



**West Northamptonshire Council**

**Pension Fund Committee**

**28 June 2023**

**Mark Whitby – Head of Pensions**

<b>Report Title</b>	<b>Northamptonshire Pension Fund Business Plan and Medium-Term Strategy Business Plan Update report</b>
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<b>Head of Pensions</b>	Mark Whitby	23/5/2023

**List of Appendices**

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

Appendix B – Cyber activity action plan.

**1. Purpose of Report**

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

**2. Executive Summary**

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- 2.1 The Northamptonshire Pension Fund have for many years considered it good governance to have in place a Business Plan and Medium-Term Strategy that is agreed annually and regularly monitored by the Committee.
- 2.2 The report summarises the progress made on each activity for the period under review.
- 2.3 Section 6 of this report provides a progress update for each business plan activity. The table below provides an overview of the RAG status of each activity.

Paragraph	Activity	RAG status
6.1	Re-tender for benefits and governance consultancy services	Green
6.2	Re-tender for actuarial consultancy services	Green
6.3	Re-tender for legal services provider	Green
6.4	Re-tender for pensions administration and pensioner payroll platform	Green
6.5	Address and mortality screening Services	Green
6.6	Review and implement changes required from the Pension Regulator's new Code of Practice	Green
6.7	Continue to review cyber resilience	Green
6.8	Implement the best practice recommendations of the good governance review	Green
6.9	Review the administrative performance of the Fund's additional voluntary contribution providers	Green
6.10	Complete the Guaranteed Minimum Pension Rectification	Green
6.11	Application of the McCloud age discrimination remedy	Green
6.12	Prepare for the implementation of Pension Dashboards	Green
6.13	Processing of undecided leaver records	Amber
6.14	Continue development of the ACCESS asset pool	Amber
6.15	Continue activities within the Fund's Climate Action Plan	Green
6.16	Implement the revised Investment Strategy	Green
6.17	Implement recommendations from the review of the website and digital communications.	Green

2.4 The tables in appendix A provide an update of the Fund account, investment and administration income and expenditure against the cash flow projection outlined in the Annual Business Plan as agreed by the Pension Committee in March 2023. There are no material variances identified.

2.5 The link to the full Business Plan approved by the Committee in March 2023 is provided in section 7 for full context and reference.

### 3. Recommendation

3.1 The Pension Fund Committee is asked to note the Business Plan Update.

### 4. Reasons for Recommendation

- To ensure adequate oversight of the key activities of the Northamptonshire Pension Fund.
- To ensure good governance and compliance with the Local Government Pension Scheme Regulations and other relevant legislation and guidance.

### 5. Report Background

5.1 The Pension Committee approved the Business Plan and Medium-Term Strategy 2023/24 on 29 March 2023.

### 6. Issues and Choices

An update on the issues associated with the following items is set out below:

Progress against business plan activities

Procurement of Services

6.1 Re-tender for benefits and governance consultancy services

6.1.1 Activity: To re-tender for the supplier of benefits and governance consultancy services currently with Aon due to expire 31 March 2024.

6.1.2 Key milestones:

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

6.1.3 Update: Officers have registered to access the national LGPS Framework and have all documentation to start preparing for the tender process.

6.2 Re-tender for actuarial consultancy services

6.2.1 Activity: To re-tender for the supplier of actuarial services currently with Hymans Robertson due to expire 31 March 2024.

6.2.2 Key milestones:

Key Milestones	Dates	On target for completion?
Register to access national LGPS Frameworks.	May 2023.	Completed.
Draft specification of services required and associated documentation.	June – July 2023.	On target.
Issue invitation to tender to suppliers on the Framework.	September 2023.	On target.
Evaluate Tender responses.	October – November 2023.	On target.
Award Contract.	January 2024.	On target.

6.2.3 Update: Officers have registered to access the national LGPS Frameworks and have all documentation to start preparing for the tender process.

6.3 Re-tender for legal services provider

6.3.1 Activity: To re-tender for the supplier of legal services currently with Squire Patten Boggs due to expire 31 March 2024.

6.3.2 Key milestones:

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

6.3.3 Update: Officers have registered to access the national LGPS Frameworks and have all documentation to start preparing for the tender process.

6.4 Re-tender for pensions administration and pensioner payroll platform

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

6.4.2 Key milestones:

Key Milestones	Dates	On target for completion?
Invitation to Further Competition exercise using National LGPS Frameworks.	April - June 2023.	On target.
Evaluation and award.	July - September 2023.	On target.
Year 0 transitional period.	October 2023 - September 2024.	On target.
Go Live.	1 October 2024.	On target.

6.4.3 Update: Invitation to further competition was published 24 April 2023 with a closing date for responses of 19 June 2023.

6.5 Review address and mortality screening services

6.5.1 Activity: The current contract for address tracing and mortality screening ceases in June 2023 with no ability to extend.

Options are being considered as to the delivery of these services from June 2023 onwards.

6.5.2 Key milestones:

Key Milestones	Dates	On target for completion?
Develop a contract to enable the continuation of services past June 2023 (with the assistance of legal services).	April - May 2023.	On target.
Key Milestones	Dates	On target for completion?
Both parties to sign up to new contract on existing terms.	May 2023.	On target.

Review new LGPS Framework offerings and internal Fraud Hub options.	December 2023.	On target.
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6.5.3 Update: Accurate Data Services have agreed to enter into a new short-term contract on existing terms for a period of 12 months. This will allow time to review the LGPS National Framework due for release in December 2023 and to review the Government Fraud Hub. Further milestones will be added once a decision has been made in December as to which long term route to take.

Core governance activities

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

6.6.1 Activity: In March 2021 the Pensions Regulator launched a consultation on its revised code of practice for the pensions industry. The responses to the consultation have taken the Pensions Regulator longer than expected to digest and as such the new code of practice was expected to come into force early 2023. Once the code of practice is in force, the Fund will have six months to achieve full compliance with its contents.

6.6.2 Key milestones:

Key Milestones	Dates	On target for completion?
Develop an action plan of changes required on launch of code of practice.	TBC.	Awaiting release of the Code.
Present action plan to the Pension Fund Committee and Pension Board.	TBC.	Awaiting release of the Code.
Present update on progress on action plan to the Pension Fund Committee and Pension Board.	TBC.	Awaiting release of the Code.

6.6.3 Update: The singular Code of Practice was due to be released by the Pensions Regulator in April 2023, but it did not materialise at this time. Once the Code is released funds will have 6 months to become fully compliant and an action plan will be developed to ensure this is achieved.

6.7 Continue to review cyber resilience

6.7.1 Activity: Cyber-crime will continue to evolve and become increasingly sophisticated and as such this area will be regularly reviewed and monitored. The cyber action plan will be updated as and when necessary.

6.7.2 Key milestones

Key Milestones	Dates	On target for completion?
Ongoing monitoring and development of the cyber strategy and action plan via the Business Plan Updates at each meeting of the Pension Committee and Pension Board.	April 2023 – March 2024.	On target.

6.7.3 Update: Work is continuing on our lower risk suppliers and information will be brought to the Committee at a later meeting date. Cyber security features as part of our ongoing risk monitoring process to capture any changes in approach that may be required.

The cyber activity action plan can be found in appendix B (exempt).

6.8 Implement the best practice recommendations of the good governance review

6.8.1 Activity: Following consultation with LGPS stakeholders, in February 2021, a number of recommendations for improvement were identified. Some would require the input of DLUHC to amend scheme regulations and publish statutory guidance, others by SAB and others for Funds to implement as best practice. The standards are due to be issued in 2023.

6.8.2 Key milestones:

Key Milestones	Dates	On target for completion?
Develop an action plan to implement the best practice activities.	TBC.	Awaiting release of the standards.
Present update on progress on action plan to the Pension Fund Committee and Pension Board.	TBC.	Awaiting release of the standards.
Implementation of activities requiring SAB and DLUHC guidance.	TBC.	Awaiting release of the standards.

6.8.3 Update: No activity to report for this period.

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

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

The decision was to review again in a further 12 months and to include investment performance.

6.9.2 Key milestones:

Key Milestones	Dates	On target for completion?
Present to the Pension Committee the findings of the independent review alongside any recommendations for action (the timing of this will depend on the co-operation of the AVC providers in providing the necessary information for analysis by Aon.	October 2023.	On target.

6.9.3 Update: Officers have requested for Aon to undertake the Additional Voluntary Contribution review and have provided the scope and timeframe. A report is due to be brought to the Committee in October of their findings.

Scheme member and data projects

6.10 Complete the Guaranteed Minimum Pension Rectification

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

6.10.2 Key milestones:

Key Milestones	Dates	On target for completion?
Manual rectification of outstanding records.	April 2023 – March 2024.	On target.

6.10.3 Update: Following the completion of the annual pensions increase exercise, the rectification has recommenced, and the project is on track to complete by 31 March 2024.

6.11 Application of the McCloud age discrimination remedy

6.11.1 Activity: The pension records of scheme members within scope of the McCloud ruling will be rectified following the implementation of the age discrimination remedy, expected via amendment to legislation on 1st October 2023.

6.11.2 Key milestones:

Key Milestones	Dates	On target for completion?
Respond to DLUHC consultation on draft regulations (delayed from 2022 and still pending release).	TBC.	
Devise communication plan for members and scheme employers.	May 2023.	Awaiting DLUHC consultation.
Undertake scheme member record preparations to identify members in scope of remedy 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.

6.11.3 Update: DLUHC is expected to launch a further consultation in spring with the regulations finalised after considering the responses. The communication plan cannot be developed until this time. General articles on McCloud will be included in newsletters for employers, deferred members, and active members around May/June 2023.

6.12 Prepare for the implementation of Pension Dashboards

6.12.1 Activity: In the 2016 Budget, the Government made a commitment that Pension Dashboards would be created by the pensions industry, enabling pension savers to view details of all their pensions together.

The activity will be updated following the DWP announcement to reset the Pension Dashboard Programme and the delay to connection deadlines.

6.12.2 Key milestones:

Key Milestones	Dates	On target for completion?
Continue to work with the pensions administration software supplier to connect to a Pensions Dashboard by the deadline of 30 September 2024.	April 2023 – September 2024.	TBC.
Undertake project plan activities to enable connection to the Dashboard including data cleansing activities.	April 2023 – September 2024.	On target.
Connect to the Dashboard.	TBC.	
Pension Dashboard Go Live.	TBC.	



6.12.3 Update: In early March the government announced its intention to legislate to amend the staging timescales (connection deadlines) to allow more time for technological system work enabling dashboards to be delivered. This project reset will affect all scheme deadlines and further clarification of the revised deadlines is being awaited along with guidance on how the Fund should continue to prepare.

6.13 Processing of undecided leaver records

6.13.1 Activity: To reduce the backlog by 2,500 cases per year for the next 3 years from a baseline of approximately 8,300 at March 2023.

6.13.2 Key milestones:

Key Milestones	Dates	On target for completion?
Reduce aged cases by 2,500.	April 2023 – March 2024.	On target– pending timely release of new GAD factors (see below).
Reduce aged cases by 2,500.	April 2024 – March 2025.	
Reduce aged cases to BAU baseline (<2,000).	April 2025 – September 2025.	

6.13.3 Update: Progress on achieving the number of aged cases has been significantly slowed down as a result of the Government Actuary’s Department (GAD) issuing an instruction not to process entitlement for those members who are entitled to a refund or a cash transfer value until they have recalculated the factors used in cash transfer value calculations. The new factors are expected by the end of May 2023, and it is expected that a large number of cases (> 1,000) will be bulk processed over the following six months.

Investment related activities

6.14 Continue development of the ACCESS asset pool

6.14.1 Activity: The ACCESS asset pool Authorised Contractual Scheme (ACS) sub-fund structure is now at a mature stage with ongoing developments prioritising completing the sub-fund pipeline and putting in place supplementary sub-funds as and when required. Other developments within the ACCESS pool include the non-listed work programme, Operator re-procurement, and the Phase II ESG/RI procurement.

6.14.2 Key milestones:

Key Milestones	Dates	On target for completion?
Development of ACS sub-fund pipeline.	April 2023 – October 2024.	On target.
Key Milestones	Dates	On target for completion?

Non-listed (property, infrastructure, private equity, private debt) programme development.	April 2023 – December 2024.	Not on target.
ESG/RI Phase II procurement and reporting developments.	April 2023 – March 2024.	On target.
Operator re-procurement.	April 2023 – March 2025.	On target.

6.14.3 Update: Currently awaiting a report from ACCESS on how the recent takeover of MJ Hudson, non-listed advisor, by Apex will affect this timeline. The latest would suggest that the non-listed programme will be pushed back to 2025 for completion.

6.15 Continue activities within the Fund’s Climate Action Plan

6.15.1 Activity: During 2023-24 the Fund will continue to focus on the milestone dates within the plan which are key to ensure the Fund is on the correct path to achieve “net-zero” carbon emissions by 2050 at the latest.

6.15.2 Key milestones:

Key Milestones	Dates	On target for completion?
To complete the activities against the Climate Action Plan	April 2023 to March 2024	On target.

6.15.3 Update: Implementation of the new passively managed allocation has commenced, with the plan being to complete the changes by the end of June in three separate month end transitions.

6.16 Implement the revised Investment Strategy

6.16.1 Activity: A review of the investment strategy/strategic asset allocation (SAA) was undertaken in March 2023. This included consideration changes to the allocations of property, private equity and actively managed equity assets, taking account of current market conditions and expected future environment, and the ongoing commitments to asset pooling and Climate Action Plan.

Work will be undertaken throughout 2023-24 to action these changes.

6.16.2 Key milestones:

Key Milestones	Dates	On target for completion?
Listed (UK) equity sales to fund increase in index-linked Gilts allocation.	June 2023.	On target.
Consideration of preferred characteristics of new commitments for Infrastructure.	May 2023.	On target.
Key Milestones	Dates	On target for completion?

Investment into M&G MAC fund following equity sales.	June 2023.	On target.
Consider manager(s) for new allocation(s) into long lease property.	Q2 2023.	On target.
Revised draft Investment Strategy to be presented to Pensions Committee.	September 2023.	On target.
Selection of manager(s) for new allocation(s) into long lease property.	Q3 2023.	On target.
Investment into BlueBay ESG MAC once launched on ACCESS.	Q3 2023.	On target.
Wider reviews of options for Infrastructure if required.	Q4 2023.	On target.

6.16.3 Update: In March 2023, the Pension Committee has approved changes to the Strategic Asset Allocation with proposed milestones set out in the table above. The work is currently being undertaken by officers to increase asset allocation to Index-Linked Gilts at UBS by 5%, through sales of UK Equity held in Liontrust. In May 2023, the Investment Sub Committee was provided with an overview of the options available to the Fund for future investment within the infrastructure portfolio. In June 2023, further sales of UK Equity and Global Equity, will be used to fund a 5% increase in allocation to Multi-Asset Credit, +2.5% with M&G MAC by June 2023 and +2.5% with BlueBay MAC once the ESG MAC is launched within ACCESS.

#### Communications

6.17 Implement recommendations from the review of the website and digital communications.

6.17.1 Activity: A review of the Fund's websites was carried out in 2022/23, the review assessed whether the website was still fit for purpose in meeting the needs of stakeholders and explored alternative options including moving the hosting of the member related information pages away from our software supplier Heywood and hosting both member and employer pages internally on a single website.

Approval from the Pension Committee was granted to implement the recommendation from the review.

6.17.2 Key milestones:

Key Milestones	Dates	On target for completion?
Funding for the website development approved.	March 2023.	Completed.
Resources in place eg recruitment.	May 2023.	Completed.
High fidelity designs created.	August 2023.	On target.
New website built.	March 2024.	On target.

6.17.3 Update: Funding for the website development was approved at the March meeting of the Committee. Subsequently, recruitment has been undertaken by the WNC Digital team who are overseeing the project. An appointment has been made and the person will be in post shortly.

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

### **7.1 Resources and Financial**

7.1.1 The financial estimates and associated budgets included with the Business Plan and Medium-Term Strategy were approved by the Pension Committee on 29 March 2023.

7.1.1 Performance against the financial estimates in the Business Plan will be presented to the Pension Committee and Board each meeting. The Business Plan sets out the cost of each activity where known and where costs become known during the course of the year the Pension Committee and Board will be updated accordingly.

### **7.2 Legal**

7.2.1 There are no legal implications arising from the proposals.

### **7.3 Risk**

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

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

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

### **7.4 Relevant Pension Fund Objectives**

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

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

### **7.5 Consultation**

7.5.1 Not applicable. The Business Plan is best practice to ensure the Fund is managed appropriately and transparently.

## **8. Background Papers**

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8.1 [Agenda for Pensions Fund Committee on Wednesday 29th March 2023, 4.00 pm - West Northamptonshire Council \(moderngov.co.uk\)](#)

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

Fund Account	2023/24 Budget	2023/24 Forecast	Variance	Comments
	£000	£000	£000	
Contributions	(117,000)	(117,000)	-	
Transfers in from other pension funds	(10,500)	(10,500)	-	
<b>Total income</b>	<b>(127,500)</b>	<b>(127,500)</b>	-	
Benefits payable	118,000	118,000	-	
Payments to and on account of leavers	10,000	10,000	-	
<b>Total Payments</b>	<b>128,000</b>	<b>128,000</b>	-	
<b>Net (additions)/withdrawals from dealings with members</b>	<b>500</b>	<b>500</b>	-	
Management Expenses (Invoiced)	4,078	4,078	-	
Management Expenses (Non-Invoiced)	13,100	13,100	-	
<b>Total Management Expenses</b>	<b>17,178</b>	<b>17,178</b>	-	
<b>Total income less expenditure</b>	<b>17,678</b>	<b>17,678</b>	-	
Investment income	(31,000)	(31,000)	-	
Taxes on income	-	-	-	
(profit) and losses on disposal of investments and changes in the market value of investments	(138,000)	(138,000)	-	
<b>Net return on investments</b>	<b>(169,000)</b>	<b>(169,000)</b>	-	

Net (increase)/decrease in the net assets available for benefits during the year	<b>(151,322)</b>	<b>(151,322)</b>	-	
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<b>Management Expenses</b>	<b>2023-24 Budget</b>	<b>2023-24 Forecast</b>	<b>Variance</b>	<b>Comments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	
Total Administration Expenses	2,784	2,784	-	
Total Governance Expenses	814	814	-	
Total Investment Invoiced Expenses	480	480	-	
<b>Total Management Expenses</b>	<b>4,078</b>	<b>4,078</b>	-	

<b>Administration Expenses Analysis</b>	<b>2023-24 Budget</b>	<b>2023-24 Forecast</b>	<b>Variance</b>	<b>Comments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	
Staff Related	1,819	1,819	-	
Altair administration and payroll system	397	397	-	
Data assurance	21	21	-	
Communications	51	51	-	
Other Non-Pay and Income	29	29	-	
County Council Overhead Recovery	467	467	-	
<b>Total Administration Expenses</b>	<b>2,784</b>	<b>2,784</b>	-	