



# Pensions Fund Committee

A meeting of the Pensions Fund Committee will be held at the Jeffrey Room, the Guildhall, Northampton, NN1 1DE on Wednesday 12 October 2022 at 1.00 pm

## Agenda

1.	<b>Apologies for Absence</b>
2.	<b>Declarations of Interest</b> Members are asked to declare any interest and the nature of that interest which they may have in any of the items under consideration at this meeting.
3.	<b>Minutes</b> (Pages 5 - 8) To confirm the Minutes of the meeting of the Committee held on 25 July 2022.
4.	<b>Chair's Announcements</b> To receive communications from the Chair.
5.	<b>Action Log</b> (Pages 9 - 10)
6.	<b>Internal Audit Report</b> (Pages 11 - 36)
7.	<b>Administration Report</b> (Pages 37 - 44)
8.	<b>Governance and Compliance Report</b> (Pages 45 - 50)
9.	<b>Business Plan Update Report</b> (Pages 51 - 68)

10.	<b>Reporting Breaches of the Law to the Pensions Regulator Policy</b> (Pages 69 - 106)
11.	<b>Employer Admissions and Cessations Report</b> (Pages 107 - 110)
12.	<b>Northamptonshire Pension Fund Forward Agenda Plan</b> (Pages 111 - 114)
13.	<p><b>Exclusion of Press and Public</b></p> <p>The following report(s) contain exempt information as defined in the following paragraph(s) of Part 1, Schedule 12A of Local Government Act 1972.</p> <p>Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information).</p> <p>Members are reminded that whilst the following item(s) have been marked as exempt, it is for the meeting to decide whether or not to consider each of them in private or in public. In making the decision, members should balance the interests of individuals or the Council itself in having access to the information. In considering their discretion members should also be mindful of the advice of Council Officers.</p> <p>Should Members decide not to make a decision in public, they are recommended to resolve as follows:</p> <p>“That under Section 100A of the Local Government Act 1972, the public and press be excluded from the meeting for the following item(s) of business on the grounds that, if the public and press were present, it would be likely that exempt information falling under the provisions of Schedule 12A, Part I, Paragraph(s) 3 would be disclosed to them, and that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.”</p>
14.	<b>Private Minutes</b> (Pages 115 - 120)
15.	<b>Valuation Update (Including Funding Strategy Statement and Cessations Policy)</b> (Pages 121 - 168)
16.	<b>Additional Voluntary Contribution Service Provider Review</b> (Pages 169 - 186)
17.	<b>Cyber Resilience Update</b> (Pages 187 - 200)
18.	<b>ACCESS Update Report</b> (Pages 201 - 216)
19.	<b>Urgent Business</b>

The Chairman to advise whether they have agreed to any items of urgent business being admitted to the agenda.

Catherine Whitehead  
Proper Officer  
4 October 2022

### **Pensions Fund Committee Members:**

Councillor Malcolm Longley (Chair)	Councillor Charles Morton (Vice-Chair)
John Wignall	Robert Austin
Peter Borley-Cox	Councillor Phil Bignell
Councillor Paul Joyce	Councillor Jamie Lane
Councillor Peter Matten	Councillor Cathrine Russell
Councillor Lloyd Bunday	Councillor Graham Lawman

### **Information about this Agenda**

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

#### **Declarations of Interest**

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

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

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

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Tel: 07391411365

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

Or by writing to:

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



### Pensions Fund Committee

Minutes of a meeting of the Pensions Fund Committee held at The Jeffrey Room, The Guildhall, Northampton, NN1 1DE on Monday 25 July 2022 at 4.00 pm.

Present            Councillor Malcolm Longley (Chair)  
                          Councillor Charles Morton (Vice-Chair)  
                          Peter Borley-Cox  
                          Robert Austin  
                          Councillor Phil Bignell  
                          Councillor Paul Joyce  
                          Councillor Jamie Lane  
                          Councillor Peter Matten  
                          Councillor Cathrine Russell  
                          Councillor Lloyd Bunday  
                          Councillor Graham Lawman

Also Present:     David Rowley, Audit Manager, Grant Thornton  
                          James Thurgood, Mercer  
                          Chris West, Mercer

Officers            Mark Whitby, Head of Pensions  
                          Ben Barlow, Funding and Investment Manager  
                          Fiona Coates, Pension Services Financial Manager  
                          David Crum, Independent Advisor  
                          Maisie McInnes, Democratic Services Officer

#### 89.     **Declarations of Interest**

Rob Austin and Peter Borley-Cox declared personal interests as members of LGPS. Councillor Lloyd Bunday disclosed a personal interest as he and his wife are deferred members of LGPS. Councillors Phil Bignell and Graham Lawman disclosed pecuniary interests as their wives are deferred members of LGPS. Councillor Graham Lawman declared a personal interest as a school governor.

#### 90.     **Minutes**

The public minutes of the previous meeting held on 29 June 2022 were agreed as a true and accurate record of the meeting.

#### 91.     **Chair's Announcements**

The Chair welcomed everyone to the meeting and expressed that he was happy there was a full meeting room with members present. He reiterated the point of timing for the meeting, keeping to 2 hours to keep members focussed and engaged.

92. **Action Log**

**RESOLVED: That the Pension Fund Committee noted the action log.**

93. **Annual Report and Statement of Accounts**

The Funding and Investment Manager presented the report and explained that the statement of accounts is approved by the Audit Committee, but the Pension Fund Committee were asked to review and give feedback. The report was produced in line with CIPFA guidance and had received good feedback from the Executive Director Finance and the external auditor Grant Thornton.

The Funding and Investment Manager highlighted page 89 of the report which detailed that the pension contributions and benefits had gone up in line with the membership numbers. As well as the management expenses and net assets of the scheme in line with good performance. The closing net assets of the Fund was noted as £3.4bn. The investment liabilities had gone up due to timing of a creditor not paid before year end, the current assets and current liabilities remained unchanged.

The Funding and Investment Manager thanked the Pension Services Financial Manager for her hard work on the substantial report. The Chair also passed on his thanks on behalf of the Committee.

Members questioned the information on page 91 regarding to the number of employees in the administering authority as there were more people than before reform. Officers agreed to investigate the figures outside of the meeting.

Members asked a question regarding the management fees as detailed on page 45 of the report. The Funding and Investment Manager explained that there would be an explanation on the investment manager fees later in the meeting presented by Mercer.

**RESOLVED: That the Pensions Committee:**

**a) Noted the Draft Annual Report and Draft Statement of Accounts of the Pension Fund for the 2021-22 financial year.**

94. **Audit Plan**

At the Chair's invitation, David Rowley Audit Manager from Grant Thornton introduced himself to the committee and delivered a presentation on the Northamptonshire Pension Fund and audit plan.

Members discussed the presentation and the audit fees as detailed in the report.

**RESOLVED: That the Pensions Fund Committee:**

**a) Noted the Audit Plan 2021-22 and the presentation by Grant Thornton.**

95. **Northamptonshire Pension Fund Committee Forward Agenda Plan**

The Head of Pensions presented the forward plan and highlighted that normally internal audit would be presented at the annual meeting in July, but the report had only just been agreed so will be presented at the October Pensions Fund Committee as detailed in the plan.

**RESOLVED: That the Pension Fund Committee noted the Northamptonshire Pension Fund Committee Forward Agenda Plan.**

96. **Exclusion of Press and Public**

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

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

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

The meeting closed at 6.03 pm

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

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

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**NORTHAMPTONSHIRE PENSION  
FUND**

**Pension Committee  
Action log from Pension Committee meeting held on 25 July 2022**

This log captures the actions from the Pension Committee of the 25 July 2022 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 30/9/2022.

**Actions from 25 July 2022 meeting of the Pension Committee -**

Item No.	Item	Action to be taken by	Issue	Action/Status
93.	Annual Report and Statement of Accounts	Ben Barlow	Members questioned the information on page 91 regarding to the number of employees in the administering authority as there were more people than previously. Officers agreed to look into the figures outside of the meeting	Complete – Email sent 27/07/2022
99.	ESG Monitoring	Mercer	Members discussed the presentation and questioned if there was a correlation between asset managers performance and relative rating. Mercer responded that it was a good question, and they would like to do some analysis and share outside of meeting.	Mercer do not currently have the requisite data to quantify outperformance vs Mercer ESG ratings and sharing such data may breach CMA rules. At a very high level their ESG rating is integrated into the overall investment research rating and so in general they might expect better performance from managers with a higher ESG rating, though they are unable to quantify this and clearly a strong ESG rating from Mercer is no guarantee of future outperformance relative to peers.

100.	Annual Investment Review	Ben Barlow	Members discussed the management fees. The Chair asked the Funding and Investments Manager to circulate an explanation of the fees to members outside of the meeting.	Complete – Email sent 09/08/2022
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## West Northamptonshire Council

### Pension Committee

12/10/2022

### Mark Whitby – Head of Pensions

<b>Report Title</b>	<b>Internal Audit Report 2021-22</b>
<b>Report Author</b>	<b>Jen Morris - Head of Audit &amp; Risk Management</b> <a href="mailto:Jen.Morris@westnorthants.gov.uk">Jen.Morris@westnorthants.gov.uk</a>

#### Contributors/Checkers/Approvers

<b>West MO</b>	Jennifer Affie on behalf of Catherine Whitehead	22 September 2022
<b>West S151</b>	James Smith on behalf of Martin Henry	20 September 2022
<b>Head of Pensions</b>	Mark Whitby	12 September 2022

#### List of Appendices

#### **Appendix A – Internal Audit Report: Administration of the Northamptonshire Pension Fund 2021-22**

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

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- 1.1. To present the findings of Internal Audit work during 2021-22.

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

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- 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.

2.3 The report details the outcome of Internal Audit work during 2021-22.

### **3. Recommendations**

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3.1 The Pension Committee is asked to consider and note the findings from Internal Audit work during 2021-22.

3.2 Reason for Recommendation: To receive independent assurance relating to the robustness of arrangements supporting the administration of the Northamptonshire Pension Fund.

### **4. Report Background**

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4.1 During 2021-22, Internal Audit work focused on 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 the work undertaken by Audit and Risk Management, a **substantial** opinion assurance was given in respect of the control environment/system in place and a **satisfactory** assurance opinion for compliance. The full report is included as Appendix A.

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

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5.1 Not Applicable

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

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

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

#### **6.2 Legal**

6.2.1 The Constitution section 4.8 para 1.3 (b) (vi) Risk Management Strategy states the Committee is responsible for maintaining policies and procedures and for the regular monitoring of the Fund's key risks and agreeing how they should be managed and/or mitigated of which the Internal Audit forms a part.

6.2.2 The requirement for an Internal Audit function derives from section 151 of the Local Government Act 1972 and the requirement to make arrangements for the proper administration of its affairs. All principal local authorities and other relevant bodies subject to the Accounts and Audit Regulations 2015 in England should make provision for Internal Audit in accordance with public sector internal auditing standards or guidance.

6.2.3 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 or delays with receiving information leading to incorrect information/delayed provision of information to members and stakeholders.	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 audit work undertaken was designed to support the Pension Service in achieving its objectives through the effective management of risk. The work therefore supports all of the objectives of the Pension Service, in particular.

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

#### 6.5 Consultation

6.5.1 Consultation was not required for this report.

### 7. Background Papers

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7.1 Not Applicable

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# Internal Audit Final Report

## Administration of the Northamptonshire Pension Fund 2021/22

### Governance Opinion

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

<b>Report Issued</b>	06/07/2022
<b>Follow Up Audit Due</b>	TBD

## Executive Summary

### 1 Background

- 1.1 The Pension Service based within West Northamptonshire Council administers the Northamptonshire Local Government Pension Scheme.
- 1.2 The administration of the scheme is subject to an annual internal audit and was given substantial assurance for system design and good assurance for compliance in 2020/21.
- 1.3 Relevant statistics for the fund as reported in the 2020/21 Annual Report and Accounts are depicted in the following table:

Period end	No. of members	No. of scheme employers with active members	Value of assets
31 March 2021	73,078	314	£3.1 billion
31 March 2020	69,791	366	£2.4 billion

- 1.4 This audit forms part of the agreed 2021/22 Internal Audit Plan.

### 2 Scope of Audit and Approach

#### 2.1 Scope

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

The objectives of this review will be to ensure that:

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



## 2.2 Approach

The audit process involved:

- undertaking interviews with relevant officers to ascertain the procedures in place for managing risk;
- 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; and
- reviewing procedures for efficiency and, where appropriate, identify opportunities to make improvements to processes; and
- following up the recommendations made in the 2020/21 report.

## 2.3 Acknowledgements

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

### 3 Internal Audit Opinion and Main Conclusions

- 3.1 The review has confirmed that the current arrangements largely ensure that adequate controls are in place for achieving the eight key control objectives listed in 2.1 above, with some minor areas for improvement made. Based on the audit findings the assurance given to the system design is **Substantial**.
- 3.2 Overall, the review found good levels of compliance with the expected control procedures. However, some areas of non-compliance have been identified, some of which were highlighted in last year's audit report, and recommendations for improvement made and agreed with management. On this basis the assurance given for compliance is **Satisfactory**.
- 3.3 The organisational impact of the findings is **Minor**. This reflects the fact that whilst a number of improvements have been identified, these are considered to have a limited impact on the operations of the Northamptonshire Pension Fund.
- 3.4 **Main recommendations**
- The timely resolution of queries resulting from validation checks on employer submissions and the chasing of late submissions. **(See MAP 1)**
  - Timely resolution of unreconciled items in the January 2022 and February 2022 Employer Contributions Worksheet. **(See MAP 2)**
  - Timely employer notification of required pension adjustments required as a result of the annual reconciliation of manual submissions. **(See MAP 3)**
  - Checking / authorisation of payments by appropriate officers in line with the checking limits schedule. **(See MAP 4)**
  - Additional checking by the Operations Manager of KPI data analysed and reported. **(See MAP 5)**
  - Review of the 2018 Reporting Breaches of the Law to the Pensions Regulator Policy. **(See MAP 6)**
  - Review of arrangements to maximise identification, classification, and reporting of breaches. **(See MAP 7)**
- 3.5 **2021/22 Audit recommendations - Follow-up**  
The 2021/22 report highlighted three issues for management action. Two issues related to the introduction of appropriate independent checks during the processing of pensions transactions and, another to the numbers of validation checks outstanding at year end. This review has confirmed that whilst independent checks have been introduced, the limits for responsibility for these checks need to be clarified in particular relating to the checking of death and other grants. The numbers of validation checks outstanding at year end remains an issue. **(See MAP 1 & 4)**
- 3.6 For all issues identified as part of this audit, actions are agreed with management and are detailed in the Management Action Plan (MAP) from page 11 of this report. When implemented these will positively improve the control environment.

## DETAILED FINDINGS

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

**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 employer's returns, and this also details outstanding information and queries resulting from returns. Based on information provided in April 2022, returns from five employers were regularly overdue and having to be followed up. **(See MAP 1)**
- 4.4 During the year and at the year end, a validation check is undertaken to ensure all data submitted by employers is correct. Based on information provided at 22<sup>nd</sup> April 2022 by the Team Leader (Systems), 2906 queries relating to 2021-22 had not yet been resolved. **(See MAP 1)**
- 4.5 New members who wish to transfer in from another pension scheme can do so providing defined procedures are followed. Testing of ten transfers into the Northamptonshire Pension Fund (NPF) confirmed that the following controls were operational:
- A transfer in request was made within one year and a form was on file signed by the member.
  - A calculation of the transfer in value is on file which has been subject to independent review and authorisation.
  - The pension certificate has been provided by the previous pension provider.
  - The correct payment had been received from the previous pension provider.
  - The member's pension record on the Altair system had been updated accurately and the member notified.

## 5 Assurance Area - Contributions

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

- 5.1 **Monthly Employer Contributions** - A clearly defined process is in place to oversee the monthly payment of employer contributions to the NPF. Employers submit details of their contributions each month on a PEN18 electronic return. The PEN18s system checks that employer contributions received agree to actuary percentage rates for pensionable pay for employer's contributions. This system is automated so that when the data is fed into the system it calculates the amount due based on pensionable pay, this is then compared to the amount received. A check is also completed at the same time to monies received. Where variances occur, the employer is contacted and they either adjust the next payment or invoice the employer.
- 5.2 Records are maintained for employers and their contributions on a contributions worksheet. Audit review during April 2022 of the NPF Contributions 2021-22 worksheet for the period April 2021 – February 2022 highlighted that there was 100% reconciliation of employer's contributions received to that expected for the months April 2021- December 2021. For January 2022 it was 99.9% with £11.7k unreconciled and for February 2022 it was 96.1% with £760k unreconciled. From the worksheet received in early April 2022, reconciliation of contributions for March 2022 was work in progress, but notably unreconciled items up to February 2022 still required actioning. **(See MAP 2)**
- 5.3 For a sample of five employers (each for one month during the year), audit testing confirmed employer's contributions reflected in the PEN18 returns (which provide details of summary totals of employer and employee contributions – and recorded in the NPF Contributions 2021-22 worksheet) for a particular month were reconciled to expected contributions and had been paid into the Pension Fund bank account.
- 5.4 **Annual Employer Reconciliations** - In addition to the monthly process, an annual reconciliation of employer and member contributions to payments received takes place around July/ August in the following financial year. This takes place for employers who do not have access to the I-Connect system and manually submit an annual return. A review of the 2020/21 reconciliations highlighted that two areas for follow up, based on set variance levels being exceeded (overpayments of £74k & £52k), had been investigated. The Principal Accounting Technician confirmed in response to audit query that they were due to write to the employer in early May 2022 (just prior to their contributions payment being due) to advise them to make the deduction and / or keep as an additional amount against their valuation. We consider this to be an unnecessary delay in employer notification. **(See MAP 3)**

## 6 Assurance Area - Leaving the pension scheme

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

- 6.1 Employers notify the Pensions Team when an employee leaves and the member's pension is then "deferred" until payments are due. Action is taken if a request or event takes place. These are considered below.

- 6.2 **Transfers Out** - former members who wish to transfer out to another pension scheme are able to do so providing defined procedures are followed. Testing of seven transfers (all year to date at time of testing) out of the NPF confirmed that the following controls were operational:
- 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.
  - The payment had been made to the appropriate Pension Fund.
- 6.3 **Death** - certain procedures have to be followed on the death of a pensioner member of the scheme. Notification of five pensioner deaths were reviewed and testing undertaken confirmed that the following controls were operational:
- A death certificate or other official notification (e.g. tell us once) was on file in all cases.
  - The pension was stopped on a timely basis.
  - A reconciliation had been completed and independently checked to confirm if over / under payments had occurred and appropriate action was taken based on the findings.
  - The pensioner's records on the Altair System had been "closed" where appropriate to do so.
- 6.4 The NPF Anti-Fraud and Corruption Policy - March 2022 (Section 10) has details of ongoing procedures that address the risk of payments being made to pensioners after their death.

## **7 Assurance Area - Pension Payments**

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

- 7.1 **New Pensioners** - Pension payments can be set up for both new and dependent pensioners. For a new pensioner, the Pensions Team will initially seek confirmation that the member has left their pensionable employment. This information can either be provided by the employer or through Payroll. The Pensions Team then seek to validate key information including the member's date of birth, length of service, marital status and pay details. This information is then used to calculate the pension payments (lump sum where applicable and monthly) and then the monthly payment set up on the pension payroll. Both the calculation and setting up on the pension payroll are subject to independent checks for accuracy and then payment. The pensioner is notified, and payments made accordingly.
- 7.2 **Dependent pensioners** - following the death of a pensioner / member in service there is a need to seek official notification that the member has died, confirming the status of the dependent, performing a calculation, and a senior review of potential death grants and monthly payments (which also require authorised payroll set up), together with notification of the dependents of these.
- 7.3 Testing of five new dependent pensioners to confirm that the expected controls were operational highlighted that the calculation for one death grant payment (£94k) had been checked by a Pensions Officer with a checking limit up to £10k but this should have been checked by the Team Leader who has authority for payments over £10k. **(See MAP 4)**
- 7.4 **Annual Uplift** - the annual uplift of pension payments is completed based on information provided by central government – Public Service Information Sheet (PSIS) Tables in an Excel sheet format.

The updated PSIS values are input by a Pension System Analyst to a table in the Altair system and an uplift process run - both in the test and live environments – calculates the increase in pension required. The output which is used to update the payroll data with the increases are checked by another Pensions System Analyst to ensure the changes are complete and accurate before updating the live payroll system. We were provided with evidence by one of the Pension System Analysts that this process was successfully completed for 2021/22.

## 8 Assurance Area - Reconciliations

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

8.1 **Bank Reconciliations** – The Pension Fund has four Barclays bank accounts, namely:

- 1) Payables
- 2) Income
- 3) Liquidity
- 4) Salaries

8.2 Monthly reconciliations of all four bank accounts are undertaken by the WNC Business Systems and Change Team.

8.3 A review of two months (September 2021 and February 2022) reconciliations for all four bank accounts completed by the Business Systems and Change Team highlighted that all had all been completed on a timely basis and included appropriate supporting documentation (bank statements and system extracts to support entries in the reconciliations). Unreconciled items were generally cleared on a timely basis. For the unreconciled items identified in February 2022, the review prepared in March reconciliations (still awaiting completion in mid-April) confirmed these had been cleared. Different officers in the Business Systems and Change Team had completed (Business Support Officer) and reviewed (Business Systems Team Leader) the reconciliations for September 2021 and February 2022 ensuring adequate separation of duties.

8.4 **Payroll Control Accounts** - Based on work completed in other audit reviews during 2021/22 including the Payroll audit, a number of issues relating to payroll control account reconciliations have been identified and reported to management who have provided assurances that appropriate action will be taken to address these. These actions are being monitored by both senior management, Accountancy, and Internal Audit across each of the relevant client authorities. As a result, we have not undertaken any additional testing in this area as part of this review and expect the close examination of management and officers to resolve any issues arising will ensure effective arrangements are in place.

## 9 Assurance Area - Key Performance Indicators (KPIs)

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

9.1 The Administration Strategy for the NPF (reviewed and agreed by the Pension Board December 2020) sets out Performance Standards and makes specific reference to performance monitoring against administering authority tasks noted in Appendix C “Administering Authority Performance Standards” of that document and lists 18 performance indicators for scheme administration.

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

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

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

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

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

9.3 We confirmed with the Governance and Regulations Manager that most likely in 2012 (before their appointment) when there was a wholesale review of the information reported at the Committees and Boards, it was decided that only seven of the eighteen SLAs (four of these are statutory) would be reported to the Pensions Board and Pensions Committee. Furthermore, guidance is currently awaited from the Scheme Advisory Board and the Department for Levelling Up Housing and Communities. It is expected that this should consolidate the KPIs for all LGPS Funds and provide better consistency of report to their respective Committees and Boards.

#### 9.4 **Testing**

Information relating to the seven SLAs is reported to the Fund’s Pension Committee and Pension Board alongside any remedial action taken where the expected standards are not being met. A selection of two KPIs (one statutory - “Award Dependant Benefits” and one non-statutory - “Notify employees retiring from active membership of benefits award”) were examined against the identified procedures. These results include:

- Both have been reported to the Pension Board during the 2021/22 year (latest one - January 2022) and April 2022 (for performance in January 2022). No issues were noted.

- The reported performance for one of the three months reported (December 2021 & January 2022) can be verified to underlying system recording (higher level testing). No issues were noted.
- Obtained confirmation from the Operations Manager that they had checked the SLA misses spreadsheet to observe what reasons had been provided by the Team Leaders for missed targets to ensure appropriate action had been taken to stop re-occurrence.

Whilst our testing provided assurance on the operation of the procedures to enable accurate reporting, we recommend that whilst the checking by the Operations Manager highlights areas for training and further improvement, which is important to the provision of the service, some attention should be directed to sample checking of the reclassification of “near misses” so that they are not reported as SLA misses. **(See MAP 5)**

## **10 Assurance Area - Breaches**

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

- 10.1 The fund has a policy in place, “Reporting Breaches of the Law to the Pensions Regulator Policy 2018”, to identify and report breaches of the law to the Governance Manager, the S151 Officer, the Pensions Committee and Pension Board, and upwards to the Pensions Regulator.
- 10.2 In Section 5 of the policy ref: Review 5.1, it refers to the policy being expected to be appropriate for the long-term but will be reviewed every two years to ensure it remains accurate and relevant. The policy is therefore in need of review. **(See MAP 6)**
- 10.3 As part of the review we sought and obtained clarification from the Governance and Regulations Manager confirming that it is not possible to identify and report ALL breaches. Reasons provided included breach identification in the first instance, the large number of processes involved, and the limited resources available to oversee every process in the identification of breaches and reporting thereof.
- 10.4 This limitation should be noted by management to ensure that every effort is made to maximise identification, classification and reporting of breaches. Benchmarking with other pension funds may provide areas for retrospective checking if not already identified by the NPF. KPI monitoring should also be used to assist identification of any breaches – where KPIs have not been met (those reported to the Pensions Board and others internally monitored) potential breaches should be investigated. This should be a standard monthly procedure. **(See MAP 7)**
- 10.5 The NPF Pension Committee and Pension Board Agenda papers and minutes during 2021/22 were reviewed for evidence of the reporting of breaches. This confirmed regular reporting to the Pension Committee in the Administration Performance Report as follows- (July 2021; Sept 2021; Dec 2021; March 2022) and Pension Board (April 2021; July 2021; Nov 2021; Jan 2022) during the year. There was no classification of any breaches rated as red which would have required reporting to the Pensions Regulator. All the breaches reported had been classified as non-material.



## 11 Assurance Area - Risk Management

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

11.1 An up-to-date Risk Strategy - the Northamptonshire Pension Fund Risk Strategy 2019 and Risk Register NPF Dec 2021 - is in place. Reporting and monitoring (ref: 11.1) within the document states "Progress in managing risks will be monitored and recorded on the risk register. The risk register, including any changes to the internal controls, will be provided on an annual basis to the Pension Committee. The Pension Committee will be provided with updates on an ongoing basis in relation to any significant changes to risks (for example where a risk has changed by a score of 3 or more) or new major risks (for example, scored 15 or more). As a matter of course, the Pension Fund Board will be provided with the same information as is provided to the Pension Committee (or Investment Sub-Committee as appropriate) and they will be able to provide comment and input to the management of risks."

11.2 It is current agreed practice (as determined by the Pensions Committee when it approved the Strategy) and referred to in the Background Section of Risk Monitoring Reports to the Pension Board and Pension Committee, that the Pension Fund Board would monitor risks on a quarterly basis and the Pension Fund Committee would review these on a bi-annually basis unless any concerns were raised by the Board prior to this. Whilst this practice enhances the risk monitoring reporting it is advisable that the strategy is updated on its next occasion to reflect the current practice.

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

To the Pension Board as follows during 2021/22:

- July 2021- Risk Monitoring Agenda Item 8
- Nov 2021-Risk Monitoring Agenda Item 10
- Jan 2022 Risk Monitoring Agenda Item 8
- April 2022 – Risk Monitoring Agenda item 13

To the Pension Committee during 2021/22:

- June 2021 – Not listed on Agenda but Minute No 11 reflects presentation of the Risk Management Strategy and Risk Register to the committee.
- Dec 2021 - Risk Monitoring Agenda Item 8

## MANAGEMENT ACTION PLAN

The Agreed Actions are categorised on the following basis:

Likelihood	H	S	I	E	<b>Essential</b> - Action is imperative to ensure that the objectives for the area under review are met. <b>Important</b> - Requires action to avoid exposure to significant risks in achieving objectives for the area under review. <b>Standard</b> - Action recommended to enhance control or improve operational efficiency.
	M	S	I	E	
	L	S	I		
		L	M	H	Impact

Ref	Issue	Recommendation	Management Comments	Priority	Officer Responsible	Due Date
1	<p><b><u>Validation Checks / Employer returns</u></b>            During the year and at the year end, a validation check is undertaken to ensure all data submitted by employers is correct. Based on information provided on 22<sup>nd</sup> April 2022 by the Team Leader (Systems) 2906 queries relating to 2021-22 had not yet been resolved.</p> <p><b>Similar issue raised in the 2020/21 Audit Report.</b></p> <p>Employer monthly returns are also monitored for late submissions. At the same date above, five employers were noted as being late with monthly submissions.</p> <p><b>Risk</b>            Creates a delay in processing payments. Potential errors are not identified /resolved in a timely manner.</p>	<p>That appropriate and timely management action is taken to resolve the number of outstanding queries and late returns based on employer data submissions.</p>	<p>A number of validation checks are run at year end indicating where there <i>may</i> be issues with the employer data submitted during the year.</p> <p>All validation queries were issued within planned timescales. However, management of responses could have been more effective, including handling of any nil response.</p> <p>Improved processes are being effectively made for the 2021-2022 year end to manage employer responses.</p> <p>Quarterly reconciliations of employer data are also being</p>	Important	Systems & Projects Manager	31 Aug 22



Ref	Issue	Recommendation	Management Comments	Priority	Officer Responsible	Due Date
			introduced for the 2022-23 scheme year to minimise the number of validation queries that need to be investigated at year end.			
2	<p><b>Monthly Reconciliations – Monthly Employer Contributions</b></p> <p>Records are maintained for employers and their contributions on a contributions worksheet.</p> <p>Audit review undertaken in April 2022 of the NPF Contributions 2021-22 worksheet highlighted for the period April 2021 – February 2022 that there was £11.7k unreconciled for January 2022 and £760k for February 2022. Management attention is required to ensure the reconciliation of the unreconciled items for these two months has now been satisfactorily dealt with.</p> <p><b>Risk</b></p> <p>Unreconciled items not resolved in a timely manner affecting the processing of pensions accounts affected.</p>	Management should ensure that the unreconciled items highlighted for January 2022 and February 2022 have been actioned.	<p>All income was verified for year ending 31 March well within the adjustment period after the year end. The vast majority of income is reconciled within the month however it is not uncommon for there to be a month or two delay in reconciled income due to dependencies on other teams for coding, overpayment of contributions deducted from the next month’s returns etc. Our internal target is two months.</p> <p>No further action required.</p> <p><b>Internal Audit Comment:</b></p> <p>Management’s comments are considered reasonable therefore we agree that no further action is required.</p>	Important	N/A	N/A



Ref	Issue	Recommendation	Management Comments	Priority	Officer Responsible	Due Date
3	<p><b><u>Employer contributions – Annual Returns</u></b> A review of the 2020-21 reconciliations highlighted that two areas for follow up, based on set variance levels being exceeded (overpayments of £72k &amp; £52k), had been investigated. The Principal Accounting Technician confirmed in response to audit query that they were due to write to the employer in early May 2022 (just prior to their contributions payment being due) to advise them to make the deduction and / or keep as an additional amount against their valuation. We consider this to be an unnecessary delay in employer notification.</p> <p><b><u>Risk</u></b> Unnecessary delays in adjusting employer contributions. Cashflow implications for employers.</p>	<p>That employers who submit annual returns are notified in a timely manner after the annual reconciliation of any adjustments required to their future contributions.</p> <p><u>Note:</u> We acknowledge that the number of employers who submit annual returns is decreasing year on year.</p>	<p>These payments related to two academies part of the same foundation trust that changed payroll providers and reporting approach during the scheme year. The total payments have now been reconciled to within expected tolerance levels.</p> <p>Nevertheless, we agree with the principal that employers should be notified in a timely manner after the annual reconciliation of any adjustments required to their future contributions.</p> <p>Complete.</p> <p><b>Internal Audit Comment:</b> We acknowledge management’s comments and expect that the issue of timeliness have been communicated to staff.</p>	Important	Investments and Fund Accounting Manager	Complete
4	<p><b><u>New Dependents - Checking</u></b> Testing of five new dependent pensioners to confirm that the expected controls were operational highlighted that the calculation for one death grant payment had been checked by a Pensions Officer with a checking limit up to £10k but</p>	<p>That checking of payments should only be signed off by officers formally designated to do so as set out in the “checking limits 2022” spreadsheet.</p>	<p>The peer checking limit of £10K relates to the level of annual pension and not the level of the death grant payment. Grants are usually proportional to calculated annual pensions and so if this up to £10k, it is</p>	Important	Head of Pensions	30 Sept 22



Ref	Issue	Recommendation	Management Comments	Priority	Officer Responsible	Due Date
	<p>should have been checked by the Team Leader as it exceeded the £10k limit (£94k).</p> <p><b>Similar issues raised in the 2020/21 Audit Report.</b></p> <p><b>Risk</b> Non-compliance with officers' checking limits which could result in errors/irregularities in material payments not being identified in a timely manner.</p>		<p>assumed that the resultant grant payment can be checked by the officer who checked the original annual pension calculation.</p> <p>It is acknowledged that the current "checking limits 2022" spreadsheet does not explicitly set out checking limits for grants including death grants, and the situation may be further complicated by the fact that in some cases there are no dependant pensions to be calculated where death grants are awarded. Explicit checking limits need to be determined and put in place for these situations. We have agreed to liaise with Internal Audit to revise and update the checking and authorisation limits guidance for Pension Officers.</p>			
5	<p><b>Key Performance Indicators (KPIs)</b> Confirmation was obtained from the Operations Manager (with responsibility for the preparation and reporting on the KPIs) on their checks of the SLA misses spreadsheet to determine the reasons</p>	<p>Whilst the checking by the Operations Manager highlights areas for training and further improvement, which is important to the provision of the service, we recommend that some attention</p>	<ul style="list-style-type: none"> <li>The QAO runs and reviews the reports and identifies any cases where misses have been misreported (e.g.</li> </ul>	Important	Operations Manager	30 Sept 22



Ref	Issue	Recommendation	Management Comments	Priority	Officer Responsible	Due Date
	<p>and appropriateness of actions provided by the Team Leaders for missed targets, in order to avoid re-occurrence. It is our opinion that there is an inherent weakness in the checks undertaken as these concentrates on the SLA misses that have been decided without spot checking of initially classified “near misses” which are not formally reported.</p> <p><b>Risk</b> Reclassification errors not identified. Performance erroneously and or deliberately changed to improve performance reported.</p>	<p>should be directed to sample checking by the Operations Manager of the reclassification of “near misses”, which are not reported as SLA misses, to ensure the accuracy and completeness of this stage of reporting.</p>	<p>due to the case being with a third party)</p> <ul style="list-style-type: none"> <li>The QAO highlights any remaining potential misses to the team leaders.</li> <li>The team leaders then review and confirm whether or not they agree with these misses.</li> <li>The QAO and manager then review these again and agree / disagree with any changes made by the team leaders.</li> </ul> <p>Oversight by the Operations Manager of any cases being changed from a “miss” to “target met” as part of the first step will be increased.</p>			
6	<p><b>Breaches (1) – Policy</b> Reporting Breaches of the Law to the Pensions Regulator Policy 2018 - Section 5. Review 5.1 states the policy is expected to be appropriate for the long-</p>	<p>That the Reporting Breaches of the Law to the Pensions Regulator Policy 2018 is reviewed</p>	<p>The review of the Policy was delayed whilst awaiting changes to the Regulator’s Code of Practice. The Code of Practice changes have been</p>	Important	Governance & Regulations Manager	31 Oct 22



Ref	Issue	Recommendation	Management Comments	Priority	Officer Responsible	Due Date
	<p>term but will be reviewed every two years to ensure it remains accurate and relevant. The policy is therefore in need of review.</p> <p><b>Risk</b> If the policy does not remain accurate and relevant this could lead to out-of-date practices being followed.</p>	<p>in a timely manner and updated as required.</p>	<p>pushed back multiple times so we have now proceeded with a review of the Policy. This Policy was scrutinised by the Local Pension Board on 30 June 2022 and will be reviewed by the Pensions Committee in October 2022.</p>			
7	<p><b>Breaches (2) – Identification</b> As part of the review, we sought and obtained clarification from the Governance and Regulations Manager confirming that it is not possible to identify and report <u>all</u> breaches. Reasons provided included breach identification in the first instance, the large number of processes involved, and the limited resources available to oversee every process in the identification of breaches and reporting thereof. This limitation should be noted by senior management.</p> <p><b>Risk</b> Insufficient resources dedicated to the identification of breaches resulting in (important) breaches not being identified. Potential non-compliance with Pensions Regulator requirements for identifying</p>	<p>That the current arrangements in relation to breaches are reviewed in order to maximise the identification, classification, and reporting of such.</p> <p>Management should also consider periodically undertaking the following as standard practice:</p> <ul style="list-style-type: none"> <li>• Benchmarking with other pension funds might provide areas for retrospective checking if not already identified by the CPF &amp; NPF.</li> <li>• Where KPIs have not been met (those reported to the Pensions Board and others internally) this may indicate potential breaches.</li> </ul>	<p>Red KPIs that relate to performance outside of statutory targets should already result in a breach being reported where appropriate.</p> <p>Other areas of activity also feed into breach reporting such as annual benefit statement production, dispute resolution and contribution pay over. An analysis by the Fund's Governance Consultant to ensure all appropriate areas are being reported has been commissioned.</p>	Important	Governance & Regulations Manager	31 Dec 2022



<b>Ref</b>	<b>Issue</b>	<b>Recommendation</b>	<b>Management Comments</b>	<b>Priority</b>	<b>Officer Responsible</b>	<b>Due Date</b>
	and reporting breaches. Areas for improvement not readily identified.					



## Appendix 1 – Glossary / Definitions

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

### 1 Control Environment / System Assurance

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

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

### 2 Compliance Assurance

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

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

### 3 Organisational Impact

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

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

### 4 Findings prioritisation key

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

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

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

## Distribution List

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

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

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

**Head of Audit & Risk Management**

**Approval:** Audra Statham (Interim)

**Quality Reviewed:** Scott Peasland - Audit Manager

**Lead Auditor:** Anand Persaud - Principal Auditor

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## West Northamptonshire Council

### Pension Committee

12/10/2022

### Mark Whitby – Head of Pensions

<b>Report Title</b>	<b>Northamptonshire Pension Fund – Administration Performance Report</b>
<b>Report Author</b>	<b>Michelle Oakensen, Governance and Regulations Manager, <a href="mailto:michelle.oakensen@westnorthants.gov.uk">michelle.oakensen@westnorthants.gov.uk</a></b>

#### Contributors/Checkers/Approvers

<b>MO</b>	Jennifer Affie on behalf of Catherine Whitehead	22 September 2022
<b>S151</b>	James Smith on behalf of Martin Henry	20 September 2022
<b>Head of Pensions</b>	Mark Whitby	13 September 2022

#### 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**

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

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

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- 2.1 This report sets out the performance of the Northamptonshire Pension Fund on the following areas of administration:
- 2.1.1 The achievement against the Key Performance Indicators for the period 1 May to 31 July 2022 (appendix A). The majority of KPIs were met over the period.
- 2.1.2 Timeliness of receipt of employee and employer pension contributions for the payroll periods of July 2021 to June 2022 (appendix B). 100% of payments were received on time.
- 2.1.3 Occurrences of breaches of the law for the period 1 May to 31 July 2022 (section 5.3). There were no material breaches in the period.
- 2.1.4 Details of any Internal Dispute Resolution Procedure cases during the period 1 May to 31 July 2022 (section 5.4). There were no new IDRPs in the period.

- 2.1.5 Occurrences of material data breaches for the period of 1 May to 31 July 2022 (section 5.5). There were no material data breaches in the period.
- 2.1.6 Details of any significant overpayment of pension for the period 1 May to 31 July 2022 (section 5.6). There were no significant overpayments in the period.

### **3. Recommendations**

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

### **4. Report Background**

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- 4.1 Pursuant to s 101 of the Local Government Act 1972 and the Council's Constitution section 4.8 Para 1.1 the Pension Fund Committee's remit includes responsibility for dealing with all matters relating to the Northamptonshire Pension Fund Local Government Pension Scheme.
- 4.2 One of the core functions of the Pension Committee is to ensure the effective and efficient governance and administration of the Northamptonshire Pension Fund. This report demonstrates a number of key areas of administration performance for consideration by the Pension Committee.

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

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#### 5.1 Key Performance Indicators

- 5.1.1 The Pension Committee has in place a set of key performance indicators (KPIs) to assess the performance of the Pensions Service in the delivery of key items of casework. The actual performance against these KPIs for the period 1 May to 31 July 2022 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 with the exception of four.
- 5.1.3 In May and June, the targets were missed due to performance issues within the team that issue transfer in quotes that have since been addressed.
- 5.1.4 In June and July, there were resourcing issues within the team that deals with the payment of retirement benefits from active employment and payment of benefits from deferred membership status which resulted in targets being missed. There were three vacancies during this time and a period of sickness, two of the vacancies have now been filled with one new team member in place for July and the other for September, the remaining vacancy is currently being advertised.
- 5.1.5 Receipt of employee and employer contributions
- 5.2.1 Scheme employers have a statutory obligation to arrange for the correct deduction of employee and employer contributions and to ensure payment reaches the Pension Fund by the 19th of the month following the month of deduction. Providing an associated monthly statement/schedule in an acceptable format.
- 5.2.2 The table in appendix B shows the percentage of employers in the Northamptonshire Pension Fund who paid their employee and employer contributions and/or submitted their schedules on time or late for the payroll periods 1 July 2021 to 30 June 2022.
- 5.2.3 In April, May and June 2022 100% of payments were received on time. The current yearly average for payments made on time is 99.9% and schedules being received on time is 99.7%.
- 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 May to 31 July 2022 having regard to the above, the following breaches of the law occurred.

Type of breach	Detail of breach	Course of action
Material	None	None
Non-material	3 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 May 2022 to 31 July 2022 no administering authority disputes were either raised and/or responded to.

5.4.3 In the period 1 May to 31 July 2022 no employing authority dispute were either raised and/or responded to.

#### 5.5 Material Data Breaches

5.5.1 None.

#### 5.6 Significant overpayments of pension

5.6.1 None.

### **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 having taken into account all relevant legislation/regulation that the breaches reported in section 5.3.2 would not constitute a material breach and for the purpose of reporting to the Pension Regulator.

#### **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
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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 as per the Business Plan have been considered in this report -

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

#### **6.5 Consultation**

6.5.1 Not applicable.



Appendix A - Key Performance Indicators – May, June and July 2022.

Function/Task	Indicator	Target	Month	Completed	Within Target	Over Target	% Within Target	RAG	Comments
Notify leavers of deferred benefit entitlement.	Notify leavers of deferred benefit entitlements or concurrent amalgamation within 15 working days of receiving all relevant information.	90%	May June July	209 154 146	199 148 139	10 6 7	95 96 95	Green Green Green	SLA target met SLA target met SLA target met
Payment of retirement benefits from active employment	Notify employees retiring from active membership of benefits award, from date payable or date of receiving all necessary information if later within 5 working days.	95%	May June July	34 45 29	33 40 28	1 5 1	97 89 97	Green Amber Green	SLA target met SLA target not met* SLA target met
Payment of pension benefits from deferred membership status.	Notify members retiring from deferred membership status of benefits award, from date payable or date of receiving all necessary information if later within 10 working days.	90%	May June July	84 44 58	78 40 51	6 4 7	93 91 88	Green Green Amber	SLA target met SLA target met SLA target not met**
Award dependant benefits – Statutory	Issue award within 5 working days of receiving all necessary information.	95%	May June July	35 45 22	35 45 22	0 0 0	100 100 100	Green Green Green	SLA target met SLA target met SLA target met
Provide a maximum of one estimate of benefits to employees per year on request – Statutory	Estimate in agreed format provided within 10 working days from receipt of all information.	80%	May June July	26 34 49	22 31 49	4 3 0	85 91 100	Green Green Green	SLA target met SLA target met SLA target met

Appendix A - Key Performance Indicators – May, June and July 2022.

Provide transfer-in quote to scheme member – <b>Statutory</b>	Letter issued within 10 working days of receipt of all appropriate information.	95%	May	26	21	5	81	Amber	SLA target not met***
			June	23	19	4	83	Amber	SLA target not met***
			July	26	26	0	100	Green	SLA target met
Payment of transfer out – <b>Statutory</b>	Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	May	20	18	2	90	Green	SLA target met
			June	14	13	1	93	Green	SLA target met
			July	18	18	0	100	Green	SLA target met

\*/\*\* Payment of retirement benefits from active employment/ Payment of pension benefits from deferred membership status – In June and July, there were resourcing issues within the team which resulted in the targets being missed. There were three vacancies and a period of sickness during the period, two of the vacancies have now been filled with one new team member in position for July and the other for September, the remaining vacancy is currently being advertised.

\*\*\* Provide transfer-in quote to scheme member – In May and June, the targets were missed due to performance issues within the team, these issues have since been addressed.

**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
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
December 2021	100	0	100	0
January 2022	100	0	100	0
February 2022	100	0	100	0
March 2022	100	0	100	0
April 2022	100	0	100	0
May 2022	100	0	99.7	0.3
June 2022	100	0	99.4	0.6*
Average for period	99.9	0.1	99.7	0.3

\*Schedules (2) were received on time but could not be reconciled.

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## West Northamptonshire Council

### Pension Committee

12/10/2022

### Mark Whitby – Head of Pensions

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

#### Contributors/Checkers/Approvers

<b>MO</b>	Jennifer Affie on behalf of Catherine Whitehead	22 September 2022
<b>S151</b>	James Smith on behalf of Martin Henry	20 September 2022
<b>Head of Pensions</b>	Mark Whitby	13 September 2022

#### List of Appendices

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

#### 1. Purpose of Report

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

#### 2. Executive Summary

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- 2.1 This report provides the Pension Committee with information on the following significant current issues which have an impact on the governance, management and administration of the Northamptonshire Pension Fund.
- Pensions Dashboards Regulations 2022
  - Scheme Advisory Board – Annual Report
  - Academy Guarantee
  - Skills and knowledge opportunities

#### 3. Recommendations

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

## **4. Report Background**

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

## **5. Issues and Choices**

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### **5.1 Pensions Dashboards Regulations 2022**

- 5.1.1 The proposed Pensions dashboards will allow individuals to see information about all their pensions, including the State Pension, in one place. A legal duty has been placed on pension providers to provide information to the dashboards.
- 5.1.2 There have been several sets of draft regulations and consultations issued during 2022 on the finer technical detail of establishing and connecting to a Pensions Dashboard and part of which was at what point the LGPS (and all other Public Sector Pension Schemes) would be required to connect to and supply data to a Dashboard
- 5.1.3 In July 2022 an announcement was made that the LGPS would not be required to connect to a Dashboard at the initial staging date of April 2024 as this would not allow the LGPS funds sufficient time to undertake all the remedial work required of the McCloud remedy which can only begin from October 2023. The LGPS now has a staging date of 30 September 2024 to connect to a Pensions Dashboard and a date of 1 April 2025 to make scheme member data available on the Dashboard.
- 5.1.4 In light of this information and detail arising from the regulations and consultation responses a detailed report of the work that needs to be undertaken by the Fund to meet the staging date and to be able to provide data to the Dashboard, was commissioned from the Fund's Governance Advisors, Aon. This report will enable a detailed project plan to be devised to meet the required deadlines.
- 5.1.5 The Local Government Pensions Committee (LGPC) response to the consultation can be found in full [here](#) . The Pension Committee will be kept up to date with developments regarding the Pensions Dashboard.

### **5.2 Scheme Advisory Board – Annual Report**

- 5.2.1 On 13 June 2022, the Scheme Advisory Board published its annual report for 2021. The report provides a single source of information about the status of the LGPS for its members, employers and other stakeholders. The report collates information supplied by the 86 administering authorities, as at 31 March 2021.
- 5.2.2 The main highlights from the report are:
- Total membership increased by 1.08% to 6.226 million.
  - Total assets increase by 23.4% to £342 billion.
  - Local authority net return on investment from 1 April 2020 to 31 March 2021 was 20.56% (which was reflective of market conditions).
  - A positive cash flow was maintained overall (including investment income).
  - Over 1.8 million pensioners were paid.
  - Total management charges increased by £196 million (12.9%) primarily driven by a rise in investment management charges, while administration, oversight and governance costs remained broadly stable.
- 5.2.3 The full report can be found here [LGPS Scheme Advisory Board - Scheme Annual Report \(lgpsboard.org\)](https://lgpsboard.org).

### **5.3 Academy guarantee**

- 5.3.1 In 2013, the Government introduced the academy guarantee. The guarantee provides that in the event of an academy closing, any outstanding liabilities will not revert to the LGPS Fund.
- 5.3.2 Following a reassessment, the Government confirmed on 21 July 2022 in a written ministerial statement that it will continue to provide the academy guarantee.
- 5.3.2 Although there is no end date to the guarantee, the Government is committed to regularly reassessing it to determine whether it remains affordable and is fully recognised by administering authorities.

### **5.4 Skills and knowledge opportunities**

- 5.4.1 The Public Services Pensions Act 2013 and the Pensions Regulator’s Code of Practice (Governance and administration of public service pension schemes) require all members of the Pension Committee to maintain the necessary skills and knowledge to undertake their role effectively.
- 5.4.2 In order to facilitate the acquisition of skills and knowledge for members of the Pension Committee, appendix A lists the main events that are deemed useful and appropriate.
- 5.4.3 If members of the Pension Committee would like to attend any of the events listed in appendix a please contact a member of the Fund’s governance team who will make the necessary arrangements if an invitation has not already been sent.

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

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### **6.1 Resources and Financial**

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

### **6.2 Legal**

- 6.2.1 The Fund has consulted with its Governance advisors, Aon, to understand the legislative requirements to comply with Pensions Dashboards regulations.

### **6.3 Risk**

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

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

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

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

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

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

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

#### 6.4 Relevant Pension Fund Objectives

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

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

#### 6.5 Consultation

6.5.1 Not required.



# Northamptonshire Pension Fund

## Appendix A

### Training plan 2022/23

Date	Training	Method of delivery	Delivered by	Target audience	Additional Information
<b>APR</b>					
<b>MAY</b>					
<b>JUN</b>	Valuation – Contribution rate setting	Presentation – face to face	Hymans	Committee & Board	
	Local Authority Conference 2022	Conference – face to face	Pension and Lifetime Savings Association (PLSA)	Committee, Board & Officer	<a href="#">Local Authority Conference   PLSA</a>
<b>JULY</b>	ESG Monitoring	Presentation – face to face	Mercer	Committee & Board	
	Investment Review	Presentation – face to face	Mercer	Committee & Board	
<b>AUGUST</b>					
<b>SEPTEMBER</b>	Investment and Pensions Summit	Conference – face to face	Local Government Chronicle (LGC)	Committee, Board & Officer	<a href="#">LGC Investment &amp; Pensions Summit 2022 - Home Page (lgcplus.com)</a>
	Passive Equity	Presentation	Schroders/Mercer	Investment Sub Committee	
<b>OCTOBER</b>	Valuation & Draft Funding Strategy Statement	Presentation – face to face	Hymans	Committee & Board	
	Responsible Investments	Presentation – virtual	Investments Team	Board	
<b>NOVEMBER</b>	The Pensions Regulator Code of Practice	Virtual training session	Aon/Officers	Committee & Board	Exact date to be confirmed

# Northamptonshire Pension Fund

## Appendix A

Date	Training	Method of delivery	Delivered by	Target audience	Additional Information
	Conflicts of Interest	Virtual training session	Aon/Officers	Committee & Board	Session to be held on 25 <sup>th</sup> November.
<b>DECEMBER</b>	Valuation – Finalised Funding Strategy Statement	Presentation – face to face		Committee & Board	
	Annual Conference 2022	Conference – face to face	Local Authority Pension Fund Forum (LAPFF)	Committee, Board & Officer	<a href="#">Events   25th LAPFF Annual Conference   LAPFF (lapfforum.org)</a>
<b>JANUARY</b>	Governance Conference	Conference – hybrid	Local Government Association (LGA)	Committee, Board & Officer	<a href="#">Events   Local Government Association</a>
<b>FEBRUARY</b>	Reporting breaches of the Law	Virtual training session	Officers	Officers	To be confirmed
<b>MARCH</b>	Valuation – Rates and Adjustment Certificate	Presentation – face to face	Hymans	Committee & Board	



**West Northamptonshire Council**

**Pension Committee**

**12 October 2022**

**Mark Whitby – Head of Pensions**

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

**Contributors/Checkers/Approvers**

<b>MO</b>	Jennifer Affie on behalf of Catherine Whitehead	22 September 2022
<b>S151</b>	James Smith on behalf of Martin Henry	20 September 2022
<b>Head of Pensions</b>	Mark Whitby	14 September 2022

**List of Appendices**

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

Appendix B – Climate Action Plan

**1. Purpose of Report**

1.1 Good governance requires that updates to the pre-agreed Annual Business Plan and Medium-Term Strategy are provided to the Committee on a regular basis. This update highlights the progress made on the key activities for the period and seeks approval of the recommendations set out in section 3 below.

**2. Executive Summary**

- 2.1 The Northamptonshire Pension Fund have for many years considered it good governance to have in place a Business Plan and Medium-Term Strategy that is agreed annually and regularly monitored by the Committee.
- 2.2 The report summarises the progress made on each activity for the period under review.
- 2.3 Section 4 of this report provides a progress update for each business plan activity. The table below provides an overview of the RAG status of each activity.

Paragraph	Activity	RAG status
4.1	Extend the existing contract and re-tender for actuarial consultancy services	Green
4.2	Extend the existing contract and re-tender for benefits and governance consultancy services	Green
4.3	Extend existing contract and re-tender for legal services provider	Green
4.4	Re-tender for pensions administration and pensioner payroll platform	Green
4.5	Continue to develop the Fund's Cyber Strategy	Green
4.6	Review and implement changes required from the Pension Regulator's new Code of Practice	Amber
4.7	Review the administrative performance of the Fund's additional voluntary contribution providers	Amber
4.8	Implement the best practice recommendations of the Scheme Advisory Board's good governance review	Amber
4.9	Complete the Guaranteed Minimum Pension Rectification	Green
4.10	Application of the McCloud age discrimination remedy	Green
4.11	Processing of undecided leaver records	Amber
4.12	Complete the 2022 Valuation of the Pension Fund	Green
4.13	Prepare for the implementation of Pension Dashboards	Green
4.14	Continue development of the ACCESS asset pool	Green
4.15	Decarbonisation and improved stewardship reporting	Green
4.16	Review the Fund's Property Investment Strategy	Green
4.17	Review of website and digital communications	Amber
4.18 (NEW)	Review the Investment Strategy and Strategic Asset Allocation	Green
4.19 (NEW)	Private Equity Review	Green

- 2.4 Two new activities have been added to the business plan for which we are seeking approval from the Committee. These are described in Paragraphs 4.18 and 4.19.
- 2.5 The tables in appendix A provide an update of the Fund account, investment and administration income and expenditure against the cash flow projection outlined in the Annual Business Plan as agreed by the Pension Committee in March 2022. There are no material variances identified.
- 2.5 The link to the full Business Plan approved by the Committee in March 2022 is provided in section 7 for full context and reference.

### 3. Recommendations

- 3.1 The Pension Committee is asked to:
- 3.1.1 note the Business Plan Update
- 3.1.2 approve the two new activities set out in paragraphs 4.18 and 4.19

### 4. Progress against business plan activities

#### Procurement of Services

#### 4.1 Extend the existing contract and re-tender for actuarial consultancy services

- 4.1.1 Activity: To extend the existing contract and re-tender for actuarial consultancy services currently with Hymans Robertson due to expire on 31 March 2024 (following extension).

4.1.2 Key milestone:

Key Milestones	Dates	On target for completion?
Extend contract	January 2023	On target
Register to access national LGPS Frameworks	August 2023	On target
Draft specification of services required and associated documentation	August 2023 – September 2023	On target
Issue invitation to tender to suppliers on the Framework	October 2023	On target
Evaluate tender responses	November 2023 – December 2023	On target
Award contract	January 2024	On target

4.1.3 Update: No activity to report for the period.

**4.2 Extend the existing contract and re-tender for benefits and governance consultancy services**

4.2.1 Activity: To extend the existing contract and re-tender for the supplier of benefits and governance consultancy services currently with Aon due to expire 31 March 2024 (following extension).

4.2.2 Key milestones:

Key Milestones	Dates	On target for completion?
Extend contract	January 2023	On target
Register to access national LGPS Frameworks	January 2023	On target
Draft specification of services required and associated documentation	January 2023 – February 2023	On target
Issue invitation to tender to suppliers on the Framework	March 2023	On target
Evaluate tender responses	May 2023 – June 2023	On target
Award contract	July 2023	On target

4.2.3 Update: No activity to report for the period.

**4.3 Extend existing contract and re-tender for legal services provider**

4.3.1 Activity: To extend the existing contract with Squire Patton Boggs to February 2024 and re-tender for a legal services provider.

4.3.2 Key milestones:

Key Milestones	Dates	On target for completion?
Extend existing contract	January 2023	On target
Register to access national LGPS Frameworks	January 2023	On target
Draft specification of services required and associated documentation	July 2023 – August 2023	On target
Issue invitation to tender to suppliers on the Framework	September 2023	On target

Evaluate tender responses	October 2023 - November 2023	On target
Award contract	December 2023	On target

4.3.3 Update: No activity to report for the period.

#### 4.4 Re-tender for pensions administration and pensioner payroll platform

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

4.4.2 Key milestones:

Key Milestones	Dates	On target for completion?
Soft market testing and discussions with other Funds	April 2022 – December 2022	Complete
Obtain and complete National LGPS Framework documents	September 2022	Complete
Develop tender documents	January 2023 to March 2023	On target
Undertake framework procurement	April 2023 – September 2023	On target
Award contract to successful provider	October 2023	On target
Business process re-engineering and systems development (if new supplier)	October 2023 to September 2024	On target
Contract commences	October 2024	On target

4.4.3 Update: All relevant forms have been obtained from the National LGPS Frameworks and have been completed to allow access to the framework. The next stage is to develop the tender documents in line with the planned schedule. Consultation is under way with Procurement, Legal and Data Protection teams.

#### Core governance activities

#### 4.5 Continue to develop the Fund's Cyber Strategy

4.5.1 Activity: Cyber-crime continues to evolve and become increasingly sophisticated and as such the cyber strategy and action plan developed in 2021/22 will need to be regularly reviewed and new activities added as time goes on.

4.5.2 Key milestones:

Key Milestones	Dates	On target for completion?
Ongoing monitoring and development of the cyber strategy and action plan evidenced by a separate agenda item at each meeting of the Pension Committee and Local Pension Board.	2022/23	On target

4.5.3 Update: Activities on the cyber strategy, data and asset mapping, cyber security surveys for main suppliers and cyber security awareness training have all been completed. Updates on the hygiene guidelines, phishing exercise, cyber security surveys for other suppliers and incident response plan will be provided as a separate agenda item at this meeting.

**4.6 Review and implement changes required from the Pension Regulator’s new Code of Practice**

4.6.1 Activity: The new code of practice was expected to come into force summer 2022 following a delay from the Pensions Regulator and the Fund will have six months to achieve full compliance with its contents.

4.6.2 Key milestones

Key Milestones	Dates	On target for completion?
Develop an action plan of changes required on launch of code of practice	Rescheduled to Autumn 2022 (Summer 2022)	Dependent upon release of the Code
Present action plan	Pension Committee - December (October) 2022 and Local Pension Board – January 2023 (November 2022)	Rescheduled based on the above
Present update on progress on action plan	Local Pension Board – April 2023 (February 2023) and Pension Committee –June 2023 (March 2023)	Rescheduled based on above

4.6.3 Update: The Pension Regulator’s new code of practice was due to come into force in November 2021 but has been postponed until Autumn 2022. Once the code comes into effect the Fund will have 6 months to achieve full compliance.

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

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

4.7.2 Key milestones:

Key Milestones	Dates	On target for completion?
Present to the Pension Committee the findings of the independent review alongside any recommendations for action	Estimated July 2022	Completed October 2022

4.7.3 Update: The findings of the review will be delivered as a separate agenda item at this meeting.

**4.8 Implement the best practice recommendations of the Scheme Advisory Board’s good governance review**

4.8.1 Activity: There has been no further progress on any of the recommendations either by the Department for Levelling Up, Housing and Communities (DLUHC) or the Scheme Advisory Board (SAB).

4.8.2 Key milestones:

Key Milestones	Dates	On target for completion?
Develop an action plan to implement the best practice activities	May 2022	Dependent upon when the Scheme Advisory Board resume focus on the workplan
Present action plan and Conflicts of Interest Policy	Pension Committee December 2022/ Local Pension Board January 2023 (July 2022)	Rescheduled to allow for training prior to approving the Policy
Present update on progress on action plan	Local Pension Board February 2023/ Pension Committee – March 2023	Dependent upon SAB as above
Implementation of activities requiring SAB and DLUHC guidance	Dates to be confirmed upon receipt of further information	Dependent upon SAB as above

4.8.3 Update: There has been no activity from the SAB or DLUHC in this area since February 2021. Once the Scheme Advisory Board provides further details on the recommendations the Fund will develop an action plan. The approval of Conflicts of Interest Policy by the Pensions Committee has been rescheduled to December 2022 to allow for a training session to be held in advance.

**Scheme member and data projects**

**4.9 Complete the Guaranteed Minimum Pension Rectification**

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

4.9.2 Key milestones:

Key Milestones	Dates	On target for completion?
Manual rectification of outstanding records	April 2022 – March 2023	On target



4.9.3 Update: At September 2022, approximately 550 cases requiring rectification of a scheme member's pension in payment remain outstanding. The project remains on target to complete by 31 March 2023.

#### 4.10 Application of the McCloud age discrimination remedy

4.10.1 Activity: To rectify the pension records of scheme members within scope of the McCloud ruling following the implementation of the age discrimination remedy once legislation is in place.

4.10.2 Key milestones:

Key Milestones	Dates	On target for completion?
Data sheets returned from scheme employers	February 2022 – April 2022	Completed
Data sheets checked by Fund	May 2022 – July 2022	Completed
Uploading of revised scheme member data	August 2022 – March 2023	In progress
Devise communication plan for scheme members and scheme employers	November 2022	On target
Undertake scheme member record preparations to identify in scope members in readiness for the application of the underpin	April 2023 – September 2023	On target
Application of the revised underpin following release of amended LGPS Regulations	October 2023 onwards	On target

4.10.3 Update: DLUHC have recently announced that they expect draft regulations to be issued in late 2022, followed by a consultation in early 2023. As a result, this activity has been realigned accordingly and several new milestones added. This activity is being run on a full project basis with a number of separate workstreams and a detailed project plan.

#### 4.11 Processing of undecided leaver records

4.11.1 Activity: To reduce the backlog by 2,500 cases per year for the next 3 years from a baseline of approximately 9,000 at the beginning of April 2022.

4.11.2 Key milestones:

Key Milestones	Dates	On target for completion?
Re-baseline project	April 2022	Completed
Reduce cases by 2,500	April 2022 – March 2023	On target
Reduce cases by a further 2,500	April 2023 – March 2024	On target
Reduce cases by a further 2,500 to a business as usual baseline	April 2024 – March 2025	On target

4.11.3 Update: At 31 August 2022, the number of unprocessed leavers ringfenced as backlog had decreased by approximately 900 from the baseline in April 2022. However, the service has not been able to keep on top of business as usual (BAU) cases meaning some have become aged and therefore the overall number of cases >6 months old has only decreased immaterially. Further resource is being added to the BAU team and bulk processing was rolled out to this team in September 2022.

#### 4.12 Complete the 2022 Valuation of the Pension Fund

4.12.1 Activity: The valuation date is 31 March 2022, and the work is carried out during 2022/23 with results to be published by 31 March 2023. New employer contribution rates will be effective from 1 April 2023.

4.12.2 Key milestones:

Key Milestones	Dates	On target for completion?
Provision, validation and sign-off of valuation data	July 2022 – August 2022	Complete
Provision of whole Fund results by Fund Actuary	September 2022	Complete
Discuss whole Fund results with Committee	October 2022	On target
Committee to approve Funding Strategy Statement for consultation	October 2022	On target
Funding Strategy Statement issued for consultation	November 2022	On target
Issue draft employer results and contribution strategies to scheme employers	November 2022 to December 2022	On target
Committee to approve final Funding Strategy Statement	December 2022	On target
Consultation and discussions with employers to agree contribution strategies	December 2022 – February 2023	On target
Publication of final valuation report and certified contribution rates	31 March 2023	On target

4.12.3 Update: All valuation activities are on target or completed. Membership data has been provided to the actuary, reviewed, and signed off for use in the valuation. The whole Fund results and Funding Strategy Statement will be presented as an agenda item at this meeting.

#### 4.13 Prepare for the implementation of Pension Dashboards

4.13.1 Activity: To prepare for the implementation of Pension Dashboards by 30 September 2024.

#### 4.13.2 Key milestones:

Key Milestones	Dates	On target for completion?
Work with the Pensions Administration Software supplier to connect to a Pensions Dashboard by the deadline of 30 September 2024.	April 2022 – September 2024	On target
Devise project plan and workstreams to prepare for connection to the Dashboard with clean value data.	October to November 2022	On target
Connect to the Pension Dashboard	By 30 September 2024	On target
Provide value data to the Pension Dashboard	By 1 April 2025	On target

4.13.3 Update: Recently issued draft regulations have extended the staging date for LGPS Funds to connect to a Pensions Dashboard to 30 September 2024 to allow for the remedial work of McCloud to be completed. Data must be available on the Dashboard by 1 April 2025. The release of the draft regulations has provided more detailed information as to what is required of Pension Funds and as such this activity has been initially rescoped. It is expected that this activity will be rescoped further once a project plan has been established.

#### Investment related activities

#### 4.14 Continue development of the ACCESS asset pool

4.14.1 Activity: The ACCESS asset pool has recently appointed MJ Hudson as Implementation Adviser for Illiquid Assets. During 2022/23 MJ Hudson will be implementing pooled solutions for investing in Illiquid assets. Due to the illiquid nature of this asset class, migration of the Fund's assets may take several years.

#### 4.14.2 Key milestones:

Key Milestones	Dates	On target for completion?
Transition into the new Multi Asset Credit sub fund	By 31 March 2023	On target
Produce plan for investing in illiquid assets in the pooled solution	By 31 March 2023	On target

4.14.3 Update: Following data collection and analysis on non-listed assets by MJ Hudson across ACCESS pool members, Real Estate (Property) has been approved by the ACCESS Joint Committee (AJC) as the first asset class to be progressed. Hampshire County Council have been appointed as the procurement lead and procurement documents have been developed and are currently being finalised. MJ Hudson have prepared a document, for consideration by ACCESS pool members, detailing the proposed running order for the procurement of remaining non-listed asset classes.

#### 4.15 Decarbonisation and improved stewardship reporting

4.15.1 Activity: During 2022/23 the Fund is planning to commence the transition to a more sustainable portfolio by reviewing its passive equities mandates and commence Task Force on Carbon-Related Financial Disclosures (TCFD) reporting. The Fund will also prepare its first submission under the UK Stewardship Code.

##### 4.15.2 Key milestones:

Key Milestones	Dates	On target for completion?
Draft TCFD report to be included in Fund annual report	December 2022	In progress
Commence implementation of decarbonisation changes to passive and active equity mandates	December 2022	On target
Draft Stewardship Code submission presented to the Investment Sub Committee	March 2023	On target

4.15.3 Update: It was agreed with the Pensions Committee that the Fund's TCFD position will be reported within the 21/22 Statement of Accounts which is currently being finalised.

The Fund has developed a Climate Action Plan which includes approved decarbonisation targets to reduce carbon emissions with the aim of achieving net zero by 2050 or earlier. Progress against the Plan is shown in Appendix B.

Implementation of decarbonisation changes to passive mandates is progressing well with new passively managed options presented to Investment Sub-Committee members in September, with a decision planned for the November Sub-Committee meeting. Active equity fund managers have been engaged with and made aware of the intentions of the Fund.

#### 4.16 Review the Fund's Property Investment Strategy

4.16.1 Activity: A review of the mandate will be undertaken, including consideration of possible enhancements to the property strategy, especially considering the expected benefits arising from the pooling agenda.

##### 4.16.2 Key milestones:

Key Milestones	Dates	On target for completion?
Report on strategy review presented to Investment Sub Committee	November 2022	On target
Implement required asset class changes from property review	December 2022 – March 2023	On target
Communicate Fund's new requirements to the ACCESS illiquid asset programme	December 2022	On target

4.16.3 Update: A property portfolio review covering the target split across real estate styles, sectors, geographies, and implementation route/timeline was presented at the September 2022 ISC for consideration. This review will help shape the Fund’s Property Investment Strategy and feed into the Fund’s overall Investment Strategy Review which will agree target allocations across all asset classes.

### Communications

#### 4.17 Review of website and digital communications during 2022/23

4.17.1 Activity: The Fund’s web offering will be reviewed to assess whether the website is still fit for purpose and alternative options available to meet the needs of the Fund’s stakeholders.

4.17.2 Key milestones:

Key Milestones	Dates	On target for completion?
Initial engagement with key stakeholders and agreement of project objectives	April 2022 – June 2022	Completed (August) – Delay from initial target date due to resource constraints within the WNC Digital team.
Review of initial engagement including mapping of user journeys and key insights	July 2022 – August 2022	Completed
Investigation into any identified “pain points” identified by user groups and identification of any further areas for improvement	Rescheduled to September – October 2022 (August 2022 - September 2022)	On target
Stakeholder demonstration of new user journeys and prototype web pages/functions	Rescheduled to October – November 2022 (September 2022 – October 2022)	On target
Presentation of key recommendations to officers	Rescheduled to November – December 2022 (October 2022 – November 2022).	On target
Present outcomes and recommendations to Committee	March 2023	On target

4.17.3 Update: Due to resource constraints within the WNC Digital team the timeline has been pushed back a month but is still on target to report back to the Local Pension Board in March 2023. At the initial engagement meeting the key objectives, project team roles, communication methods, high level timeline and stakeholder mapping were agreed. Workshops were held throughout August to identify areas of use, struggle, and need / like-to-have for each website for the Fund’s stakeholders.

## New Activities following approval of the 2022/23 Business Plan

### 4.18 Review the Investment Strategy and Strategic Asset Allocation

4.18.1 New Activity: The Fund must review and amend its strategic investment strategy in consultation with the s 151 officer as required pursuant to section 4.8 Section 1.3 (e) (k) of the Constitution and will undertake a strategic asset allocation (SAA) once the outcomes of the triennial valuation process is known. This will ensure the Fund's investment approach is appropriately aligned with its funding strategy and that the Fund can pay liabilities as they fall due over time.

It is proposed for this review to be undertaken with the Pensions Committee, supplemented by virtual training where required.

#### 4.18.2 Key milestones:

Key Milestones	Dates	On target for completion?
Development of revised Investment Strategy/SAA by officers and advisors	November to December 2022	On target
Investment Strategy Training to Pensions Committee	January 2023	On target
Revised Investment Strategy/SAA approved by Pensions Committee	March 2023	On target
Implementation of revised Investment Strategy	2023 onwards	On target

4.18.3 Costs: The estimated consultancy costs of the review including training is £12.5k. These costs were included in the agreed governance costs for the year, as part of the Business Plan budget approved in March 2022

4.18.4 Update: This is a future activity

### 4.19 Private Equity Review

4.19.1 New Activity: The Fund has a strategic asset allocation (SAA) for Private Equity of 5% within an overall allocation to Alternative assets of 25%. To maintain this the Fund must make regular private equity commitments.

To ensure the continued suitability of the portfolio, a deeper fundamental portfolio review covering exposures, risks and opportunities needs to be undertaken. This will also include modelling of expected commitment levels and deployment rates.

#### 4.19.2 Key milestones:

Key Milestones	Dates	On target for completion?
Private Equity Portfolio Review	December 2022 to January 2023	On target
Investment Sub Committee approve future private equity commitments	February 2023	On target
Implementation of agreed private equity commitments	March 2023 onwards	On target

4.19.3 Costs: The estimated consultancy costs of the review and commitment planning is £15k, with expected minor input into implementation billed at time-cost. These costs were included in the agreed governance costs for the year , as part of the Business Plan budget approved in March 2022.

4.19.3 Update: This is a future activity.

#### **4 Issues and Choices**

5.1 The Pension Committee approved the Business Plan and Medium-Term Strategy 2022/23 on 30 March 2022. Officers are seeking the approval of as further two business plan activities in line with the previously approved budget.

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

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

6.1.1 The financial estimates and associated budgets included with the Business Plan and Medium-Term Strategy were approved by the Pension Committee on 30 March 2022.

6.1.2 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.

#### **6.2 Legal**

6.2.1 There are no legal implications arising from the proposals.

#### **6.3 Risk**

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

Risk	Residual risk rating
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

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

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

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

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

#### **6.5 Consultation**

6.5.1 Not applicable.

### **7. Background Papers**

7.1 [Northamptonshire Pension Fund Business Plan and Medium-Term Strategy](#)

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

Fund Account	2022/23 Estimate	2022/23 Forecast	Variance	Comments
	£000	£000	£000	
Contributions	(120,000)	(120,000)	-	
Transfers in from other pension funds	(8,500)	(8,500)	-	
<b>Total income</b>	<b>(128,500)</b>	<b>(128,500)</b>	-	
Benefits payable	108,000	108,000	-	
Payments to and on account of leavers	8,500	8,500	-	
<b>Total Payments</b>	<b>116,500</b>	<b>116,500</b>	-	
<b>Net (additions)/withdrawals from dealings with members</b>	<b>(12,000)</b>	<b>(12,000)</b>	-	
Management Expenses	3,645	3,676	31	See below
<b>Total income less expenditure</b>	<b>(8,355)</b>	<b>(8,324)</b>	<b>31</b>	
Investment income	(26,000)	(26,000)	-	
Taxes on income	-	-	-	
(profit) and losses on disposal of investments and changes in the market value of investments	(127,000)	(127,000)	-	
<b>Net return on investments</b>	<b>(153,000)</b>	<b>(153,000)</b>	-	
<b>Net (increase)/decrease in the net assets available for benefits during the year</b>	<b>(161,355)</b>	<b>(161,324)</b>	<b>31</b>	



Management Expenses	2022-23 Estimate	2022-23 Forecast	Variance	Comments
	£000	£000	£000	
Total Administration Expenses	2,331	2,362	31	See below
Total Governance Expenses	834	834	-	
Total Investment Invoiced Expenses	480	480	-	
<b>Total Management Expenses</b>	<b>3,645</b>	<b>3,676</b>	<b>31</b>	

Administration Expenses Analysis	2022-23 Estimate	2022-23 Forecast	Variance	Comments
	£000	£000	£000	
Staff Related	1,458	1,489	31	Budget based on estimated 22/23 pay rates, higher than expected pay awards received
Altair administration and payroll system	329	329	-	
Data assurance	45	45	-	
Communications	39	39	-	
Other Non-Pay and Income	15	15	-	
County Council Overhead Recovery	445	445	-	
<b>Total Administration Expenses</b>	<b>2,331</b>	<b>2,362</b>	<b>31</b>	

**Climate action plan****Calendar year****Quarter 1 2022**

Agree decarbonisation pathway and targets that align the beliefs and ambitions of the Investment Sub Committee (ISC). The ISC agreed target reductions in absolute carbon emissions of the Fund's listed equity holdings of at least: <ul style="list-style-type: none"> <li>• 25% from June 2021 baseline by 2024</li> <li>• 59% from June 2021 baseline by 2030</li> </ul>	✓
Communicate agreed targets and aspirations to investment managers	✓
Instruct advisers to investigate high level approaches to climate aware passive equity investing	✓
Publish Climate Action Plan	✓

**Quarter 2/3 2022**

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

**Quarter 3/4 2022**

Receive implementable proposal on carbon aware passive equity portfolio	
ISC review and approve the Pension Fund's initial report complying with the requirements of the Task-Force on Climate-Related Financial Disclosures (TCFD)	
Engage with existing active equity managers around decarbonisation approaches	
Engage with private asset managers to improve carbon data provision for portfolios and increased ESG integration	
Engage with ACCESS on sustainable/impact equity managers (based on Committee preferences following Q2 discussion)	
Consider draft UK Stewardship Report ahead of submission to FRC	
Implement carbon aware passive equity in Q4 2022	

**2023**

ISC consider proposals to include fixed income portfolio including Multi-Asset Credit (MAC) and credit portfolios in climate reporting and target setting	
ISC receive report on availability of data and approach on alternatives assets	
ISC consider proposals for impact investing	
Continuation of the work with active managers to implement carbon reduction measures and increase the sustainability of the portfolios they manage	

2024

ISC consider feasibility of including Scope 3 within emissions reduction reporting and targets	
ISC consider proposals to extend climate reporting and target setting to private asset classes	
ISC review progress made to date against targets and reset short-term and long-term targets	
Pension Committee consider appropriateness of decarbonisation pathway and refine based upon experience to date	
Continuation of the work with active managers to implement carbon reduction measures and increase the sustainability of the portfolios they manage	

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## West Northamptonshire Council

### Pension Committee

12/10/2022

### Mark Whitby – Head of Pensions

<b>Report Title</b>	Reporting Breaches of the Law to the Pensions Regulator Policy
<b>Report Author</b>	Michelle Oakensen, Governance and Regulations Manager <a href="mailto:michelle.oakensen@westnorthants.gov.uk">michelle.oakensen@westnorthants.gov.uk</a>

#### Contributors/Checkers/Approvers

<b>MO</b>	Jennifer Affie on behalf of Catherine Whitehead	22 September 2022
<b>S151</b>	James Smith on behalf of Martin Henry	20 September 2022
<b>Head of Pensions</b>	Mark Whitby	18 August 2022

#### List of Appendices

**Appendix A – Proposed Reporting Breaches of the Law to the Pensions Regulator Policy 2022**

**Appendix B – Comparison between the 2018 and 2022 Policy**

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

- 1.1 To present the review of the Northamptonshire Pension Fund's Reporting Breaches of the Law to the Pensions Regulator Policy to the Pension Committee.

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

- 2.1 The report contains the 2022 review of the Northamptonshire Pension Fund's Reporting of Breaches of the Law to the Pensions Regulator Policy. The report provides the legislative background of why the policy is required (5.1) along with details of the proposed changes (5.2).

#### **3. Recommendations**

- 3.1 The Pension Committee is asked to approve the revised Reporting Breaches of the Law to the Pensions Regulator Policy as set out below.

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

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- 4.1 In line with the Pensions Regulator's Code of Practice number 14 (Governance and administration of public service pension schemes); the Fund has put a non-statutory policy in place that sets out the mechanism for reporting breaches of the law to enable it to demonstrate that as set out in the Code the Council has robust policies to include the monitoring and the reporting of any breaches to enable it to comply with the relevant legislation and its statutory duty.
- 4.2 The policy ensures that those with a responsibility to report breaches of the law can meet their legal obligations, by analysing situations effectively to make an informed decision on whether a breach has been made.
- 4.3 The policy was first approved by the Pension Committee in October 2015 following the implementation of the 2014 Code of practice no.14 and was subsequently reviewed and approved in October 2018.
- 4.4 The Pension Regulator's new code of practice was due to come into force in November 2021 but has been postponed until Autumn 2022 so review of this policy was postponed. However, it is felt prudent to review now based on the current code and other necessary changes that are detailed in section 5.2 of this report. A further review will be carried out within 6 months of the new code coming into effect.
- 4.5 The draft revised Policy is located in appendix A and the comparison of changes document is in appendix B.

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

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##### **5.1 The Pensions Regulator Code of Practice**

- 5.1.1 The Code of Practice identifies those individuals responsible for reporting breaches of the relevant law and the associated legal requirements. There are many and various laws relating to the Local Government Pension Scheme, with many and various people having a statutory duty to report material breaches of the law to the Regulator. To assist, the Code states that a procedure should be established to ensure that those with a responsibility to make reports are able to meet their legal obligations.
- 5.1.2 The policy provides the process to report a breach to the Regulator and details surrounding timescales and urgency of cases.
- 5.1.3 The policy also identifies the need to record breaches that are not of material significance to the Regulator in order that processes can be improved to avoid repeated occurrences.
- 5.1.4 Examples of breaches of material significance and non-material significance are documented in the appendix of the policy, the purpose is to put into context the policy and when it may need to be enforced. Individuals will need to apply the principles of the policy when deciding whether to report a breach.

##### **5.2 Changes to the Policy**

- 5.2.1 The below table documents the proposed changes to the policy:

Number/ Section	Proposed change
Whole Policy	General tidying up of – <ul style="list-style-type: none"> <li>• Job titles</li> <li>• Branding</li> <li>• Chairman/woman references</li> <li>• Fund references</li> <li>• Removal of references to LGSS</li> <li>• Contact details updated</li> <li>• Full details in replace of full report when the Committee/Board is to be updated of a breach. A full report may not always be necessary and an update via the Governance and Compliance Report maybe more appropriate.</li> </ul>
4.	<u>Effective date</u> A table has been incorporated to clearly show the previous reviews.
6	<u>Scope</u> Service providers added to the list that the policy applies to.
9.4/9.5/9.7	<u>Material significance</u> Clarification on the traffic light framework and decision tree. Administering Authority (AA) reference changed to Head of Pensions as a single point for decision as AA is too vague and could result in no responsibility being taken.
10.4.	<u>Guidance on reporting a breach to the Pensions Regulator</u> Preferred methods of reporting for the Northamptonshire Pension Fund added
12.	<u>The Pensions Regulator’s response to a report of a breach of the law</u> Additional section added to demonstrate potential measures that could be taken by the Regulator.
13.	<u>Failure to report</u> Additional section added to highlight factors the Regulator would consider if a report has not been made or not been made in a timely manner as required.
14.4	<u>Whistleblowing protection and confidentiality</u> Statement added on Regulator expectations for reporters

### 5.3 Local Pension Board Review

5.3.1 The revised policy was presented to the Board on 30 June 2022 for consideration with no further amendments required.

## 6 Implications (including financial implications)

### 6.1 Resources and Financial

6.1.1 Failure to adhere to the policy and to implement effective controls to prevent breaches of the law may result in fines for those charged with responsibility of the Fund.

### 6.2 Legal

6.2.1 Failure to adhere to the policy and to implement effective controls to prevent breaches of the law may result in fines or other civil penalty for those charged with responsibility of the Fund.

### 6.3 Risk

6.3.1 The Pension Committee and Pension Board have an obligation to ensure that breaches of the law that are considered to be of a material significance and as such notifiable to the Pensions Regulator are reported accordingly.

6.3.2 The risks associated with Pension Committee and Pension Board members not having the required level of knowledge and understanding surrounding reporting breaches of the law to the Pensions Regulator have been captured in the Fund’s risk register as detailed below.

Risk	Residual risk rating
Information may not be provided to stakeholders as required	Green
Those charged with governance are unable to fulfil their responsibilities effectively	Green
Risk of fraud and error	Green
Failure to administer the scheme in line with regulations and guidance	Green
Failure to understand and monitor risk compliance	Green
Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making	Green

6.3.3 Please see the [Northamptonshire Pension Fund Risk Register](#) executive summary

#### 6.4 Communication Implications

6.4.1 All individuals who are involved in the administration of the Fund will be advised of their obligations to report breaches of the law and the associated procedure as detailed in the policy.

6.4.2 The policy will be published on the Pensions Service website.

#### 6.5 Relevant Pension Fund Objectives

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

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

#### 6.6 Consultation

6.6.1 Not applicable.



# Reporting Breaches of the Law to the Pensions Regulator Policy 2022

**Contents**

- 1. Introduction .....3
- 2. Policy Objectives .....3
- 3. Purpose of the policy .....3
- 4. Effective date .....3
- 5. Review .....4
- 6. Scope .....4
- 7. Legal Requirements .....4
- 8. Reasonable Cause .....4
- 9. Material Significance .....5
- 10. Guidance on Reporting a breach to the Pensions Regulator .....7
- 11. Process for reporting and recording material and non-material breaches within Northamptonshire Pension Fund .....8
- 12. The Pensions Regulator’s response to a report of a breach of the law .....9
- 13. Failure to report .....9
- 14. Whistle blowing protection and confidentiality .....9
- 15. Training .....10
- 16. Contact details .....10
- 17. Further Guidance .....10
- Appendix 1 – Examples of breaches .....11
- Appendix 2 – Examples of Scheme Disclosures .....12
- Appendix 3 – Other matters that are likely to be of material significance to the Pensions Regulator .....13

## 1. Introduction

- 1.1 This is the Reporting Breaches of the Law to the Pension Regulator Policy of Northamptonshire Pension Fund managed by Northamptonshire County Council (the Administering Authority).
- 1.2 In April 2015 the Pensions Regulator (the Regulator) published its Code of Practice no 14 (the Code) Governance and administration of public service pension schemes. The code refers both to statutory duty as well as advisory and practitioners have a duty to follow the code in reporting breaches of the law.
- 1.3 There are many and various laws relating to the Local Government Pension Scheme, with many and various people having a statutory duty to report material breaches of the law to the Regulator. To assist, the Code states that a procedure should be established to ensure that those with a responsibility to make reports are able to meet their legal obligations. This document is that procedure, which relates to all of the Fund's areas of operation.

## 2. Policy Objectives

- 2.1 The Funds' objectives related to this policy are as follows:
- To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
  - To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.
  - To ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have 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.

## 3. Purpose of the Policy

- 3.1 The purpose of the policy is to –
- Ensure individuals have the correct understanding and necessary skills to be able to identify and report breaches as they arise
  - Ensure that stakeholders of the Fund are given appropriate information in order to understand the consequences of a breach and
  - Ensure adequate procedures are in place to fully comply with the Code of Practice.

## 4. Effective date

- 4.1 This policy was first approved by the Pension Committee on 23 October 2015 and has been subject to the following reviews:

Date of review	Effective Date	Type of review
12 October 2018	13 October 2018	Full review

## **5. Review**

5.1 This Policy on Reporting Breaches of the law to the Pensions Regulator is expected to be appropriate for the long-term but it will be reviewed every 2 years to ensure it remains accurate and relevant.

## **6. Scope**

6.1 The policy applies to:

- officers of the Fund
- members of the Pension Committee
- members of the Pension Board
- employers of the Fund
- service providers
- relevant stakeholders and
- professional advisors.

## **7. Legal Requirements**

7.1 Individuals (as identified in paragraph 6) are required to report breaches of the law to the Regulator where they have reasonable cause to believe that:

- a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with and
- the failure to comply is likely to be of material significance to the Regulator in the exercise of any of its functions.

## **8. Reasonable Cause**

8.1 Having 'reasonable cause' to believe that a breach has occurred means more than merely having a suspicion that cannot be substantiated.

8.2 Checks need to be made in order to ensure a breach has occurred and that the report is not made on suspicion alone. If an individual does not feel they can be 100% certain of a breach it would be prudent to discuss the case with a senior colleague or advisor to the Fund, however if the suspicion is around theft, fraud or other serious offences where discussions may alert the those implicated or impede the actions of the police or a regulatory authority, the reporter should go to the Regulator directly and at the earliest opportunity.

8.3 In establishing whether there is reasonable cause to believe that a breach has occurred, it is not necessary for the reporter to gather all the evidence which the Regulator may require before taking legal action particularly if it is a significantly material breach. A delay in reporting may exacerbate or increase the risk of the breach.

8.4 If the reporter is unclear about the relevant legal provision, they should clarify their understanding of the law to the extent necessary to form a view.

## 9. Material Significance

9.1 In deciding whether a breach is likely to be of material significance to the Regulator, it would be advisable for the reporter to consider the:

**cause of the breach** - e.g. dishonesty, poor governance, incomplete or inaccurate information, acting or failing to act in contravention of the law

**effect of the breach** - does the nature of the breach lead to an increased likelihood of further material breaches. Is it likely to cause, for example; ineffective internal controls, lack of knowledge and understanding, inaccurate records, potential for further breaches occurring

**reaction to the breach** - e.g. taking prompt and effective action to resolve a breach, notifying scheme members where appropriate and

**the wider implications of the breach** - e.g. where a breach has occurred due to lack of knowledge or poor systems and processes making it more likely that other breaches will emerge in the future.

9.2 When deciding whether to report, those responsible should consider these points together. Reporters should take into account expert or professional advice, where appropriate, when deciding whether the breach is likely to be of material significance to the Regulator.

9.3 When deciding whether a breach is of material significance, those responsible should consider other reported and unreported breaches of which they are aware. However, historical information should be considered with care, particularly if changes have been made to address previously identified problems.

9.4 The decision tree provides a “traffic light” system of categorising an identified breach and has been provided by the Regulator in the form of additional guidance:

**Green** – not caused by dishonesty, poor governance or a deliberate contravention of the law and its effect is not significant and a plan is in place to rectify the situation. In such cases the breach may not be reported to the Regulator but should be recorded in the Pension Services breaches log

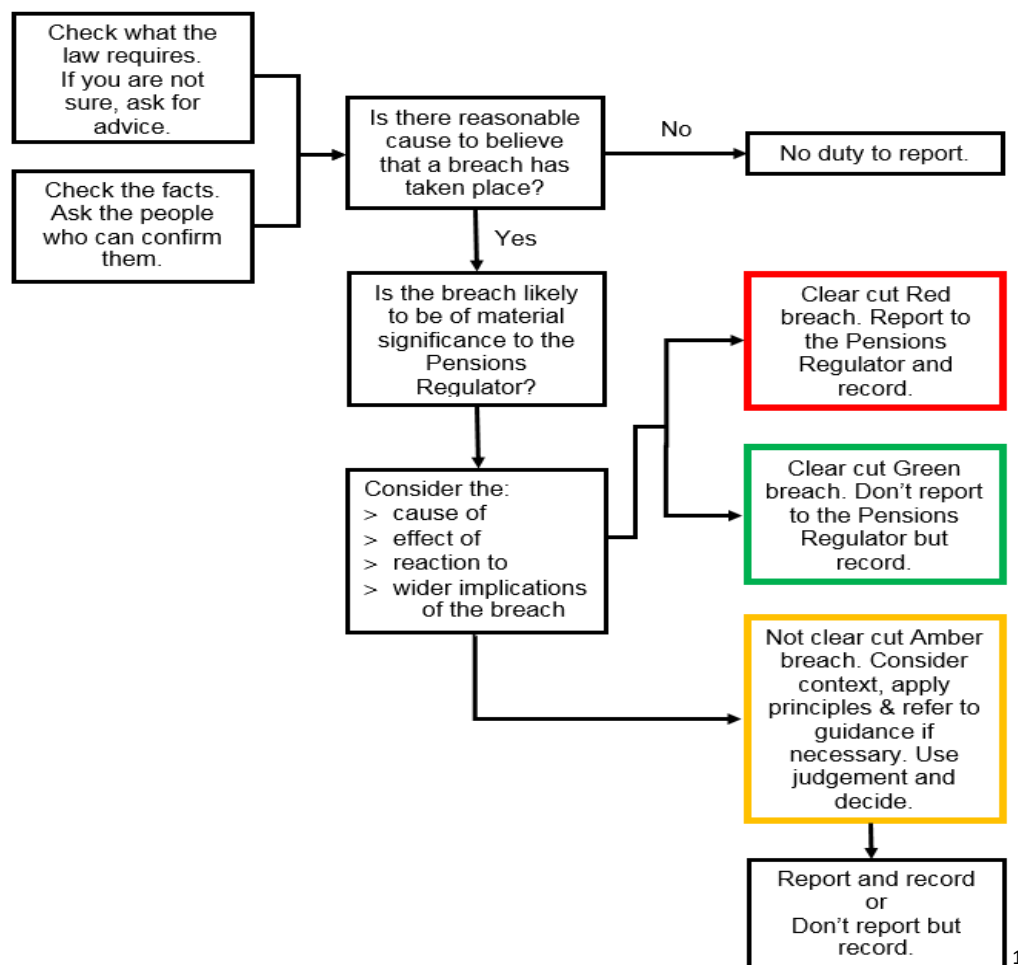
**Amber** – does not fall easily into either green or red and requires further investigation in order to determine what action to take. Consideration of other recorded breaches may also be relevant in determining the most appropriate course of action. The Head of Pensions will need to decide whether to informally alert the Regulator of the breach or likely breach, formally reporting the breach if it is subsequently decided to categorise the breach as red

**Red** - caused by dishonesty, poor governance or a deliberate contravention of the law and having a significant impact, even where a plan is in place to rectify the situation. The Head of Pensions must ensure all such breaches are reported to the Regulator in all cases

It should be noted that failure to report a significant breach or likely breach is likely, in itself, to be a significant breach.

9.5 Northamptonshire Pension Fund will use the Pension Regulators traffic light framework as a means of identifying whether any breach is to be considered as materially significant and a reportable event.

- 9.6 Once a breach or likely breach has been identified, regardless of whether it needs to be reported to the Regulator, the Governance and Regulations Manager, in consultation with the Head of Pensions must review the circumstances of the breach in order to understand why it occurred, the consequences of the breach and agree the corrective measures required to prevent re-occurrence, including an action plan where necessary.
- 9.7 Significant breaches must also be reported to the Section 151 officer and Chair of the Pension Committee and Local Pension Board, or in the absence of the Chair, the respective Vice Chair, and full details are to be submitted at the next available meeting. A decision tree should be used as a tool for determining whether a breach is significant as below:



- 9.8 Reporters need to take care to consider the effects of the breach, including any other breaches occurring as a result of the initial breach and the effects of those resulting breaches.
- 9.9 Where prompt and effective action is taken to investigate and correct the breach and its causes and, where appropriate, notify any affected members, the Pensions Regulator will not normally consider this to be materially significant.
- 9.10 A breach is likely to be of concern and material significance to the Pensions Regulator where a breach has been identified and those involved:
- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence
  - are not pursuing corrective action to a proper conclusion and

<sup>1</sup> Source: The Pensions Regulator (TPR) website

- fail to notify affected scheme members where it would have been appropriate to do so.

## 10. Guidance on reporting a breach to the Pensions Regulator

- 10.1 Before submitting a report responsible officers should obtain clarification of the law around the suspected breach via an appropriate method. A judgement would need to be made on whether the Regulator would regard the breach as being material.
- 10.2 Some matters could be urgent, if for example a fraud is imminent, whilst others will be less so. Non-urgent but material breaches should be reported to the Regulator within 30 working days of them being confirmed, and in the same time breaches that are not material should be recorded.
- 10.3 Some breaches could be so serious that they must always be reported, for example a theft of funds by anyone involved with the administration or management of the Fund. It is difficult to be definitive about what constitutes a breach that must always be reported, as a rule of thumb if a breach may lead to criminal prosecution or a serious loss in public confidence it is deemed that this type of breach that must always be reported.
- 10.4 The preferred methods of reporting for the Northamptonshire Pension Fund are via the Pensions Regulator exchange portal or via email, however, reports can also be submitted by post or by fax.
- 10.5 Any report that is made (which must be in writing and made as soon as reasonably practicable) should be dated and include as a minimum:
- full name of the Fund
  - description of the breach or breaches
  - any relevant dates
  - name of the employer or scheme manager (where known)
  - name, position and contact details of the reporter and
  - role of the reporter in relation to the Fund

Additional information that would assist the Pensions Regulator would include, the reason the breach is thought to be of material significance; the address of the Fund; the pension scheme's registry number; and whether the concern has been reported before.

- 10.6 Reporters should mark urgent reports as such and draw attention to matters they consider particularly serious. They can precede a written report with a telephone call, if the matter requires an urgent acknowledgement to ensure it will be dealt with promptly .
- 10.7 Reporters should ensure they receive an acknowledgement for any report they send to the Regulator. Only when they receive an acknowledgement can the reporter be confident that the Regulator has received their report.
- 10.8 The Regulator will acknowledge all reports within five working days of receipt, however it will not generally keep the reporter informed of the steps taken in response to a report of a breach as there are restrictions on the information it can disclose. The reporter should provide further information or reports of further breaches if this may help the Regulator to exercise its functions. The Regulator may make contact to request further information.

- 10.9 Breaches should be reported as soon as reasonably practicable, which will depend on the circumstances. In particular, the time taken should reflect the seriousness of the suspected breach.
- 10.10 In cases of immediate risk to the Fund, for instance, where there is any indication of dishonesty, the Regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert the Regulator to the breach.

**11. Process for reporting and recording material and non-material breaches within Northamptonshire Pension Fund**

11.1 The following table details the process for reporting material and non-material breaches –

<b>Type of Breach</b>	<b>Timescale for reporting</b>	<b>Internal actions</b>	<b>Further actions</b>
<b>Urgent and Material</b>	Responsible officer informs Head of Pensions and Governance team, the breach is reported immediately to the Pensions Regulator.	Governance team to keep record of breach and investigate options to prevent further occurrence. The Governance team will also liaise with the Pension Regulator where applicable to come to a satisfactory resolution.	These breaches must also be reported to the Section 151 Officer, Chairs of both the Pension Committee and Local Pension Board, with full details to be submitted at the next available meeting for members.
<b>Non urgent and material</b>	Responsible officer informs Head of Pensions and Governance team, the breach is reported within 30 days to the Pensions Regulator.	Governance team to keep record of breach and investigate options to prevent further occurrence.	Report non urgent and material breach at next Pension Committee/Pension Board meeting.
<b>Immaterial</b>	Responsible officer informs Head of Pensions and governance team within 30 days.	Governance team to keep record of breach and investigate options to prevent further occurrence.	Report immaterial breach at next Pension Committee/Pension Board meeting.



## **12. The Pensions Regulator's response to a report of a breach of the law**

The Regulator has discretion over whether to take action and if so what action to take. The decision will depend upon the breach and the circumstances surrounding it. There are a number of measures the Regulator can take, including the following –

- assisting or instructing the Fund to achieve compliance
- providing education or guidance
- imposing fines where appropriate

## **13. Failure to report**

13.1 Failure to comply with the obligation imposed by the requirement to report breaches of the law without 'reasonable excuse' is a civil offence. In order to establish whether the reporter has a reasonable excuse for not reporting as required or for reporting later than expected, the Regulator will look at the following factors –

- the legislation, case law, the code of practice and associated guidance
- the role of the reporter in relation to the scheme
- the training provided to the individual, and the level of knowledge it would be reasonable to expect the individual to have
- the procedures put in place to identify and evaluate breaches and whether the procedures have been adhered to
- the seriousness of the breach
- any reasons for the delay in reporting

13.2 If a civil penalty is being considered, directly affected parties will receive a warning notice identifying the alleged breach and specifying the relevant function. The Regulator in addition may find it appropriate to make a complaint to the Administering Authority.

## **14. Whistleblowing protection and confidentiality**

14.1 The Pensions Act 2004 makes clear that the statutory duty to report overrides any other duties the reporter may have such as confidentiality and that any such duty is not breached by making a report. The Regulator understands the potential impact of a report on relationships, for example, between an employee and their employer.

14.2 The statutory duty to report does not, however, override legal privilege. This means that oral and written communications between a professional legal adviser and their client, or a person representing that client, while obtaining legal advice, do not have to be disclosed. Where appropriate a legal adviser will be able to provide further information on this.

14.3 The Regulator will do its best to protect the reporter's identity (if desired) and will not disclose the information except where lawfully required to do so. It will take all reasonable steps to maintain confidentiality, but it cannot give any categorical assurances as the circumstances may mean that disclosure of the reporter's identity becomes unavoidable in law. This includes circumstances where the regulator is ordered by a court to disclose it.

14.4 The Employment Rights Act 1996 (ERA) provides protection for employees making a whistleblowing disclosure to the regulator. Consequently, where individuals employed by firms or another organisation having a statutory duty to report disagree with a decision not to report to the regulator, they may have protection under the ERA if they make an individual report in

good faith. The Regulator expects such individual reports to be rare and confined to the most serious cases.

In all cases, the Regulator expects reporters to act conscientiously and honestly, and to take account of expert or professional advice where appropriate.

## 15. Training

- 15.1 The Head of Pensions will ensure that all relevant Officers, Pension Committee members and Local Pension Board members receive relevant signposting to this policy and provide appropriate training as required.

## 16. Contact details

- |      |  |  |
|------|--|--|
| 16.1 | The Pensions Regulator<br>Napier House<br>Trafalgar Place<br>Brighton<br>BN1 4DW<br>0345 6000707<br><a href="mailto:customersupport@tpr.gov.uk">customersupport@tpr.gov.uk</a> | Mark Whitby<br>Head of Pensions<br>One Angel Square<br>Angel Street<br>NN1 1ED<br><a href="mailto:mark.whitby@westnorthants.gov.uk">mark.whitby@westnorthants.gov.uk</a> |
|------|--|--|

## 17. Further guidance

Section 70(1) and 70(2) of the Pensions Act 2004:

[www.legislation.gov.uk/ukpga/2004/35/contents](http://www.legislation.gov.uk/ukpga/2004/35/contents)

Employment Rights Act 1996:

[www.legislation.gov.uk/ukpga/1996/18/contents](http://www.legislation.gov.uk/ukpga/1996/18/contents)

Occupational and Personal Pension Schemes (Disclosure of Information)

Regulations 2013 (Disclosure Regulations):

[www.legislation.gov.uk/uksi/2013/2734/contents/made](http://www.legislation.gov.uk/uksi/2013/2734/contents/made)

Public Service Pension Schemes Act 2013:

[www.legislation.gov.uk/ukpga/2013/25/contents](http://www.legislation.gov.uk/ukpga/2013/25/contents)

Local Government Pension Scheme Regulations (various):

<http://www.lgpsregs.org/timelineregs/Default.html>(pre 2014 schemes)

<http://www.lgpsregs.org/index.php/regs-legislation>(2014 scheme)

The Pensions Regulator's Code of Practice:

<http://www.thepensionsregulator.gov.uk/doc-library/codes.aspx>

## Appendix 1 - Examples of breaches, but not limited to -

### Example 1

An employer is late in paying over employee and employer contributions, and so late that it is in breach of the statutory period for making such payments. It is contacted by officers from the administering authority, it immediately pays the moneys that are overdue, and it improves its procedures so that in future contributions are paid over on time. In this instance there has been a breach but members have not been adversely affected and the employer has put its house in order regarding future payments. The breach is therefore not material to the Regulator and need not be reported.

### Example 2

A large employer is late in submitting its statutory year-end return of pay and contributions in respect of each of its active members and as such it is in breach. Despite repeated reminders it still does not supply its year-end return. Because the administering authority does not have the year-end data it is unable to supply, by 31 August, annual benefit statements to the employer's members. In this instance there has been a breach which *is* relevant to the Regulator, in part because of the employer's failures, in part because of the enforced breach by the administering authority, and also because members are being denied their annual benefits statements.

### Example 3

A member of the Pension Committee owns a property; a report is made about a possible investment by the Fund, in the same area in which the member's property is situated. The member supports the investment but does not declare an interest and is later found to have materially benefitted when the Fund's investment proceeds. In this case a material breach has arisen, not because of the conflict of interest, but rather because the conflict was not reported.

### Example 4

A pension overpayment is discovered and thus the administering authority has failed to pay the right amounts to the right person at the right time. A breach has therefore occurred. The overpayment is however for a modest amount and the pensioner could not have known that (s) he was being overpaid. The overpayment is therefore waived. In this case there is no need to report the breach as it is not material.

### Example 5

Several overpayments are discovered and thus the administering authority has failed to pay the right amounts to the individuals concerned due to a process failure. The administering authority has failed to put a process in place to avoid reoccurrence and the combined amount is significant. In this instance there has been a breach which *is* relevant to the Regulator, in part because of the authority's failure to implement a new/improved process and in part because of the enforced breach by the administering authority.

## Appendix 2 - Examples of Scheme Disclosures

Any deadline not achieved under the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 is classed as a breach of the law, it is the responsibility of Northamptonshire Pension Fund to assess whether these are likely to be of material significance to the Pensions Regulator.

The table below sets out some of the key disclosure requirements that schemes must satisfy so that they do not breach the disclosure regulations –

<b>Information</b>	<b>Requirement</b>
Provision of basic scheme information to a prospective member	Within one month of the scheme receiving their job holder information. If no such information has been received, within two months of them joining the scheme.
Provision of scheme's annual report	Within two months of the request being received.
Benefit statements for benefits other than Defined Contribution	Within two months of the request being received.
Provision of summary funding statements	Within a reasonable period (normally three months) after the last date on which the scheme is legally required to obtain an actuarial valuation.
Provision of information on death of a member	Within two months of the scheme being notified of the death.
Rights and options to be provided to early leavers	Within 2 months after being notified by the member or their employer that active membership has ceased.

### Appendix 3 - Other matters that are likely to be of material significance to the Pensions Regulator

The below table demonstrates matters that the Pension Regulator is likely to deem of material significance in regard to Northamptonshire Pension Fund meeting its statutory objectives –

Pension Committee and Pension Board members not having the appropriate degree of knowledge and understanding, which may result in the Committee/Board not fulfilling its role, the Fund not being properly governed and administered.
Pension Committee and Pension Board members having a conflict of interest, which may result in them being prejudiced in the way that they carry out their role.
Adequate internal controls not being established and operated, which may lead to the Fund not being run in accordance with the Scheme's Regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the Fund at the right time.
Accurate information about benefits and Scheme administration not being provided to Scheme members and others, which may result in members not being able to effectively plan or make decisions about their retirement.
Appropriate records not being maintained, which may result in member benefits being calculated incorrectly and/or not being paid to the right person at the right time.
Anyone involved with the administration or management of the Fund misappropriating any of its assets, or being likely to do so, which may result in assets not being safeguarded.
Any other breach which may result in the Fund being poorly governed, managed or administered.

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Reporting Breaches of the  
Law to the Pensions  
Regulator Policy  
2022<sup>18</sup>

## Contents

~~Page~~

<del>1.</del> Introduction .....	<del>3</del>
<del>2.1.</del>	
<del>3.</del> Policy Objectives .....	<del>3</del>
<del>4.2.</del>	
<del>5.</del> Purpose of the policy .....	<del>3</del>
<del>6.3.</del>	
<del>7.</del> Effective date .....	<del>3</del>
<del>8.4.</del>	
<del>9.</del> Review .....	<del>4</del>
<del>10.5.</del>	
<del>11.</del> Scope .....	<del>4</del>
<del>12.6.</del>	
<del>13.</del> Legal Requirements .....	<del>4</del>
<del>14.7.</del>	
<del>15.</del> Reasonable Cause .....	<del>4</del>
<del>16.8.</del>	
<del>17.</del> Material Significance .....	<del>5</del>
<del>18.9.</del>	
<del>19.</del> Guidance on Reporting a breach to the Pensions Regulator .....	<del>7</del>
<del>20.10.</del>	
<del>21.11.</del> Process for reporting and recording material and non-material breaches within Northamptonshire Pension Fund .....	<del>8</del>
<del>12.</del> The Pensions Regulator's response to a report of a breach of the law .....	<del>9</del>



<del>22.</del> Failure to report .....	<del>9</del>
<del>13.</del>	
<del>23.</del> 14. Whistle blowing protection and confidentiality	
.....	<del>9</del>
15 Training .....	10
.....	10
16. Contact details .....	10
.....	10
17. Further Guidance .....	10
.....	10
Appendix 1 – Examples of breaches .....	11
.....	12
Appendix 2 – Examples of Scheme Disclosures .....	
.....	<del>12</del>
Appendix 3 – Other matters that are likely to be of material significance to the Pensions Regulator .....	13
.....	14

## **1. Introduction**

### **1. Introduction**

- 1.1 This is the Reporting Breaches of the Law to the Pension Regulator Policy of Northamptonshire Pension Fund managed by Northamptonshire County Council (the Administering Authority).
- 1.2 In April 2015 the Pensions Regulator (the Regulator) published its Code of Practice no 14 (the Code) Governance and administration of public service pension schemes. The code refers both to statutory duty as well as advisory and practitioners have a duty to follow the code in reporting breaches of the law.
- 1.3 There are many and various laws relating to the Local Government Pension Scheme, with many and various people having a statutory duty to report material breaches of the law to the Regulator. To assist, the Code states that a procedure should be established to ensure that those with a responsibility to make reports are able to meet their legal obligations. This document is that procedure, which relates to all of the Fund's areas of operation.

## **2. Policy Objectives 2. Policy Objectives**

- 2.1 The Funds' objectives related to this policy are as follows:

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

~~To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies; and~~

~~Ensure the Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.~~

## **3. Purpose of the Policy**

### **3. Purpose of the policy**

- 3.1 The purpose of the policy is to –

- Ensure individuals have the correct understanding and necessary skills to be able to identify and report breaches as they arise;
- 
- Ensure that stakeholders of the Funds are given appropriate information in order to understand the consequences of a breach; and
- 
- Ensure adequate procedures are in place to fully comply with the Code of Practice.

#### ~~4.~~ 4. Effective date

4.1 This policy was first approved by the Pension Committee on 23 October 2015 and has been subject to the following reviews: ~~the policy was reviewed and revised with effect from xx.~~

<u>Date of review</u>	<u>Effective Date</u>	<u>Type of review</u>
<u>12 October 2018</u>	<u>13 October 2018</u>	<u>Full review</u>

#### ~~5.~~ 5. Review

#### ~~5.~~ Review

5.1 This Policy on Reporting Breaches of the law to the Pensions Regulator is expected to be appropriate for the long-term but it will be reviewed every 2 years to ensure it remains accurate and relevant.

#### ~~6.~~ 6. Scope

#### ~~6.~~ Scope

~~6.1~~ ~~6.1~~ The policy applies to:

#### 6.26.1

- officers of the Fund
  - members of the Pension Committee
  - members of the Pension Board
  - employers of the Fund
  - service providers
  - relevant stakeholders and
  - professional advisors.
- ~~officers of the Funds;~~  
~~members of the Pension Committees;~~  
~~members of the Pension Boards;~~  
~~employers of the Funds;~~

- ~~relevant stakeholders; and~~
- ~~professional advisors.~~

## ~~7. Legal Requirements~~ **7. Legal Requirements**

7.1 Individuals (as identified in paragraph 6) are required to report breaches of the law to the Regulator where they have reasonable cause to believe that:

- a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with and
- the failure to comply is likely to be of material significance to the Regulator in the exercise of any of its functions.

~~a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with; and~~

~~the failure to comply is likely to be of material significance to the Regulator in the exercise of any of its functions.~~

## ~~8. Reasonable Cause~~ **8. Reasonable Cause**

8.1 Having 'reasonable cause' to believe that a breach has occurred means more than merely having a suspicion that cannot be substantiated.

8.2 Checks need to be made in order to ensure a breach has occurred and that the report is not made on suspicion alone. If an individual does not feel they can be 100% certain of a breach it would be prudent to discuss the case with a senior colleague or advisor to the Fund, however if the suspicion is around theft, fraud or other serious offences where discussions may alert the those implicated or impede the actions of the police or a regulatory authority, the reporter should go to the Regulator directly and at the earliest opportunity.

8.3 In establishing whether there is reasonable cause to believe that a breach has occurred, it is not necessary for ~~the~~ reporter to gather all the evidence which the Regulator may require before taking legal action particularly if it is a significantly material breach. A delay in reporting may exacerbate or increase the risk of the breach.

8.4 If the reporter is unclear about the relevant legal provision, they should clarify their understanding of the law to the extent necessary to form a view.

## 9. Material Significance 9. Material Significance

9.1 In deciding whether a breach is likely to be of material significance to the Regulator, it would be advisable for the reporter to consider the:

**cause of the breach** - e.g. dishonesty, poor governance, incomplete or inaccurate information, acting or failing to act in contravention of the law;

**effect of the breach** - does the nature of the breach lead to an increased likelihood of further material breaches. Is it likely to cause, for example; ineffective internal controls, lack of knowledge and understanding, inaccurate records, potential for further breaches occurring;

**reaction to the breach** - e.g. taking prompt and effective action to resolve a breach, notifying scheme members where appropriate; and

**the wider implications of the breach** - e.g. where a breach has occurred due to lack of knowledge or poor systems and processes making it more likely that other breaches will emerge in the future.

9.2 When deciding whether to report, those responsible should consider these points together. Reporters should take into account expert or professional advice, where appropriate, when deciding whether the breach is likely to be of material significance to the Regulator.

9.3 When deciding whether a breach is of material significance, those responsible should consider other reported and unreported breaches of which they are aware. However, historical information should be considered with care, particularly if changes have been made to address previously identified problems.

9.4 The decision tree provides a “traffic light” system of categorising an identified breach and has been provided by the Regulator in the form of additional guidance:

**Green** – not caused by dishonesty, poor governance or a deliberate contravention of the law and its effect is not significant and a plan is in place to rectify the situation. In such cases the breach may not be reported to the Regulator, but should be recorded in the ~~LGSS~~-Pension ~~Services~~ breaches log;

**Amber** – does not fall easily into either green or red and requires further investigation in order to determine what action to take. Consideration of other recorded breaches may also be relevant in determining the most appropriate course of action. The Head of Pensions administering authority will need to decide whether to informally alert the Regulator of the breach or likely breach, formally reporting the breach if it is subsequently decided to categorise the breach as red;

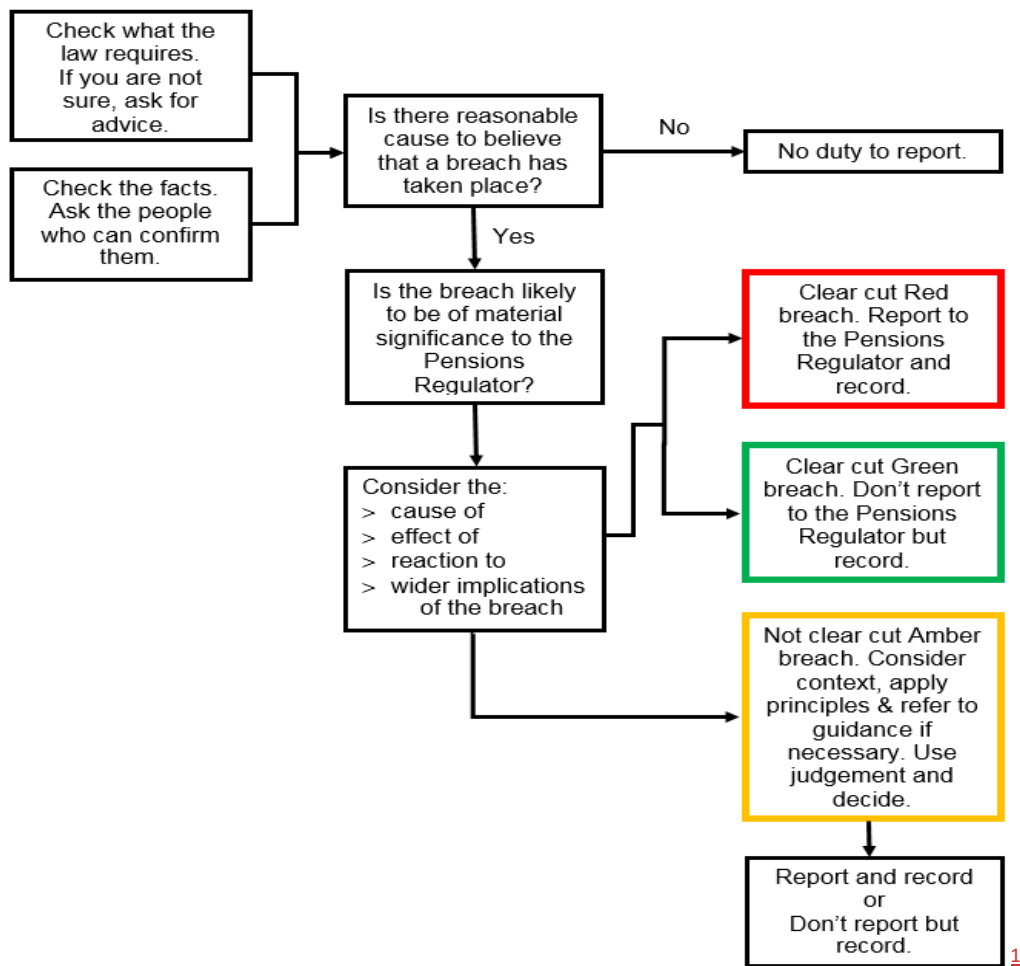
**Red** - caused by dishonesty, poor governance or a deliberate contravention of the law and having a significant impact, even where a plan is in place to rectify the situation. The Head of Pensions administering authority must ~~ensure~~report all such breaches are reported to the Regulator in all cases;

It should be noted that failure to report a significant breach or likely breach is likely, in itself, to be a significant breach.

9.5 Northamptonshire Pension Fund will use the Pension Regulator's traffic light framework decision tree as a means of identifying whether any breach is to be considered as materially significant and ~~also report~~able event.~~ed to the Pensions Regulator.~~

9.6 Once a breach or likely breach has been identified, regardless of whether it needs to be reported to the Regulator, the Governance and Regulations Manager, in consultation with the Head of Pensions must review the circumstances of the breach in order to understand why it occurred, the consequences of the breach and agree the corrective measures required to prevent re-occurrence, including an action plan where necessary.

9.7 Significant breaches must also be reported to the Section 151 officer ~~and~~, Chair~~men~~ of the Pension Committee and Local Pension Board, or in the absence of the Chair, the respective Vice Chair, -and full details are~~report~~ to be submitted at the next available meeting. A decision tree should be used as a tool for determining whether a breach is significant as below: ~~for members.~~



9.8 Reporters need to take care to consider the effects of the breach, including any other breaches occurring as a result of the initial breach and the effects of those resulting breaches.

9.9 Where prompt and effective action is taken to investigate and correct the breach and its causes and, where appropriate, notify any affected members, the Pensions Regulator will not normally consider this to be materially significant.

9.10 A breach is likely to be of concern and material significance to the Pensions Regulator where a breach has been identified and those involved:

- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence;
- are not pursuing corrective action to a proper conclusion; and
- fail to notify affected scheme members where it would have been appropriate to do so.

<sup>1</sup> Source: [The Pensions Regulator \(TPR\) website](#)

## ~~10. Guidance on reporting a breach to the Pensions Regulator 10.— Guidance on reporting a breach to the Pensions Regulator~~

- 10.1 Before submitting a report responsible officers should obtain clarification of the law around the suspected breach via an appropriate method. A judgement would ~~needs~~ to be made on whether the Regulator would regard the breach as being material.
- 10.2 Some matters could be urgent, if for example a fraud is imminent, whilst others will be less so. Non-urgent but material breaches should be reported to the Regulator within 30 working days of them being confirmed, and in the same time breaches that are not material should be recorded.
- 10.3 Some breaches could be so serious that they must always be reported, for example a theft of funds by anyone involved with the administration or management of the Fund. It is difficult to be definitive about what constitutes a breach that must always be reported, as a rule of thumb if a breach may lead to criminal prosecution or a serious loss in public confidence it is deemed that this type of breach that must always be reported.

### 10.4 The preferred methods of reporting for the Northamptonshire Pension Fund are via the Pensions Regulator exchange portal or via email, however, reports can also be submitted by post or by fax.

- 10.54 Any report that is made (which must be in writing and made as soon as reasonably practicable) should be dated and include as a minimum:

- ~~full name of the Fund;~~
- ~~\_\_\_\_\_~~
- ~~description of the breach or breaches;~~
- ~~\_\_\_\_\_~~
- ~~any relevant dates;~~
- ~~\_\_\_\_\_~~
- ~~name of the employer or scheme manager (where known);~~
- ~~\_\_\_\_\_~~
- ~~name, position and contact details of the reporter, and~~
- ~~\_\_\_\_\_~~
- ~~role of the reporter in relation to the Fund.~~

Additional information that would assist the Pensions Regulator would include, the reason the breach is thought to be of material significance ~~to the Regulator~~; the address of the Fund; the pension scheme's registry number; and whether the concern has been reported before.



- 10.65 Reporters should mark urgent reports as such and draw attention to matters they consider particularly serious. They can precede a written report with a telephone call, if the matter requires an urgent acknowledgement to ensure it will be dealt with promptly if appropriate.
- 10.76 Reporters should ensure they receive an acknowledgement for any report they send to the Regulator. Only when they receive an acknowledgement can the reporter be confident that the Regulator has received their report.
- 10.87 The Regulator will acknowledge all reports within five working days of receipt, however it will not generally keep athe reporter informed of the steps taken in response to a report of a breach as there are restrictions on the information it can disclose. The reporter should provide further information or reports of further breaches if this may help the Regulator to exercise its functions. The Regulator may make contact to request further information.
- 10.98 Breaches should be reported as soon as reasonably practicable, which will depend on the circumstances. In particular, the time taken should reflect the seriousness of the suspected breach.
- 10.109 In cases of immediate risk to the Fund, for instance, where there is any indication of dishonesty, the Regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert the Regulator to the breach.

**11. Process for reporting and recording material and non-material breaches within Northamptonshire Pension Fund 11. ~~Process for reporting and recording material and non-material breaches within Northamptonshire Pension Fund.~~**

11.1 The following table details the process for reporting material and non-material breaches –

<u>Type of Breach</u>	<u>Timescale for reporting</u>	<u>Internal actions</u>	<u>Further actions</u>
<u>Urgent and Material</u>	<u>Responsible officer informs Head of Pensions and Governance team, the breach is reported</u>	<u>Governance team to keep record of breach and investigate options to prevent further occurrence. The</u>	<u>These breaches must also be reported to the Section 151 Officer, Chairs of both the Pension Committee and Local Pension</u>

	<u>immediately to the Pensions Regulator.</u>	<u>Governance team will also liaise with the Pension Regulator where applicable to come to a satisfactory resolution.</u>	<u>Board, with full details to be submitted at the next available meeting for members.</u>
<b><u>Non urgent and material</u></b>	<u>Responsible officer informs Head of Pensions and Governance team, the breach is reported within 30 days to the Pensions Regulator.</u>	<u>Governance team to keep record of breach and investigate options to prevent further occurrence.</u>	<u>Report non urgent and material breach at next Pension Committee/Pension Board meeting.</u>
<b><u>Immaterial</u></b>	<u>Responsible officer informs Head of Pensions and governance team within 30 days.</u>	<u>Governance team to keep record of breach and investigate options to prevent further occurrence.</u>	<u>Report immaterial breach at next Pension Committee/Pension Board meeting.</u>

Type of Breach	Timescale for reporting	Internal actions	Further actions
<b>Urgent and Material</b>	Responsible officer informs head of pensions and governance team, the breach is reported immediately to the Pensions Regulator.	Governance team to keep record of breach and investigate options to prevent further occurrence. The Governance team will also liaise with the Pension Regulator where applicable to come to a satisfactory resolution.	These breaches must also be reported to the Section 151 Officer, Chairmen of both the Pension Committee and Local Pension Board, with a full report to be submitted at the next available meeting for members.
<b>Non urgent and material</b>	Responsible officer informs head of pensions and governance team, the breach is reported within 30 days to the Pensions Regulator.	Governance team to keep record of breach and investigate options to prevent further occurrence.	Report non urgent and material breach at next Pension Committee/Pension Board meeting.
<b>Immaterial</b>	Responsible officer informs head of pensions and governance team within 30 days.	Governance team to keep record of breach and investigate options to prevent further occurrence.	Report immaterial breach at next Pension Committee/Pension Board meeting.

## **12. The Pensions Regulator’s response to a report of a breach of the law**

The Regulator has discretion over whether to take action and if so what action to take. The decision will depend upon the breach and the circumstances surrounding it. There are a number of measures the Regulator can take, including the following –

- assisting or instructing the Fund to achieve compliance
- providing education or guidance
- imposing fines where appropriate

## **13. Failure to report**

13.1 Failure to comply with the obligation imposed by the requirement to report breaches of the law without ‘reasonable excuse’ is a civil offence. In order to establish whether the reporter has a reasonable excuse for not reporting as required or for reporting later than expected, the Regulator will look at the following factors –

- the legislation, case law, the code of practice and associated guidance
- the role of the reporter in relation to the scheme
- the training provided to the individual, and the level of knowledge it would be reasonable to expect the individual to have
- the procedures put in place to identify and evaluate breaches and whether the procedures have been adhered to
- the seriousness of the breach
- any reasons for the delay in reporting

13.2 If a civil penalty is being considered, directly affected parties will receive a warning notice identifying the alleged breach and specifying the relevant function. The Regulator in addition may find it appropriate to make a complaint to the Administering Authority.

## 14. Whistleblowing protection and confidentiality ~~12. Whistle blowing protection and confidentiality~~

~~14.2.1~~ The Pensions Act 2004 makes clear that the statutory duty to report overrides any other duties ~~the~~ reporter may have such as confidentiality and that any such duty is not breached by making a report. The Regulator understands the potential impact of a report on relationships, for example, between an employee and their employer.

~~14.2.2~~ The statutory duty to report does not, however, override legal privilege. This means that oral and written communications between a professional legal adviser and their client, or a person representing that client, while obtaining legal advice, do not have to be disclosed. Where appropriate a legal adviser will be able to provide further information on this.

~~14.2.3~~ The Regulator will do its best to protect ~~the~~ reporter's identity (if desired) and will not disclose the information except where lawfully required to do so. It will take all reasonable steps to maintain confidentiality, but it cannot give any categorical assurances as the circumstances may mean that disclosure of the reporter's identity becomes unavoidable in law. This includes circumstances where the regulator is ordered by a court to disclose it.

12.4 The Employment Rights Act 1996 (ERA) provides protection for employees making a whistleblowing disclosure to the regulator. Consequently, where individuals employed by firms or another organisation having a statutory duty to report disagree with a decision not to report to the regulator, they may have protection under the ERA if they make an individual report in good faith. The Regulator expects such individual reports to be rare and confined to the most serious cases.

In all cases, the Regulator expects reporters to act conscientiously and honestly, and to take account of expert or professional advice where appropriate.

## 15. Training ~~13. Training~~

~~15.3.1~~ The Head of Pensions will ensure that all relevant Officers, Pension Committee members and Local Pension Board members receive relevant signposting to this policy and provide appropriate training as required.

~~14. Contact details~~

~~16. Contact details~~

<del>16.1</del> The Pensions Regulator	<del>Mark Whitby</del>
<del>Napier House</del>	<del>Head of Pensions</del>
<del>Trafalgar Place</del>	<del>One Angel Square</del>
<del>Brighton</del>	<del>Angel Street</del>
<del>BN1 4DW</del>	<del>NN1 1ED</del>
<del>0345 6000707</del>	
<del>customersupport@tpr.gov.uk</del>	<del>mark.whitby@westnorthants.gov.uk</del>

~~14.1 The Pensions Regulator~~

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~~17. Further guidance 14.2 Mark Whitby~~

~~Head of Pensions~~

~~One Angel Square~~

~~Angel Street~~

~~NN1 1ED~~

~~E-mail mwhitby@northamptonshire.gov.uk~~

~~15. Further guidance~~

Section 70(1) and 70(2) of the Pensions Act 2004:  
[www.legislation.gov.uk/ukpga/2004/35/contents](http://www.legislation.gov.uk/ukpga/2004/35/contents)

Employment Rights Act 1996:

[www.legislation.gov.uk/ukpga/1996/18/contents](http://www.legislation.gov.uk/ukpga/1996/18/contents)

Occupational and Personal Pension Schemes (Disclosure of Information)  
Regulations 2013 (Disclosure Regulations):

[www.legislation.gov.uk/uksi/2013/2734/contents/made](http://www.legislation.gov.uk/uksi/2013/2734/contents/made)

Public Service Pension Schemes Act 2013:

[www.legislation.gov.uk/ukpga/2013/25/contents](http://www.legislation.gov.uk/ukpga/2013/25/contents)

Local Government Pension Scheme Regulations (various):

<http://www.lgpsregs.org/timelineregs/Default.html>(pre 2014 schemes)

<http://www.lgpsregs.org/index.php/regs-legislation>(2014 scheme)

The Pensions Regulator's Code of Practice:

<http://www.thepensionsregulator.gov.uk/doc-library/codes.aspx>

### **Example 1**

An employer is late in paying over employee and employer contributions, and so late that it is in breach of the statutory period for making such payments. It is contacted by officers from the administering authority, it immediately pays the moneys that are overdue, and it improves its procedures so that in future contributions are paid over on time. In this instance there has been a breach but members have not been adversely affected and the employer has put its house in order regarding future payments. The breach is therefore not material to the Regulator and need not be reported.

### **Example 2**

A large employer is late in submitting its statutory year-end return of pay and contributions in respect of each of its active members and as such it is in breach. Despite repeated reminders it still does not supply its year-end return. Because the administering authority does not have the year-end data it is unable to supply, by 31 August, annual benefit statements to the employer's members. In this instance there has been a breach which *is* relevant to the Regulator, in part because of the employer's failures, in part because of the enforced breach by the administering authority, and also because members are being denied their annual benefits statements.

### **Example 3**

A member of the Pension Committee owns a property; a report is made about a possible investment by the Fund, in the same area in which the member's property is situated. The member supports the investment but does not declare an interest and is later found to have materially benefitted when the Fund's investment proceeds. In this case a material breach has arisen, not because of the conflict of interest, but rather because the conflict was not reported.

### **Example 4**

A pension overpayment is discovered and thus the administering authority has failed to pay the right amounts to the right person at the right time. A breach has therefore occurred. The overpayment is however for a modest amount and the pensioner could not have known that (s) he was being overpaid. The overpayment is therefore waived. In this case there is no need to report the breach as it is not material.

### **Example 5**

Several overpayments are discovered and thus the administering authority has failed to pay the right amounts to the individuals concerned due to a process failure. The administering authority has failed to put a process in place to avoid reoccurrence and the combined amount is significant. In this instance there has been a breach which *is* relevant to the Regulator, in part because of

the authority's failure to implement a new/improved process and in part because of the enforced breach by the administering authority.



## Appendix 2 - Examples of Scheme Disclosures

### ~~Appendix 2 – Examples of Scheme Disclosures~~

Any deadline not achieved under the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 is classed as a breach of the law, it is the responsibility of Northamptonshire Pension Fund to assess whether these are likely to be of material significance to the Pensions Regulator.

The table below sets out some of the key disclosure requirements that schemes must satisfy so that they do not breach the disclosure regulations –

<b>Information</b>	<b>Requirement</b>
Provision of basic scheme information to a prospective member	Within one month of the scheme receiving their job holder information. If no such information has been received, within two months of them joining the scheme.
Provision of scheme's annual report	Within two months of the request being received.
Benefit statements for benefits other than Defined Contribution	Within two months of the request being received.
Provision of summary funding statements	Within a reasonable period (normally three months) after the last date on which the scheme is legally required to obtain an actuarial valuation.
Provision of information on death of a member	Within two months of the scheme being notified of the death.
Rights and options to be provided to early leavers	Within 2 months after being notified by the member or their employer that active membership has ceased.

**Appendix 3 - Other matters that are likely to be of material significance to the Pensions Regulator**

**~~Appendix 3 – Other matters that are likely to be of material significance to the Pensions Regulator~~**

The below table demonstrates matters that the Pension Regulator is likely to deem of material significance ~~in regards to~~ in regard to Northamptonshire Pension Fund meeting its statutory objectives –

Pension Committee and Pension Board members not having the appropriate degree of knowledge and understanding, which may result in the Committee/Board not fulfilling its role, the Fund not being properly governed and administered.
Pension Committee and Pension Board members having a conflict of interest, which may result in them being prejudiced in the way that they carry out their role.
Adequate internal controls not being established and operated, which may lead to the Fund not being run in accordance with the Scheme’s Regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the Fund at the right time.
Accurate information about benefits and Scheme administration not being provided to Scheme members and others, which may result in members not being able to effectively plan or make decisions about their retirement.
Appropriate records not being maintained, which may result in member benefits being calculated incorrectly and/or not being paid to the right person at the right time.
Anyone involved with the administration or management of the Fund misappropriating any of its assets, or being likely to do so, which may result in assets not being safeguarded.
Any other breach which may result in the Fund being poorly governed, managed or administered.



## West Northamptonshire Council

### Pension Committee

12/10/2022

### Mark Whitby – Head of Pensions

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

#### Contributors/Checkers/Approvers

<b>MO</b>	Jennifer Affie on behalf of Catherine Whitehead	22 September 2022
<b>S151</b>	James Smith on behalf of Martin Henry	20 September 2022
<b>Head of Pensions</b>	Mark Whitby	8 September 2022

#### List of Appendices

None

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

- 
- 1.1 To report the entry of one designating body to the Northamptonshire Pension Fund.
  - 1.2 To notify the Committee of two employers ceasing participation in the Northamptonshire Pension Fund.

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

- 
- 2.1** Kettering Town Council passed a resolution designating their deputy clerk as eligible for the LGPS from the start of their employment, 25 May 2022. Entry to the Fund for designating bodies is automatically permitted by the regulations and the Fund has no ability to deny participation, if a resolution is passed designating a member or groups of members as being eligible.
  - 2.2** Barby & Onley Parish Councils participation in the scheme has come to an end following their last active member leaving the LGPS on 31 May 2022. An actuarial assessment has been

undertaken to calculate the closing funding position which identified a funding shortfall of £2,900.

- 2.3** On 1 September 2021, the Lion Academy Trust and Lion Education Trust merged into a single Multi-Academy Trust. No exit payment or credit will be required as the pension assets and liabilities were combined within the ongoing Trust.

### **3. Recommendations**

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**3.1** The Pension Committee is asked to:

- a) Note the admission of the following designating body to the Northamptonshire Pension Fund:
- Kettering Town Council
- b) Note the exit of the following bodies from the Northamptonshire Pension Fund:
- Barby & Onley Parish Council
  - Lion Education Trust

**3.2** Reason for Recommendations: To comply with the Local Government Pension Scheme Regulations 2013.

### **4. Report Background**

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**4.1** The Local Government Pension Scheme Regulations 2013 (as amended) [the Regulations] provide for the admission of a number of different types of body to the Local Government Pension Scheme; scheduled bodies, designating bodies, and admission bodies.

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

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

---

#### **5.1 New Designating Bodies**

- 5.1.1** The Regulations allow that a body listed in Schedule 2 can designate an employee, or a class of employees as being eligible to be members of the Local Government Pension Scheme.
- 5.1.2** If such a body passes a resolution to designate employees as eligible for membership of the Local Government Pension Scheme, the Pensions Committee cannot refuse their participation in the Fund.
- 5.1.3** Paragraph 2(a) of Part 2 of Schedule 2 of the Regulations provides for a precepting authority to be a designating body.
- 5.1.4** The Committee is asked to note that the following employer is a designating body by means of being a precepting authority within the meaning of paragraph 2(a) of Part 2 of Schedule 2 to the Regulations.

<b>Date of admission</b>	<b>New Admission Body</b>	<b>Background Information</b>
25 May 2022	Kettering Town Council	Kettering Town Council passed a resolution designating their deputy clerk as eligible for the LGPS from the start of their employment.

## 5.2 Cessations

### 5.2.1 Barby & Onley Parish Council

- 5.2.1.1 On 5 June 2006, Barby & Onley Parish Council passed a resolution designating their Clerk as eligible for membership of the LGPS beginning their participating in the Fund as a designating body.
- 5.2.1.2 On 31 May 2022 the last active member left employment. The cessation assessment identified a funding deficit of £2,900.00. An invoice was issued to the employer to collect the funding deficit in July 2022. The Parish Council have advised that payment approval will be sought at the next Parish Council meeting which at the time of writing this report is on 12 September 2022.

### 5.2.2 Lion Education Trust/Lion Academy Trust

- 5.2.2.1 The Lion Academy Trust was admitted to the Fund in June 2021.
- 5.2.2.2 On 1 September 2021, Lion Academy Trust and Lion Education Trust merged. The Lion Academy Trust (the Transferor) ceased participation in the Fund and the Lion Education Trust (the Transferee) was renamed Lion Academy Trust. No exit payment or credit will be required as the pension assets and liabilities were transferred to the ongoing Multi Academy Trust.

## 6. Implications (including financial implications)

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### 6.1 Resources and Financial

- 6.1.1 Actuarial costs incurred by obtaining a calculation of the employer's contribution rate and opening funding position at commencement are recharged directly to the employer.
- 6.1.2 The employer contribution rate contains an allowance for administration charges, and the employer is charged a fee to recover the Funds administration costs of on boarding new employers and terminating ceased employers. This means that admissions and cessations should be cost neutral.

### 6.2 Risk

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

Risk	Residual risk rating
Lack of understanding of employer responsibilities which could result in statutory and non-statutory deadlines being missed.	Green
Failure to administer the scheme in line with regulations and guidance	Green
Failure to provide relevant information to the pension Committee/Pension Board to enable informed decision making	Green
Failure to assess and monitor the financial strength of an employer covenant to ensure employer liabilities are met.	Green

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

### 6.3 Relevant Pension Fund Objectives

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

- To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.
- To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
- To ensure appropriate exit strategies are put in place both in the lead up to and termination of a scheme employer.

**6.4 Consultation**

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

**7 Background Papers**

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7.1 None

Northamptonshire Pension Committee/Investment Sub Committee Agenda Plan

Meeting date	Agenda item	Lead officer
<b>12/10/2022</b> PC	Administration Report [standing item]	J Kent
	Business Plan Update [standing item]	M Whitby
	Governance and Compliance Report [standing item]	J Kent
	Employers Admission and Cessation Report [standing item]	C Blose
	Cyber Resilience [standing item] exempt	J Kent
	ACCESS Update [standing item] exempt	M Whitby
	Additional Voluntary Contribution Review [approval] exempt	J Kent
	Valuation Update - Funding Strategy Statement and Valuation results [approval] exempt	C Blose
	Reporting Breaches of the Law to the Pensions Regulator [approval]	M Oakensen
	Internal Audit Review [to note]	B Barlow
<b>30/11/2022</b> ISC	Northamptonshire Pension Fund Quarterly Performance Report [standing Item]	B Barlow
	Manager Presentation – TBC exempt	B Barlow
	Responsible Investment - Passive Equity Options exempt	B Barlow
	Stewardship Report exempt	B Barlow
<b>12/12/2022</b> PC	Administration Report [standing item]	M Oakensen
	Business Plan Update [standing item]	M Whitby
	Governance and Compliance Report [standing item]	M Oakensen

Meeting date	Agenda item	Lead officer
	Employers Admission and Cessation Report [standing item]	C Blose
	Cyber Resilience [standing item] exempt	M Oakensen
	ACCESS Update [standing item] exempt	M Whitby
	Risk Monitoring [standing item]	M Oakensen
	Funding Strategy Statement [approval]	C Blose
	Conflicts of Interest policy [approval]	M Oakensen
	Risk Strategy [approval]	M Oakensen
	Administration Strategy [approval]	M Oakensen
	Final accounts & ISA 260 [to note]	B Barlow
<b>23/02/2023</b> <b>ISC</b>	Northamptonshire Pension Fund Quarterly Performance Report [standing Item]	B Barlow
	Manager Presentation – TBC exempt	B Barlow
	Responsible Investment - TBC exempt	B Barlow
	Private Equity Portfolio Review exempt	B Barlow
<b>27/3/2023</b> <b>PC</b>	Administration Report [standing item]	M Oakensen
	Business Plan Update [standing item]	M Whitby
	Governance and Compliance Report [standing item]	M Oakensen
Page 112	Employer Admission and Cessation Report [standing item]	C Blose
	Cyber Resilience [standing item] exempt	M Oakensen
	Investment Strategy Review [approval] exempt	B Barlow



Meeting date	Agenda item	Lead officer
	ACCESS Update [standing item] exempt	M Whitby
	Annual Business Plan and Medium-Term Strategy [approval]	M Whitby
	Communication Strategy and Plan [approval]	C Blose
	Overpayment of Pension Policy [approval]	M Oakensen
	Review of website and digital communications [to note]	C Blose
	Valuation Update [to note]	C Blose
	Code of Practice Action Plan [to note]	M Oakensen
	Good Governance Review Action plan [to note]	M Oakensen
<b>June 22</b>	Administration Report [standing item]	M Oakensen
	Business Plan Update [standing item]	M Whitby
	Governance and Compliance Report [standing item]	M Oakensen
	Employer Admission and Cessation Report [standing item]	C Blose
	Cyber Resilience [standing item] exempt	M Oakensen
	ACCESS Update [standing item] exempt	M Whitby
	Cash Management Strategy [approval]	M Whitby
	Private Equity Review [to note] exempt	B Barlow
	Progress on Code of Practice Action Plan [to note]	M Oakensen
	Progress on Good Governance Review Action plan [to note]	M Oakensen

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