helpdesk.	Operations Manager	
2	Alternatively, identification of scanning/printing solution through existing	Operations Manager	

	suppliers or wider corporate solution to ensure business continuity.		
3	Management of remote working arrangements of staff, ensuring adequate equipment is made available.	Senior Management	

PHASE 3 – ACTIONS TO BE TAKEN IN THE FOLLOWING WEEK

Priority activity	Action	Person Responsible	Complete
1	Continuation of alternative working arrangements as necessary.	Senior Management	
2	Establish learning points from loss of power incident.	Head of Pensions	

CONSTRAINTS ON FUEL SUPPLIES

Planning assumption: Severe constraints on fuel supplies across the county. There is likely to be no advanced notice of a fuel disruption. Fuel stations are likely to be exhausted on fuel supply within 48 hours.

PHASE 1 – ACTIONS TO BE TAKEN IN FIRST 24 HOURS			
Priority activity	Action	Person Responsible	Complete
1	Determine extent of incident and monitor corporate communications.	Head of Pensions	
2	Communicate business continuity plan to senior managers	Head of Pensions	
3	Ensure corporate message regarding incident is cascaded to all staff.	Head of Pensions	
4	Establish working arrangements for all staff based on method of travelling to work and how they are impacted by the constraint on fuel supplies.	Senior Management	
5	Ensure critical office-based activities can continue such as scanning/printing and helpdesk functions.	Operations Manager	

PHASE 2 – ACTIONS TO BE TAKEN IN DAYS 2-7			
Priority activity	Action	Person Responsible	Complete
1	Monitor Government and corporate messaging as incident continues and continue to cascade to staff.	Head of Pensions	
2	Increase remote working arrangements as incident continues.	Senior Management	

PHASE 3 – ACTIONS TO BE TAKEN IN THE FOLLOWING WEEK			
Priority activity	Action	Person Responsible	Complete
1	Continuation of alternative working arrangements as necessary.	Senior Management	
2	Establish learning points from constraints on fuel supplies incident	Head of Pensions	

7.0 INCIDENT RECOVERY

The purpose of the recovery and resumption phase is to resume normal working practises Where the impact of the incident is prolonged, normal operations may need to be delivered under new circumstances e.g. from a different building.

7.1 Return to Normal Operations Checklist

At the operational level these are the actions to be considered now that the crisis is over:

No.	INCIDENT RECOVERY	✓	ACTION TAKEN AND BY WHO
1	Resilience Working Group to agree and plan the actions required to enable recovery and business as usual	<input type="checkbox"/>	Agree priorities and recovery options. To be detailed in an action plan and set against timescales with responsibility for completion clearly indicated.
2	Deactivate staff members and resources as necessary	<input type="checkbox"/>	
3	Continue to log all expenditure incurred as a result of the incident	<input type="checkbox"/>	Maintain a log of expenditure Appendix D
4	Review cash requirements to restore operations	<input type="checkbox"/>	
5	Contact insurance broker/company	<input type="checkbox"/>	
6	Develop financial goals and timeframes for recovery	<input type="checkbox"/>	
7	Keep staff informed	<input type="checkbox"/>	
8	Keep key stakeholders informed	<input type="checkbox"/>	
9	Respond to any short and long terms support needs of staff	<input type="checkbox"/>	Depending on the nature of the incident, may need to consider the use of counselling services, accessed either internally or by engaging appropriate external services
10	On conclusion of incident, stand down Incident and publicise that there is now 'business as usual'	<input type="checkbox"/>	Communications strategy
11	Set priorities and recovery options	<input type="checkbox"/>	
12	Update the recovery plan	<input type="checkbox"/>	

13	Collate copies of the incident logs completed by each member of the Incident Response Team	<input type="checkbox"/>	
14	Carry out a 'debrief' of the incident, documenting the opportunities for improvement and any lessons identified	<input type="checkbox"/>	<ul style="list-style-type: none"> • This should be reviewed by all members of management groups to ensure key actions resulting from the incident are implanted within designated timescales. • Include all stakeholders in debrief actions and relevant third parties to capture full picture.
15	Review this Continuity Plan in light of lessons learned and applied from incident.	<input type="checkbox"/>	<ul style="list-style-type: none"> • Implement recommendations for improvement and update this Plan. • Ensure a revised version of the Plan is read by all members of management groups.

Appendix A Incident Call Procedures and Contact Details

Internal Cascade Call Tree

[Redacted due to personal data]

Contact Details

Service Team Contacts			
Person	Contact numbers	Email	Role

Corporate Leadership Network Contacts			
Person	Contact numbers	Email	Role

WNC/ Internal Service Interdependency Contacts		
Name	Contact details	Service

Business Continuity Contacts		
Name	Role/Responsibility	Contact Details
Emergency Planning Team	EP duty officer	07885 292851 (24/7)

Key Supplier, Stakeholder and Partner Contacts		
Organisation	Contact	Contact Details

Service Procurement Cardholders	
Name	Contact Details

Appendix B Communication Procedures

Communication is a key consideration during a disruptive event and it is essential that you have considered how this will be done during an incident, such as who will activate the call cascade and who the deputies will be.

Instructions

These procedures are only to be used as a guide when notifying staff of a Business Continuity Plan activation and action to be taken.

- Each manager should contact their direct reports and keep each call to less than 3 minutes.

- If person called is available, provide the following message:
 - This is NOT a test.
 - Incident status.
 - The service area's Business Continuity Plan is being put into operation.
 - Action to be taken:
 - Stand by until contacted with further information OR
 - Report to (location) at (time) and bring staff ID and security access card
 - Emphasise that the situation should not be publicised.
- If person called is not available, leave a message for the person to return the call. If leaving a message is not possible, call back every 5 minutes.
- If person remains un-contactable for 20 minutes, call the next person that this person is assigned to notify.
- Thereafter, report list of un-contactable persons to your appropriate chain of command.
- The Team Manager will then complete and return a situation report to the appropriate chain of command (line manager or Incident Management Team if invoked)

Service Team Call Tree

Activation of entire service for activation of recovery procedures

- Use Microsoft PowerPoint Organisational Chart function to develop your service telephone notification tree.
- In your call tree, please indicate the following:
 - Name of staff members (or can use initials).
 - If this person is the Deputy Team Manager, please indicate this below his/her name.
 - Indicate with an acronym for the mobile 'M' Landline phone 'W' and home telephone as 'H'.
 - Highlight in colour the staff members who will be going to a secondary location so that the rest of the staff members will understand that they are required to stay at home during the start of an incident.
 - Indicate if certain staff members need to relocate to another location.

Appendix C Service Area Incident Reporting Procedure

Priority service areas

During major incidents and emergencies, the Incident Management Team (IMT) may request service status reports for managers of the council's priority service areas. The objective of the request is to assess the level of disruption to the delivery of priority services. Service managers are asked to report on the situation within their service area using RAG (red-amber-green) system (see below), providing information only on their priority services or the councils reputation.

All service areas

During a major incident, the IMT may ask all service areas to provide mutual aid in the form of non-priority activity staff, property, or equipment, for example, to support affected services.

Unless an alternative email address is supplied, completed service status reports should be emailed to:

Name:
Contact details:

Also to:

Name:
Contact details:

Service Area Incident Reporting Form			
Service area		Date	
Contact		Telephone/mobile	
Overall status (select only one which describes your services current position)	GREEN	AMBER	RED
	Service operating at a level of 'business as usual' and can deliver its services adequately	Service operating below advisable levels, ensuring prioritised activities are taking precedence. Minimum standards are being met.	Service operating at a greatly reduced level. Resources directed to maintaining priority activities. Risk of minimum standards not being met.

Specific service impacts

Please describe the impact on your critical services being experienced due to the incident.

Priority Service	RAG status (Red, Amber or Green)	Impact/issues being experienced

Do you require any additional resources currently to enable a priority service to keep operating at an acceptable level?

If yes, list them below (e.g. staff, specific skills, equipment, premises etc.)

Resource Required	Timescale

Can you provide mutual aid to other service areas if required?

If yes, what could you provide and for how long? (e.g. staff (approximate numbers), premises (location, type, capacity), equipment (mobiles, laptops).

Mutual Aid Resource	Timescale

Appendix D – Action and Decision Log

Entry No.	Date	Time	Information/Message	From	Contact Details	Action/Decision Taken	Time	Initials
1								
2								
3								
4								
5								
6								

Name of Officer completing log.....

Date.....

Page Of

Appendix E – Expenses Log

Date	Item(s)/service(s) purchased	Directorate and Service Area	Cost	Signature

Name of Officer completing log.....

Date.....

Page Of ...

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West Northamptonshire Council

Local Pension Board

27/01/2022

Mark Whitby – Head of Pensions

Report Title	Investment Strategy Statement
Report Author	Richard Perry, Investment Manager, Richard.Perry@Westnorthants.gov.uk

Contributors/Checkers/Approvers

Head of Pensions	Mark Whitby	14/1/2022
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List of Appendices

Appendix A – Report to the Pensions Committee 15 December 2021 – Investment Strategy Statement – without Appendices

Appendix B - Revised Investment Strategy Statement

1. Purpose of Report

1.1. To present to the Pension Board a report on the revised Investment Strategy Statement (ISS) incorporating the Fund's Responsible Investment Policy.

2. Executive Summary

2.1 Following a significant amount of work over the last eighteen months by the Pension Committee (PC), Pensions Board and Fund Officers, with support from third party advisors, an enhanced approach to RI matters was incorporated in a draft of the Fund's ISS presented for review to the PC on 26 March 2021.



- 2.2 Subsequent to the 26 March meeting, a consultation was launched inviting feedback from Pension Fund employers and members on the contents of the draft ISS, with specific questions relating to the RI section.
- 2.3 Responses to the consultation were strongly supportive of the ISS and RI policy. As a result, no substantive changes were made to the RI policy or other sections of the ISS, but the opportunity was taken to revisit the wording to improve the consistent usage and explanation of terminology.
- 2.4 A final draft of the ISS was approved by the PC on 15 December 2021. A copy of the covering report to the PC is attached as Appendix A and the approved ISS is attached as Appendix B.
- 2.5 The ISS has been published on the Fund's web pages together with a briefing on the outcome of the employer and scheme member consultation.

3. Recommendations

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

4. Issues and Choices

- 4.1 The Fund is required to maintain an ISS as described by Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- 4.2 The ISS should set out the approach of the Pension Fund to investments that includes, amongst other things:
 - (a) a requirement to invest fund money in a wide variety of investments;
 - (b) the assessment of the suitability of different types of investments;
 - (c) the approach to risk, including the ways in which risks are assessed and managed;
 - (d) the approach to pooling investments;
 - (e) the policy on how social, environmental and corporate governance considerations are taken into account; and
 - (f) the policy on the exercise of the rights (including voting rights) attaching to investments.
- 4.3 The Fund's investment strategy must set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment.
- 4.4 The Fund must review and if necessary, revise its investment strategy from time to time, and at least every 3 years, and publish a statement of any revisions. The Fund last approved its ISS on 23 March 2018.
- 4.5 The Fund must consult such persons as it considers appropriate as to the proposed contents of its investment strategy.
- 4.6 The Fund has recently undertaken a major review of its investment strategy to strengthen its RI principles.
- 4.7 Scheme employers and members were invited to feedback on the revised RI strategy incorporated in a draft ISS.

- 4.8 Responses received were strongly supportive of the ISS and RI policy. As a result, no substantive changes were made to the RI policy or other sections of the ISS, but the opportunity was taken to revisit the wording to improve the consistent usage and explanation of terminology.
- 4.9 A final draft ISS was presented to the PC for approval on 15 December 2021. The PC paper is attached as Appendix A and a copy of the approved ISS attached as Appendix B. The ISS has been published on the Fund’s web pages.

5. Implications (including financial implications)

5.1 Resources and Financial

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

5.2 Legal

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

5.3 Risk

- 5.3.1 The mitigated risks associated with the Fund’s investment strategy have been captured in the Fund’s risk register as detailed below.

Risk No.	Risk	Residual risk rating
Investment (Risk 3)	As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund’s investments.	Amber
Investment (Risk 5)	Fund assets are not sufficient to meet obligations and liabilities as they become payable.	Amber
Investment (Risk 20)	Failure to act appropriately upon expert advice and/or risk of poor advice.	Green
Investment (Risk 24)	Investment decisions and portfolio management may not achieve the return required or be performed in accordance with instructions provided.	Green

The Fund’s full risk register can be found on the Fund’s website at the following link:
<https://pensions.northamptonshire.gov.uk/governance/key-documents/northamptonshire/>

5.4 Relevant Pension Fund Objectives

- 5.4.1 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 employer contributions are as stable as possible, recognising the characteristics, circumstances, and affordability constraints of each employer.
- To put in place a Strategic Asset Allocation ensuring it is appropriately maintained taking into account the Funding Strategy.
- To maximise investment returns over the long term within agreed risk tolerances.

5.5 **Consultation**

5.5.1 The scheme members and employers have been consulted as set out in section 4.

6. Background Papers

6.1 None.



West Northamptonshire Council

Pension Committee

15/12/2021

Mark Whitby – Head of Pensions

Report Title	Investment Strategy Statement
Report Author	Richard Perry, Investment Manager, Richard.Perry@Westnorthants.gov.uk

Contributors/Checkers/Approvers

Monitoring Officer	Geoff Wild on behalf of Catherine Whitehead	22/11/2021
S151 Officer	James Smith on behalf of Martin Henry	24/11/2021
Head of Pensions	Mark Whitby	16/11/2021

List of Appendices

- Appendix A – Responses to the consultation to the draft Investment Strategy Statement
- Appendix B – Summary of feedback on consultation for publication on the Fund's web pages
- Appendix C - Revised draft Investment Strategy Statement
- Appendix D – Revised draft Investment Strategy Statement with tracked changes

1. Purpose of Report

- 1.1. To The purpose of this report is to present to the Pension Committee (PC) for approval the revised Investment Strategy Statement (ISS) incorporating the Fund's draft Responsible Investment Policy recommended by the Investment Sub Committee (ISC).

2. Executive Summary

- 2.1 The Fund is required to maintain an ISS as described by Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- 2.2 The Fund must review and if necessary, revise its investment strategy from time to time, and at least every 3 years, and publish a statement of any revisions. The Fund last approved its ISS on 23rd March 2018.
- 2.3 The ISS should include, amongst other things, the Fund's policy on responsible investment (RI) matters, namely how social, environmental and corporate governance considerations are taken into account and the policy on the exercise of the rights (including voting rights) attaching to investments.
- 2.4 Following a significant amount of work over the last eighteen months by the Pension Committee (PC), Local Pensions Board (LPB) and Fund Officers, with support from third party advisors, an enhanced approach to RI matters was incorporated in a draft of the Fund's ISS presented for review to the PC on 26th March 2021.
- 2.5 Subsequent to the 26th March meeting, Pension Fund employers and members have been consulted and invited to provide feedback on the contents of the draft ISS, with specific questions relating to the RI section.
 - 2.5.1 150 responses were received to direct email requests to over 36,000 members and employers of which two responses were from scheme employers. The consultation questions and summary of responses are attached as Appendix A. Overall, the consultation responses were supportive of the ISS document and the policies therein.
 - 2.5.2 No substantive changes have been made to the RI policy or other sections of the ISS arising from the consultation, but the opportunity has been taken to revisit the wording to improve the consistent usage and explanation of terminology.
- 2.6 A summary of the feedback and actions arising from the consultation has been prepared for publication on the Fund's web pages and is attached pages. This is attached as Appendix B.
- 2.7 The final draft ISS attached at Appendix C was reviewed by the ISC on 20th September 2021 and no issues were raised. The PC have the authority to approve the ISS.

3. Recommendations

- 3.1 The PC is asked to:
 - 3.1.1 Approve the Investment Strategy Statement for publication on the Fund's web pages;
 - 3.1.2 Approve the summary of feedback from the consultation that will be published on the Fund's web pages.

4. Report Background - Regulations

- 4.1 The Fund is required to maintain an ISS as described by Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

- 4.2 The ISS should set out the approach of the Pension Fund to investments that includes, amongst other things:
- (a) a requirement to invest fund money in a wide variety of investments;
 - (b) the assessment of the suitability of different types of investments;
 - (c) the approach to risk, including the ways in which risks are assessed and managed;
 - (d) the approach to pooling investments;
 - (e) the policy on how social, environmental and corporate governance considerations are taken into account; and
 - (f) the policy on the exercise of the rights (including voting rights) attaching to investments.
- 4.3 The Fund's investment strategy must set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment.
- 4.4 The Fund must review and if necessary, revise its investment strategy from time to time, and at least every 3 years, and publish a statement of any revisions. The Fund last approved its ISS on 23rd March 2018.
- 4.5 The Fund must consult such persons as it considers appropriate as to the proposed contents of its investment strategy.

5. Issues and Choices

- 5.1 The Fund has recently undertaken a major review of its investment strategy to strengthen its RI principles.
- 5.2 A consultation has been undertaken to seek the views of scheme employers and members on the revised RI strategy which is incorporated in a draft ISS.
- 5.2.1 The consultation was launched in May 2021, with email invitations to respond issued to all scheme employers and those members (active, deferred and pensioners) for whom a live email address is held in the Fund's records. Approximately 36,000 invitations were sent. 150 responses were received before the end of the four-week consultation period.
- 5.2.2 The results of the individual questions asked in the consultation are attached as Appendix A, showing the percentage of the 150 respondents who scored the questions on a five-point scale: Strongly agree, Agree, Neutral, Disagree, Strongly disagree.
- 5.2.3 Scoring was supportive of the document and policies therein:
- 5.2.3.1 Favourable scores (Strongly agree and Agree) were in the range 61% to 91%.
 - 5.2.3.2 Negative scores (Strongly disagree and Disagree) were in the range 3% to 9%.
- 5.2.4 In addition, respondents had the option to add narrative feedback. The key themes stated were as follows:
- The ISS is a technical document not easily read or understood by the layman, however, some respondents stated that it was a clear document that was easy to read.
 - A number of respondents who Disagreed or Strongly Disagreed with the content of the ISS were concerned that it catered too much for ESG or climate issues and these were not problems that the pension fund should be seeking to mitigate.

- Strong approval for the fund to seek the highest investment returns in order to pay pensions.
- A minority qualified their scoring stating that seeking returns should not ignore ESG issues.
- A larger minority stated that they did not want any change to strategy that might prejudice payment of the pensions that they had contributed to for so many years.
- Divestment was mentioned a number of times as was the screening out specific types of investment in organisations involved with armaments, pornography, multi-nationals who avoid tax, etc.

5.2.5 The final question requested respondents to score their opinion on the document as a whole: -

“The revision of the Investment Strategy Statement has focussed mainly on updating the Responsible Investment Policy recognising the material Environmental, Social, and Governance risks to Fund assets. In doing so, the Fund is able to participate in supporting the Green Economy and sustainable investment themes, whilst encouraging the Fund's investment managers to hold appropriate stock to drive the change required to meet National and Global expectations to mitigate key ESG concerns, such as climate change. Do you agree that the policy has achieved this?

Responses were:

Strongly agree and agree	62%
Neutral	33%
Strongly disagree and disagree	5%

5.2.6 A summary of the feedback and actions arising from the consultation has been prepared for publication on the Fund’s web pages and is attached as Appendix B for review by the Committee.

5.3 In parallel with the consultation survey, an external consultancy, Minerva, has been engaged by the ACCESS pool to assist in documenting RI guidance for the ACCESS pool, building upon the RI policies of each of the eleven ACCESS partner funds. Minerva have conducted a gap analysis of the RI policies of each of the eleven funds. Initial feedback on the gap analysis, broken down into 5 areas of analysis: Governance, Investment approach, Implementation, Stewardship, Reporting, was that:

5.3.1 The fund achieved the joint highest score across all 11 funds for reporting.

5.3.2 Overall, Northamptonshire Pension Fund was ranked joint 3rd (with Cambridgeshire) out of 11.

5.3.3 The review has highlighted areas of focus:

- Clarifying the purpose of the RI policy – now updated in the draft ISS;
- Reference to the Fund’s conflicts of interest policy - under development of a separate work stream.

5.4 In response to the consultation responses and feedback from Minerva, officers have taken the following actions:

5.4.1 Reviewed the entire ISS document, focussing on the main ISS elements that were not reviewed in the draft distributed, aiming to make it easier to read, using terminology consistently and, avoiding or explaining acronyms and jargon;

5.4.2 Added additional explanation of:

- The roles of PC and ISC
- The scope of the investment strategy required by the Investment Regulations

- The Fund having an Independent Adviser
 - The strategic asset allocation and periodic rebalancing back to central strategic target allocations
 - Pooling, expanding upon the objectives of pooling, and size and composition of ACCESS. Clarifying usage of terminology for the ACCESS pool, ACCESS ACS (Authorised Contractual Scheme), ACCESS funds, pool operator etc.
- 5.4.3 Added a specific new risk on climate to align with the Fund’s Risk Register;
- 5.4.4 Explained the Background and objective of the RI policy;
- 5.4.5 Noted that the policy prioritises the next steps which are mainly research that will inform subsequent steps and a further iteration of the RI Policy;
- 5.4.6 Expanded the explanation of engagement and why this is preferred over divestment but if engagement is ineffective, the fund would consider divestment.
- 5.5 The Fund’s RI beliefs, embedded in the ISS, include a commitment to support the objectives of the Paris Agreement, and the belief that keeping a global temperature rise this century to well below 2°C relative to pre-industrial levels is entirely consistent with securing strong financial returns.
- 5.6 In the period since the RI beliefs were drafted, there has been increased focus on carbon-related global warming and, in support of the targets in the Paris Agreement, many businesses and asset owners have published target dates by which they will reach “net-zero” carbon emissions, in the context of the UK Government’s target to become “net-zero” by 2050.
- 5.7 It is proposed that over the next twelve months, in conjunction with the existing work scheduled by Mercer to draft the Fund’s first report that meets the requirements of the Task Force of Carbon-Related Financial Disclosures (TCFD), the Fund investigates the feasibility together with a credible plan with milestone dates, for the Fund’s investments to achieve “net-zero” carbon emissions.
- 5.8 Compliance with the TCFD involves a number of activities, including climate change scenario analysis and carbon foot-printing as well as the drafting of an annual report. Mercer will provide support to the Fund in producing the requisite data and drafting the first report to comply with TCFD requirements. The UK Government have issued for consultation the dates by which larger corporate pension schemes must report under TCFD and in 2023 will be reviewing the dates and the potential application to funds such as the LGPS.
- 5.9 The final draft ISS is attached at Appendix C with a tracked changes version attached as Appendix D.
- 5.10 Once approved, the final ISS will be published on the Fund’s website.

6. Implications (including financial implications)

6.1 Resources and Financial

- 6.1.1 All internal costs will be met by existing resources and the cost of the Fund’s Investment Consultants’ Mercer, are included within the 2021/22 budget. Any further financial implications will be included in Pension Committee reports as required.

6.2 Legal

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

6.3 Risk

- 6.3.1 The PC have the authority to determine the Fund's investment objectives and to set and review the long-term high-level investment strategy to ensure these are aligned with the Fund's specific liability profile and risk appetite. In proposing the strategy to the PC the ISC are advised by external professional Investment Consultants, Mercer Ltd and additionally supported by the Fund's appointed independent Adviser.
- 6.3.2 There are no significant changes to the Fund's risks arising from the proposed recommendations in this report.
- 6.3.3 The risks associated with the Fund's investment strategy have been captured in the Fund's risk register as detailed below.

Risk No.	Risk	Residual risk rating
Investment (Risk 3)	As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund's investments.	Amber
Investment (Risk 5)	Fund assets are not sufficient to meet obligations and liabilities as they become payable.	Amber
Investment (Risk 20)	Failure to act appropriately upon expert advice and/or risk of poor advice.	Green
Investment (Risk 24)	Investment decisions and portfolio management may not achieve the return required or be performed in accordance with instructions provided.	Green

The Fund's full risk register can be found on the Fund's website at the following link:
<https://pensions.northamptonshire.gov.uk/governance/key-documents/northamptonshire/>

6.4 Relevant Pension Fund Objectives

6.4.1 The following objectives have been considered in this report -

- To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.
- To ensure employer contributions are as stable as possible, recognising the characteristics, circumstances and affordability constraints of each employer.
- To put in place a Strategic Asset Allocation ensuring it is appropriately maintained taking into account the Funding Strategy.
- To maximise investment returns over the long term within agreed risk tolerances.

6.5 Consultation

6.5.1 The scheme members and employers have been consulted as set out in section 5.

7. Background Papers

7.1 None.

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Investment Strategy Statement (Published 17 December 2021)



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1. INTRODUCTION AND BACKGROUND

This is the Investment Strategy Statement (“ISS”) of the Northamptonshire Pension Fund (“the Fund”), which is administered by West Northamptonshire Council, (“the Administering Authority”). The Administering Authority has delegated to the Pension Committee (“Committee”) the power to determine and maintain the Fund’s strategies, policies and procedures, including investment strategy. Implementation of the strategy and the monitoring of performance is delegated to the Investment Sub-Committee, for which the membership is drawn from the Committee.

The ISS is made in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (“the Regulations”). The Regulations state that the Fund’s investment strategy must describe how the Fund’s money will be invested, the approach to risk, the approach to pooling investments, the policy on how Environmental, Social and Governance considerations are taken into account in investment decisions, and the Fund’s policy on exercising rights of ownership including voting rights.

The ISS was approved by the Pension Committee on 15 December 2021, having taken proper advice from its advisers and consulted on the contents of the Fund’s investment strategy with such persons it considers appropriate.

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In accordance with the Regulations, the Committee review the investment strategy at least every three years and without delay after any significant change in investment policy. In practice the Committee review the ISS at least annually.

The Committee seeks to invest in accordance with the ISS any Fund surplus cash that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the [Fund's Funding Strategy Statement \(FSS\)](#).

2. OBJECTIVES OF THE FUND

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. Pensions and benefits will be met by contributions, asset returns and income.

The Pension Committee works to endeavour that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing.

The Fund is subject to an actuarial review every three years, in preparation for which the Fund, in conjunction with the Fund's Actuary and taking investment advice, prepares a FSS that sets out the strategy to ensure the long-term solvency of the Fund whilst recognising the need for a minimum (where possible and subject to a level of prudence) and, stable level of employer contributions.

The Administering Authority runs the Northamptonshire Pension Fund to make sure it invests the contributions appropriately, with the aim that the Fund's assets grow over time with investment income and capital growth.

3. INVESTMENT BELIEFS

The investment strategy adopted by the Fund reflects the FSS requirements to invest surplus contributions appropriately with the aim that the Fund's assets grow over time with investment income and capital growth by applying the following investment beliefs:

1. The strategic asset allocation is the key factor in determining the risk and return profile of the Fund's investments and recognises that the Fund is a long-term, open scheme that has an obligation to pay benefits that are linked to inflation. The Committee also takes into account the covenant associated with the Fund's employers in deciding how much risk is appropriate.
2. Asset allocation and specifically the headline amounts invested in equities, fixed income and alternatives, will drive risk and return levels.
3. Investing over the long-term provides opportunities to improve returns.
 - a. Asset classes that return over a reasonably long duration are suitable for this Fund.
 - b. The Fund has a policy of holding investment managers over the longer-term to reduce the impact of transitions and believes in the benefits of compounded returns.

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4. Equities are expected to generate returns above the growth of liabilities over the long-term and have an indirect link to inflation.
 - a. The Fund predominately holds equities due to the belief that they will provide returns above liabilities over the long-term and this helps to ensure that contribution rates remain affordable for employers.
5. Inflation linked UK Government bonds provide a high degree of liability matching and a direct link to inflation.
 - a. Investments in government bonds are not held for return purposes but are held in order to mitigate the risk that contribution rates need to increase significantly should yields fall.
6. Non-Government bonds are expected to provide a return above government bonds and can provide some interest rate protection relative to the liabilities.
7. Alternative assets are expected to generate returns above liabilities over the long-term, which can be linked to inflation, as well as providing diversification benefits.
8. Diversification across asset classes can help to mitigate against adverse market conditions and assist the Fund to produce a smoother return profile due to returns coming from a range of different sources.
9. The Committee favours active management, where there are opportunities for active managers to add value, increasing overall expected return net of fees.
10. Passive strategies provide low cost access to market returns.
11. Responsible Investment including Environmental, Social and Governance are important factors for the sustainability of longer term investment returns.
12. Value for money is defined as recognising net return over absolute cost.

4. SELECTING A SUITABLE STRATEGY

The Committee is responsible for the Fund's strategic asset allocation which is determined via a triennial strategy review as part of the valuation process, but is kept under regular review; noting that strategic changes are an evolutionary process.

The triennial strategy review looks at both qualitative and quantitative analysis, covering the following, which are expanded upon later in the ISS:

- The required level of return that will mean the Fund can meet its future benefit obligations as they fall due
- The level of risk that the Fund can tolerate in absolute terms, and in relation to its funding level and deficit
- An analysis of the magnitude of the various risks facing the Fund is established in order that a priority for mitigation can be determined
- The desire for diversification across asset class, region, sector, and type of security.

The Committee utilises a wide range of professional support such as an investment consultant, an independent investment adviser and the Fund's Actuary. As noted above, the Fund's objective is to

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pay benefits as they fall due and this requires the build-up of sufficient reserves in advance. At the last triennial valuation in 2019, the Fund was assessed to have a deficit in terms of the reserves needed and so the asset strategy is focused on achieving returns in excess of inflation, without taking undue risk. Having a thorough understanding of the risks facing the Fund is crucial and these are covered later in the ISS.

The Fund's current investment strategy is set out below reflecting agreed changes made in the 2020/21 financial year to increase the allocation to Fixed Income and reduce the allocation to listed equities. Set out below is the high level strategic asset allocation setting out the acceptable tolerance ranges within asset class.

Asset class	Target allocation %	Tolerances%
Equities	55.0%	+/- 5% (50.0% - 60.0%)
Fixed Income	20.0%	+/- 5% (15.0%-25%)
Alternatives	25.0%	+/- 5% (20.0% - 30.0%)
Total target Allocation	100.0%	

The tolerance ranges allow for the short-term natural deviation from the target allocation due to the varying relative performance of each investment type. Exceeded tolerances will be reported in the quarterly performance report to the Investment Sub Committee. Asset class allocations will be rebalanced periodically back to the target allocation.

The expected return of the Fund assuming the strategic allocation is maintained is estimated at 3.9% per annum.

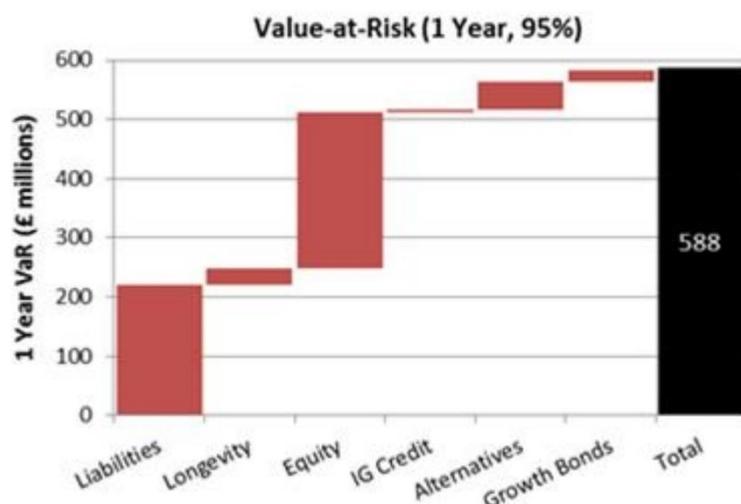
5. RISKS

This section considers key investment risks and mitigations.

A. INVESTMENT RISKS

The Committee uses Risk Attribution Analysis to determine the order of magnitude of the main investment risks the Fund is facing. The chart below shows the VaR (Value at Risk, essentially a statistical estimate of the losses that would occur in a 1-in-20 event) facing the Fund, split into impact arising from the major risk categories.

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As an additional illustration of risk, the table below shows an indication how a range of events could impact the Fund:

Event	Event movement	Impact on Deficit
Fall in equity markets	20% fall in equities	£296m
Active Manager underperformance	3% underperformance from all active managers	£45m

As shown in both the Value-at-Risk attribution chart and the table above, the two most significant risks that the Fund is running are equity risk and liability risk (arising from interest rates and inflation). The risks associated with active management underperformance of investment assets, whilst not immaterial, is relatively less.

Liabilities (interest rate and inflation) – The largest risk that the Fund faces is in relation to interest rates and inflation. The investment strategy recognises this and looks to increase the allocation to assets that provide protection against falling rates and rising inflation expectations when affordable to do so, which is considered appropriate in the context of the Fund's position as a long-term investor.

Equities – Should equity market conditions deteriorate significantly this will have a negative impact on the funding level. The Fund holds equities in order to provide the necessary returns to ensure that the Fund remains affordable. The Committee believes that the extra returns that are expected to be generated by equities compensates the level of risk equities bring to the Fund, but does believe in diversification, and looks to mitigate equity risk by investing significantly in bonds and alternatives.

Alternatives – The Fund has a significant amount of assets allocated to a range of alternatives, with allocations to property and private equity, amongst others. The risks that these investments bring at an individual level is not insignificant however the Committee believe that over the long term alternatives will provide returns that compensate for the risks being run. Additionally, the level of diversification the assets provide helps to reduce the Funds reliance on returns from equities. Illiquid assets such as property and infrastructure also provide regular cash returns in addition to capital appreciation.

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The Fund's portfolio is well diversified across asset classes, geography and asset managers. As different asset classes have varying correlations with other asset classes, the Fund by investing in a range of different investments can minimise the level of risk run to a degree.

Passive Manager Risk – This is the simplest style of investment which places monies purely to track indices with the associated risks of following the full effects of both positive and negative market movements benefiting from the most economical fee rates. This contrasts to active management which is applied to smooth volatility and improve market returns albeit at higher fee rates, the assumption being that the net return after fees is greater than pure passive management.

Active Manager Risk – Active Investment Managers are appointed to manage the Fund's investments on its behalf in the expectation that they will outperform the market but also recognising that their mandates may underperform passive managers. This risk is small relative to other risks; however, the Fund still addresses this risk. Extensive due diligence takes place before investment managers are appointed. The investment managers are also monitored regularly by the Investment Sub Committee, Officers and by the Fund's Advisors. There is a risk that net performance of Active Investment Managers underperforms a passive arrangement over the long-term.

Liquidity risk – It is recognised that there is liquidity risk in holding assets that are not readily marketable and realisable. Given the long-term investment horizon, the Committee believes that a degree of liquidity risk is acceptable given the potential for accessing higher returns. The majority of the Fund's assets, however, remain realisable at short notice.

Exchange rate risk – This risk arises from unhedged investment overseas. The Committee believes that a long-term investor can tolerate a degree of short term fluctuations in currency movements, particularly with reference to the Fund's equity portfolio.

B. CLIMATE RISK

The Fund has acknowledged the risk to the Fund of climate change in its Risk Register: "As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund's investments."

The risks to the value of the Fund's investments arising from climate change arise from exposures to industries or companies that are valued on the basis of business models that may be threatened by climate change, or based upon reserves of assets that may never be realised due to changes in technology, markets and societal habits arising from climate change ("stranded assets"). The incidence and timing of changes in value need to be analysed further to understand the risks to the Fund.

Conversely there may be opportunities to invest in new industries or technologies that assist in mitigating the speed of climate change.

C. DEMOGRAPHIC RISK

The Fund is subject to a range of demographic risks, but with particular reference to investment strategy, the Committee is aware of the potential for the Fund to mature over time as the pensioner liability increases. A mature pension fund is likely to take less investment risk over time and this is

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considered at each strategy review. The more mature a pension fund, the more likely it is that investments would need to be realised in order to pay benefits. The Fund is not in that situation at present as cash inflows from contributions and investments are greater than benefit payments. However, this situation is monitored regularly and formally as part of the triennial actuarial valuation and strategy review.

D. CASHFLOW MANAGEMENT RISKS

The Fund is gradually becoming more mature and although it is cash flow positive after taking into account investment income, managing cash flow will become an increasingly important consideration in setting the investment strategy, to ensure that the Fund holds sufficient liquid investments to pay benefits as they fall due.

E. GOVERNANCE RISKS

The Fund believes that there is a benefit to the Fund to be gained from good governance in the form of either or both of an increased return and/or decreased risk. Poor governance can lead to opportunities and risks to be missed, and have a detrimental effect on the funding level and deficit.

Details of the Fund's governance structure can be found in the Governance Compliance Statement.

6. INVESTMENT OF MONEY IN A WIDE VARIETY OF INVESTMENTS

The Fund will invest in a range of investments, diversified by type, class, geographical location and market exposure.

ASSET CLASSES

The Fund may invest in quoted and unquoted securities of UK and overseas markets including:

- Equities;
- Fixed interest and index linked bonds;
- Cash;
- Property and commodities, either directly or through pooled funds;
- Private Equity;
- Infrastructure;
- Debt;
- Insurance Instruments;
- Contracts for differences and other derivatives either directly or in pooled funds.

The Fund's target investment strategy is set out below. The table also includes the maximum percentage of total Fund value that it will invest in these asset classes. In line with the Regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of Fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007".

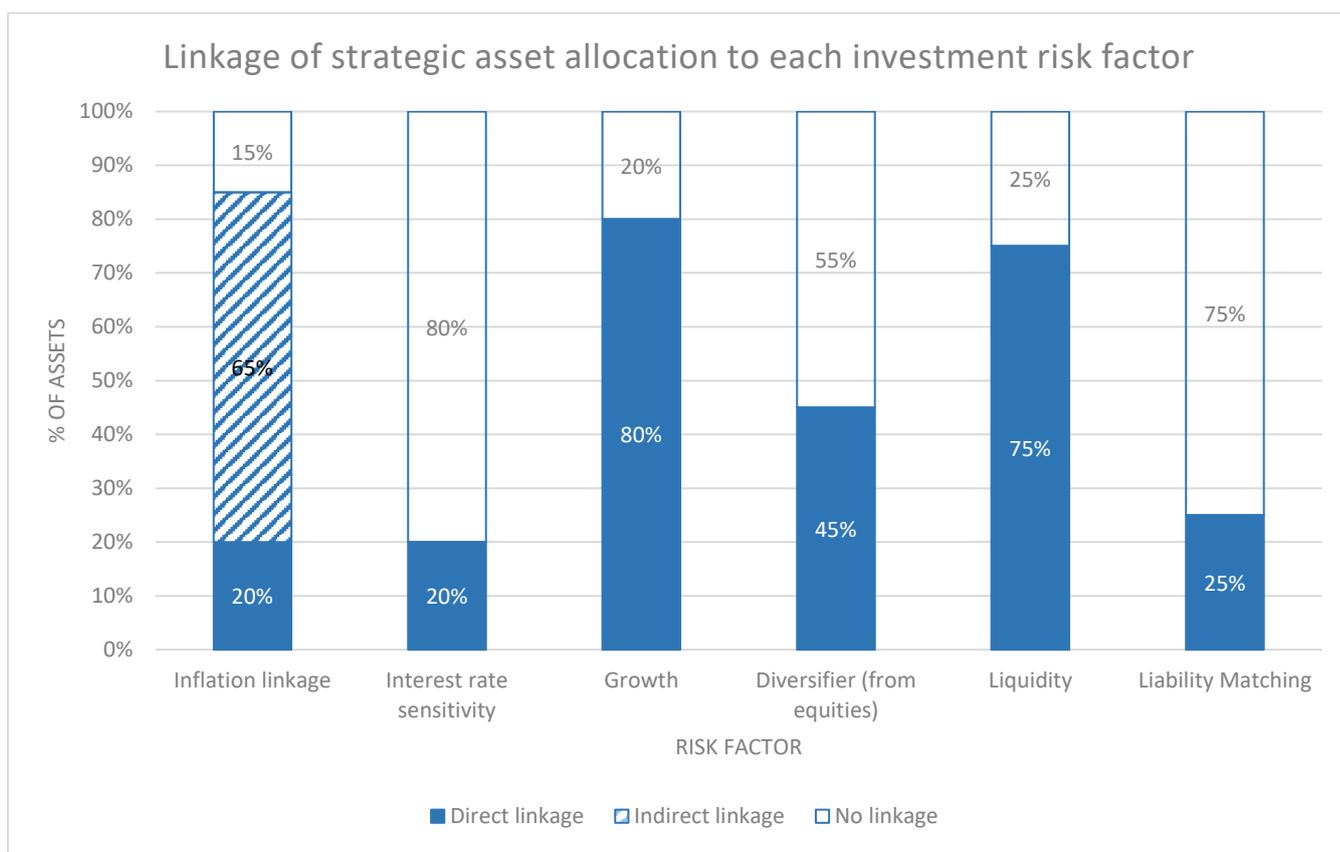
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The graph below illustrates the linkage of the asset allocation to the key investment risk factors shown in the table above. The ongoing monitoring of the Investment Strategy will review the adequacy of the strategy against these factor risks.

Asset class	Benchmark allocation %	Inflation linkage	Interest rate sensitivity	Growth	Diversifier from equities	Liquidity	Liability matching
UK Equities	9	Indirect Linkage over long-term	No	Yes	No	Yes	No
Global Equities	46	Indirect Linkage over long-term	No	Yes	No	Yes	No
Total Equities	55						
Government Bonds	10	Direct Linkage	Yes	No	Yes	Yes	Yes
Non-Government Bonds	10	No Linkage	Yes	No	Yes	Yes	Yes
Total Fixed Income	20						
Property	10	Direct Linkage	No	Yes	Yes	No	No
Diversified Growth Fund (DGF)	5	Indirect Linkage over long-term	No	Yes	Yes	Yes	No
Alternatives	10	Potentially	No	Yes	Yes	No	No
Total Alternatives	25						
Total Target Allocation	100%						

The graph below illustrates the linkage of the asset allocation to the key investment risk factors shown in the table above. The ongoing monitoring of the Investment Strategy will review the adequacy of the strategy against these factor risks.

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7. ASSET POOLING

The Fund is a member of the ACCESS Pool, formed with ten like-minded LGPS funds to implement asset pooling in response to the Government's LGPS reform agenda. The Government's aim is to encourage LGPS Funds to work together to "pool investments to significantly reduce costs, while maintaining investment performance." The eleven funds submitted the proposal to form ACCESS in July 2016, as the voluntary grouping at that time met the Government's criteria for scale, collectively having aggregate assets under management of at least £25bn.

The full membership of the ACCESS Pool comprises the following pension funds (collectively "ACCESS" or the "ACCESS funds"):

- Cambridgeshire
- East Sussex
- Essex
- Hampshire
- Hertfordshire
- Isle of Wight
- Kent
- Norfolk
- Northamptonshire

Suffolk
West Sussex

All eleven funds are committed to collaboratively working together to meet the criteria for pooling and have signed an Inter-Authority Agreement to underpin their partnership. The ACCESS funds are working in the expectation that, over time, all investments will be pooled apart from where there is a no value for money benefit to pooling a specific investment as identified and agreed by an individual fund.

Asset pooling is intended to provide the benefits of scale that will enable the Fund to meet its Value for Money objective, defined as recognising net return over absolute cost. In the pooled investment structure individual funds will remain responsible for their own investment strategy and asset allocation decisions. The pool will be responsible for selecting a suitable number of Investment Managers in order to meet the requirements of all of the funds' investment strategies.

Link Financial Services ("Link") have been appointed the operator of the ACCESS ACS (Authorised Contractual Scheme – an HMRC approved tax transparent collective investment vehicle), through which the eleven funds invest in liquid listed investments. The ACCESS funds are investigating the structures through which Alternative assets can be pooled.

Northamptonshire will not pool cash held for the efficient administration of the scheme, which is needed to manage cash flow to meet statutory liabilities including monthly pension payroll payments.

8. RESPONSIBLE INVESTMENT POLICY

Background

The Fund is required by the Regulations to include in the ISS:

(a) the policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and

(b) the policy on the exercise of the rights (including voting rights) attaching to investments.

Responsible Investment ("RI") has been defined as encompassing both financial and non-financial factors, bringing together environmental, social & corporate governance ("ESG") factors and broader systemic issues, e.g. climate change and sustainable development, along with active ownership (stewardship and voting) as these can have a material impact on financial performance.

The RI Policy that follows has been approved by the Committee following a series of training and information events presented by RI specialists from the Fund's advisers. RI issues have many facets for which authoritative and consistent sources of data are in their infancy. Seemingly simple investment changes may have unintended consequences for the operation of free markets, local communities and the environment as well as the value of the Fund's investments. The Fund needs to take a holistic approach that takes into account how its policies will impact all citizens and communities as well as direct stakeholders of the Fund whilst adhering to the principles of fiduciary duty.

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This iteration of the RI policy sets out certain areas that the Fund has prioritised for action which include steps to better understand and produce reporting on the Fund's exposures to ESG risks, primarily from climate change. This analysis will inform the next steps that the Committee need to take and which will be incorporated in the next iteration of the RI policy.

A. RESPONSIBLE INVESTING

The Fund is governed by a Pensions Committee formed of scheme member and scheme employer representatives.

Members of the Pensions Committee have a fiduciary duty to act in the best interests of its scheme members and other beneficiaries in all financial and non-financial decisions. With respect to the Fund's investments, to do this effectively there is recognition of the importance of generating sustainable long-term returns. This involves more than an appraisal of financial factors but also takes into account non-financial factors such as Environmental, Social and Corporate Governance ("ESG") issues, including notably, climate change, which may be financially material to the Fund's investments. There is a growing urgency and continual regulatory development with regard to long-term sustainability issues, such as The Climate Change Act 2008 that legally binds the UK to bring all greenhouse gas emission to net-zero by 2050, and the comprehensive 'apply and explain' requirements for asset owners set out in the UK Stewardship Code 2020. Therefore, it is imperative that ESG and stewardship (or active ownership) considerations are integrated throughout investment processes and that they are taken into account as part of funding and investment strategy setting.

Responsible Investment ("RI") is the integration of ESG issues into investment processes and stewardship practices in the belief this can positively impact financial performance over the long-term and will serve the best interests of the Fund's beneficiaries.

B. RESPONSIBLE INVESTMENT BELIEFS

The Fund is committed to embedding RI into all aspects of the investment decision-making process and has adopted a set of Responsible Investment Beliefs as set out in the table below. These beliefs have informed the policy set out in section C, below.

Belief	Explanation
Summary	Environmental, Social and Corporate Governance (ESG) issues, including climate change, create material risks and opportunities which will influence long term investment performance and the ability of the Fund to achieve its investment and funding objectives. Therefore, good ESG and stewardship practices should be integrated throughout the investment process of the Fund.
ESG integration and broad risk management	Effective management of ESG issues is a key determinant of long-term shareholder value and good risk management. Their consideration is part of the Fund's fiduciary duty to beneficiaries. The Fund therefore recognises the importance of its investment managers integrating all material financial and non-financial factors, including ESG considerations, into the decision-making process for fund investments and the ongoing monitoring of these same issues.
Stewardship	Good stewardship can protect and enhance value for companies and markets as a whole. The Fund is committed to being a long-term steward of the assets in

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Belief	Explanation
	<p>which it invests. It believes in the importance of investment managers acting as active asset owners through proactive voting and engagement with companies. In addition, the Fund believes that acting collectively with other investors is an effective way to engage with companies.</p>
Climate change risk	<p>The Fund believes that climate change presents risks over the short, medium and long-term that the Fund should better understand and mitigate where possible. Investment action is an important area for the Fund to further develop its approach, including collaborative engagement opportunities.</p> <p>The Fund supports the objectives of the Paris Agreement, and believes that keeping a global temperature rise this century to well below 2°C relative to pre-industrial levels is entirely consistent with securing strong financial returns.</p> <p>The Fund also believes in a “just transition” to a low carbon economy that ensures fair treatment for employees and communities that would otherwise bear the brunt of industrial change.</p>
Thematic sustainable investments opportunities.	<p>Long-term sustainability trends, including climate change, present opportunities that increasingly require explicit consideration. The Fund should actively consider investing in strategies that target long-term ESG themes (e.g. energy, water, demographic trends) including those themes set out in the United Nations Sustainable Development Goals (SDGs) on the basis that such opportunities will generate good risk-adjusted investment returns.</p>
Pooling	<p>The Fund is a participating Fund in the ACCESS Pool. The Fund believes that it should work collaboratively with ACCESS to set clear expectations of its investment managers and advisers on how ESG considerations are incorporated into investment activities. ACCESS should offer funds to investors that integrate ESG considerations into their investment process and develop a consistent policy approach to stewardship and climate change.</p> <p>The Committee will ensure that appropriate reporting is available for Pool aligned assets in order that progress can be monitored against the RI Policy.</p>
Ongoing commitment	<p>Responsible investment is a rapidly developing area and the Fund should commit to staying informed, developing its approach and increasing its ambition with regard to these issues.</p>

C. RESPONSIBLE INVESTMENT POLICY

This section sets out the RI Policy based upon the Responsible Investment Beliefs set out in section B, above. The Fund has responsibility for setting its investment strategy and its ambitions on RI.

1. ESG integration and broad risk management

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The Fund's investment managers should integrate all material financial factors, including ESG considerations, into the decision-making process for Fund investments and the ongoing monitoring of these same issues.

The Fund recognises the importance of ensuring that Pool level engagement between ACCESS and investment managers in providing appropriate assurance with regard to the investing Funds' policy commitments in this area.

2. Stewardship – exercise of voting rights and engagement

The Fund's investment managers should exercise their rights as owners of investments to actively participate in company level decisions tabled as shareholder votes at General Meetings.

Pool aligned assets should be voted in accordance with the ACCESS Voting Policy on a "comply or explain" basis with voting outcomes regularly monitored.

In addition to proactive voting, the Fund's investment managers should act as active asset owners through engagement with companies where there are concerns over ESG issues. The Fund also believes that acting collectively with other investors, for example, with fellow investors in the ACCESS pool or through membership of the Local Authority Pension Fund Forum (LAPFF) is an effective way to engage with companies. In the event that engagement is not effective the Fund will consider divestment from an individual stock, where agreed with the relevant investment manager that this is appropriate. If the Fund cannot reach agreement with the investment manager on a stewardship issue, it may be appropriate to divest from the manager.

3. Climate Change

The Fund recognises the systemic risk associated with climate change and the views and aspirations of other scheme employers and scheme members.

Climate risk is recorded as a key risk in the Fund's Risk Register - Risk No. 3: "As long term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund's investments."

The Fund supports the Paris Agreement and a "just transition". The Fund is assessing the current climate-related exposures in its investment portfolio and investigating the feasibility and potential timeframe for achieving a net carbon neutral investment portfolio.

4. Thematic sustainable investments opportunities

The Fund will consider committing to specialist investment funds that target long-term ESG themes (e.g. energy, water, demographic trends) including those themes set out in the United Nations Sustainable Development Goals (SDGs) on the basis that such opportunities will generate good risk-adjusted investment returns.

The Fund will consider committing to "social investments", defined by Government guidance as investments that deliver a social impact as well as a financial return. The Government considers that social investments are appropriate for LGPS funds where a) the social impact is simply in addition to

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the financial return or b) where some part of the financial return is forgone in order to generate the social impact but the administering authority has good reason to think scheme members share the concern for social impact, and there is no risk of significant financial detriment to the Fund.

5. Pooling

The Fund and ten like-minded LGPS funds have formed the ACCESS Pool, and are committed to collaboratively working together to meet the Government's criteria for asset pooling. An Inter Authority Agreement has been signed to underpin the partnership.

The Fund will utilise, where relevant and applicable, the scale and inherent benefits of improved governance and stewardship practices that arise from collaboration with partner ACCESS funds to carry out this Responsible Investment Policy.

More information on this initiative can be found on the [ACCESS Pool website](#)

D. IMPLEMENTATION

1. ESG integration

The Fund reviews the investment process and ESG practices of all prospective managers at the investment/manager selection stage. The ACCESS ACS Operator, Link Financial Services (LFS), performs a similar assessment of ESG, stewardship and the consideration of sustainable opportunities before any investment manager is appointed to a sub-fund within the ACS.

Assurance will be sought through engagement with investment managers and as part of ongoing reporting and presentations at a Fund and Pool level that the investment managers are appropriately integrating ESG into their investment processes and decision making. If managers are lagging behind their peers and the essence of this Policy, they will be engaged and encouraged to improve.

2. Stewardship - voting and engagement

The Fund has delegated the exercise of voting rights to all investment managers including the ACCESS ACS Operator, LFS, on the basis that voting power will be exercised by them with the objective of preserving and enhancing long-term shareholder value.

LFS requires investment managers appointed to exercise the voting rights attached to investments held in sub-funds in line with its voting policy, agreed by all ACCESS funds. Where investment managers on the platform do not adopt the positions set out in the LFS policy, they are required to provide a robust explanation of the position adopted on a comply or explain basis in each sub-fund prospectus.

The Fund's other investment managers (i.e. those where the investment is not accessed via the ACCESS ACS) are not obliged to follow the LFS policy, but have all produced written guidelines and policies outlining their own stewardship process and practices (including voting and engagement). These managers are encouraged to vote in line with their respective guidelines, in respect of all resolutions, at annual and extraordinary general meetings of companies. As part of its manager selection and monitoring process, the Fund reviews such guidelines and policies and ensures that the practices adopted are aligned with the Fund's own Responsible Investment Beliefs.

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The Fund embraces the 12 principles of the Financial Reporting Council's UK Stewardship Code 2020 (the Code). Initial work has been commissioned to perform a gap analysis to identify areas for improving the monitoring of investment managers and further steps necessary to implement a Fund Annual Stewardship Report that meets the standards required to become a signatory to the Code.

LFS also expects that investment managers on the ACS platform will be signatories to and comply with the Code and the United Nations supported Principles of Responsible Investment (UNPRI).

When it comes to engagement, investment managers provided through ACCESS and the Fund's other investment managers not accessed via the platform are expected to engage in constructive dialogue on behalf of the Fund and to use their influence to encourage companies to adopt best practice in key areas. In the event that engagement is not effective the Fund will consider divestment from an individual stock, where agreed with fellow ACCESS investors and the relevant investment manager that this is appropriate. If the Fund cannot reach agreement with the investment manager on a stewardship issue, it may be appropriate to divest from the manager.

3. Climate change

The Fund is assessing the implications of reporting in line with the Financial Stability Board's Task Force on Climate-related Financial Disclosures ("TCFD") framework across the four pillars of Governance, Strategy, Risk Management, Metrics and Targets.

The Fund plans to commission an assessment of the systemic risk posed by climate change on an ongoing basis by undertaking climate change scenario analysis. This analysis seeks to understand the climate impact on return at the total Fund and asset class level across different warming scenarios and help the Fund to further its decision-making.

In conjunction with this work to understand the Fund's current climate-related exposures, over the next 12 months (by December 2022) the Fund will investigate the feasibility and potential timeframe for achieving a net carbon neutral investment portfolio to align with the Fund's support of the Paris agreement.

4. Thematic sustainable investments opportunities

Within the Fund's Alternative assets allocation, commitments have been made to Local Investments where these are of investible quality and expected to provide strong returns with the subsidiary benefit of supporting businesses and employment in the region.

The Fund is additionally open to investment initiatives with environmental or low carbon themes or where there is a social benefit, providing they meet the requirements set out in Section C above.

The Fund will always seek to use the ACCESS Pool in the first instance to meet its strategic investment needs, with Alternative asset solutions expected to become available within the pool from late 2021.

5. Pooling

It is expected that the Fund's ability to carry out this Responsible Investment Policy will be enhanced through the ACCESS Pool, due to the inherent benefits of scale and improved governance and stewardship practices that will result from the collaboration.

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For the investments that are held within the ACCESS ACS, the Operator, Link Fund Solutions, recognises that it has a responsibility to be an active steward and to promote good corporate governance and management of the companies within the ACCESS sub-funds.

The Fund will support the ACCESS Pool in further developing a pool level Responsible Investment Policy and associated reporting, that will enable all partner Funds to meet their strategic requirements with regards to ESG/Responsible Investment.

E. MONITORING AND REPORTING PROGRESS

1. ESG integration

The Committee will receive an annual report on the degree to which the Fund's investment managers integrate ESG within their investment practises and how they compare to peers. In addition, ongoing ESG developments will be monitored through performance reporting. Where managers are lagging behind their peers (or the expectations of this Policy) engagement will be undertaken with the manager to encourage them to improve.

2. Stewardship - voting and engagement activities of the equity managers for their holdings.

All investment managers are expected to report on their voting activity on a regular basis, with ACCESS Pool managers required to report on a monthly basis.

The Fund publishes on its web pages [a quarterly summary of the proxy voting](#) undertaken on the Fund's behalf, a wider annual review of the investment arrangements via the Report and Accounts and provides member communications as and when appropriate.

Regarding engagement, the Fund receives regular reporting covering the dialogue between investment managers provided by the ACCESS ACS with companies to encourage best practice in key areas.

Where managers are lagging behind their peers (or expectations of this policy) on voting and engagement activity, engagement will be undertaken with the manager to explain their performance and to encourage them to improve.

In addition, the Fund is a member of the Local Authority Pension Fund Forum ("LAPFF") which aims to protect the long-term investment interests of LGPS beneficiaries by promoting the highest standards of corporate governance and corporate responsibility amongst investee companies through active engagement with management. Further details can be found on the [LAPFF website](#). The Fund receives regular email updates and a quarterly report from LAPFF on engagement activity including the nature and outcomes from those engagement activities.

3. Climate change

The Fund is committed to developing its reporting in this area, including with regards to carbon-foot-printing (for example, carbon intensity, fossil fuel reserves and potential emissions) and scenario analysis.

The reporting of carbon exposures in investment portfolios is a relatively new development and as such not all investment managers provide data on a comparable basis. The ACCESS Pool provides a basic report on sub-funds held in the ACCESS ACS but complete data is not yet available.

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ACCESS are currently developing their reporting requirements in this area and the Fund is actively supporting this development in order that the requirements of this Responsible Investment Policy can be met.

The Fund will also be developing an approach to assessing climate change scenario analysis in order to understand the climate impact on return at the total Fund and asset class level across different warming scenarios and help the Fund to further its decision-making.

The Fund is working with advisers to produce its first report that complies with the TCFD reporting recommendations that will be mandatory for large private sector funds from 2021 and are expected to become mandatory for LGPS Funds in the coming years.

4. Thematic sustainable investments opportunities

The Fund's investments in thematic investments will be reported in the Fund's Annual Report.

Reporting will be developed as appropriate to measure progress against the sustainable objectives of each investment.

5. Pooling

Pool level reporting will be provided to facilitate the Fund and ACCESS Pool's monitoring of the ACCESS sub-fund managers and Alternative asset managers, as and when the pool Alternatives solution is implemented. The Fund is committed to working with ACCESS Pool partner funds to further develop pool level reporting and to facilitate the Fund's RI reporting on its total assets including those not held in the pool.

For and on behalf of the Pension Committee of West Northamptonshire Council as Administering Authority of the Northamptonshire Pension Fund.

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