

West Northamptonshire Council

Pension Fund Committee

2 October 2023

Mark Whitby – Head of Pensions

Report Title	Northamptonshire Pension Fund Business Plan and Medium-Term Strategy Business Plan Update report
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Appendix A –Variances against the forecast of investments and administration expenses based on original setting of assumptions.

Appendix B – Cyber activity action plan – **exempt**

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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.

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 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.	Amber
6.12	Prepare for the implementation of Pension Dashboards.	Green
6.13	Processing of undecided leaver records.	Green
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
6.18	New activity – Implement equality, diversity and inclusion (EDI) best practices.	Green
6.19	New activity – Review of investment consultancy contract.	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 Committee is asked to note the Business Plan Update.

3.2 The Committee is asked to approve the new Business Plan activities at 6.18 and 6.19.

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. 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 an associated documentation.	June – July 2023.	Completed.
Issue invitation to tender to suppliers on the Framework.	September 2023.	Completed.
Evaluate tender responses.	October - November 2023.	On target.
Award contract.	January 2024.	On target.

6.1.3 Update: The invitation to tender documentation was published at the end of August with prospective bidders invited to submit responses by midday on 27 October 2023.

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.	Completed.
Issue invitation to tender to suppliers on the Framework.	September 2023.	Completed.
Evaluate Tender responses.	October – November 2023.	On target.
Award Contract.	January 2024.	On target.

6.2.3 Update: The invitation to tender documentation was published in September with prospective bidders invited to submit responses by the end of October.

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.	Completed.
Issue invitation to tender to suppliers on the Framework.	September 2023.	Completed.
Evaluate tender responses.	October - November 2023.	On target.
Award contract.	December 2023.	On target.

6.3.3 Update: The invitation to tender documentation was published in September with prospective bidders invited to submit responses by the end of October.

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.	Completed.
Evaluation and award.	July - September 2023.	Completed.
Year 0 transitional period.	October 2023 - September 2024.	Not applicable
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. All suppliers on the framework submitted a bid and following the scoring and moderation process the contract was awarded to the incumbent supplier, Heywood Pension Technologies.

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.

Following the 12 month extension of the contract a long term approach is now required from June 2024 onwards.

6.5.2 Key milestones:

Key Milestones	Dates	On target for completion?
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Develop a contract to enable the continuation of services past June 2023 (with the assistance of legal services).	April - May 2023.	Completed.
Both parties to sign up to new contract on existing terms.	May 2023.	Completed.
Review new LGPS Framework offerings and internal Fraud Hub options.	December 2023 (assuming Framework is released on schedule).	On target.

6.5.3 Update: A new contract has been entered into with Accurate Data Services on existing terms for a period of 12 months. In December 2023 Officers will review the LGPS National Framework and 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: Activities are continuing to be undertaken against the Cyber Resilience Action Plan and three additional activities have also been added. The plan can be located in appendix B of the report (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: The good governance review standards are now due to be released early 2024.

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.	Completed.

6.9.3 Update: A separate report on the findings of the AVC review is being presented as an agenda item at this meeting.

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. As at 31 July, 26% of cases completed and the project remains on track to complete by the deadline.

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.	September 2023 (rescheduled from May 2023).	Completed.

Key Milestones	Dates	On target for completion?
Undertake scheme member record preparations to identify members in scope of remedy in readiness for the application of the underpin.	April 2023 – September 2023.	Verbal update to be provided.
Application of the revised underpin following release of amended LGPS Regulations.	October 2023 onwards.	Not on target.

6.11.3 Update: DLUHC launched a further consultation in May 2023 and the communication plan was subsequently devised in September. Data preparation activities have been undertaken with employers on hour changes and service breaks to ensure the correct information is held on the administration system in readiness for the implementation of the remedy.

Due to the delayed government consultation and the formal government consultation response, this activity has been moved to an amber rag status. This is because the second consultation highlighted additional data to be collected from scheme employers (day before age 65 final pay) and members (previous public service pension scheme membership) where applicable. In addition, the pensions administration software was, at the time of writing, not yet ready to fully implement the remedy (based on the draft regulations and pre 2nd government consultation), due to waiting for a software update release in September. Any changes to the draft regulations are likely to result in further changes to the pensions administration software and potentially manual work-arounds.

Officers received training from Aon on 12th September 2023 as part of the preparation process.

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 revised deadline which is TBC.	TBC following project reset.	TBC once DLUHC issue staging guidance.

Key Milestones	Dates	On target for completion?

Undertake project plan activities to enable connection to the Dashboard including data cleansing activities.	TBC.	TBC once DLUHC issue staging guidance.
Connect to the Dashboard.	31 October 2026	On target.
Pension Dashboard Go Live.	TBC.	TBC.

6.12.3 Update: A staging timetable will be set out in connection guidance and is due to be released late 2023. The staging timetable will indicate when schemes are scheduled to connect, based on their size and type. The table will be updated when the guidance is published to ensure the Fund is compliant with the new requirements. In the meantime, PASA has published value data guidance which provides schemes with good practice approaches to providing data to the dashboards.

6.13 Processing of undecided leaver records

6.13.1 Activity: To reduce the backlog by 2,500 cases per year for the next 2.5 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.
Reduce aged cases by 2,500.	April 2024 – March 2025.	On target.
Reduce aged cases to BAU baseline (<2,000).	April 2025 – September 2025.	On target.

6.13.3 Update: The baseline at April 2023 was just under 8,500 cases. Progress on achieving the number of aged cases had slowed due to new factors being needed from the Government Actuary's Department (GAD) following a change in discount rate. These factors were made available later than expected but are now in place and bulk processing of cases impacted, refunds and cash transfer value calculations, have recommenced. As at 31 August 2023 the aged cases outstanding are down to 7,323, a drop of 1,150 cases (13.6%) from the revised April 2023 baseline and 1,638 cases (18.3%) down from the high point in November 2022.

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.
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: An updated non-listed programme is expected to be developed after the September Joint Committee. Milestones will then be re-aligned to the revised programme.

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 Climate Aware Passive equities has been completed (UBS Climate Aware and Osmosis); in May 2023 the Investment Sub Committee reviewed the progress against decarbonisation targets, adopted a new primary metric for monitoring progress against the existing decarbonisation targets and agreed to include Scope 3 emissions in the Fund’s target setting once reporting improves.

6.16 Implement the revised Investment Strategy

6.16.1 Activity: A review of the Fund’s investment strategy was undertaken in March 2023 resulting in changes to its strategic asset allocation (SAA). Work will be undertaken throughout 2023-24 to implement 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.	Complete.
Consideration of preferred characteristics of new commitments for Infrastructure.	May 2023.	Complete.
Investment into M&G MAC fund following equity sales.	June 2023.	Complete.
ACCESS puts in place long lease property building block.	Q4 2023.	Yes, for revised target

Revised draft Investment Strategy to be presented to Pensions Committee.	September 2023.	Complete.
Committee makes allocation decision in connection with long lease property.	Q4 2023/Q1 2024.	Yes, for revised 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: Work has been completed 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 infrastructure options available, with further training being arranged in Q3 2023. In August 2023, further sales of UK Equity and Global Equity, were used to fund a +2.5% increase in allocation to M&G Multi-Asset Credit, with a further +2.5% allocated to BlueBay MAC once the ESG MAC is launched within ACCESS, expected November 2023. There is a delay to the consideration of managers in long lease property as there will be an ACCESS-led manager selection exercise finalising in Q4 2023 – the related milestones have been appropriately updated.

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.	Completed.
New website built.	March 2024.	Completed.

6.17.3 Update: High fidelity designs partly based on the .gov.uk approach to web design have been created and user testing of the different options has begun. The project is currently and expected to remain within the agreed budget of £30,000.

6.18 New activity – Implement equality, diversity and inclusion (EDI) best practices

6.18.1 Activity: The Pensions Regulator has published guidance to help improve pension schemes’ equality, diversity and inclusion. Pension schemes have legal duties to scheme members,

and good decision making is key to ensuring those duties are met. EDI supports robust discussion and effective decision making and is an important consideration for schemes. The Northamptonshire Pension Fund will be aiming to improve its equality, diversity and inclusion via these best practices.

6.18.2 Key milestones:

Key Milestones.	Dates.	On target for completion?
Fully review TPR guidance and produce an action plan, including delivery of relevant training.	October 2023– March 2024.	On target.

6.18.3 Update: The Pensions Regulator issued a survey to Board members in July 2023 with the intention to collect views on equality, diversity and inclusion. The responses were anonymised and used to improve EDI for pension scheme governing bodies. The next stage is to produce an action plan of the activities the Fund needs to undertake to improve EDI outcomes.

6.19 New activity – Review of investment consultancy contract

6.19.1 Activity: To consider an extension to the contract with the Fund’s Investment Consultant from the expiry date of September 2024.

6.19.2 Key Milestones:

Key Milestones	Dates	On target for completion?
For the Committee to consider an extension to the current contract by up to 3 years.	December 2023.	On target.

6.19.3 Update: The Pension Committee will be asked to formally consider an extension at the December Committee meeting. The maximum available extension is 3 years.

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. All procurement undertaken has been in line with procurement legislation and procedures.

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

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

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)	(118,000)	(1,000)	Contributions in line with current membership numbers. Demand led.
Transfers in from other pension funds	(10,500)	(17,000)	(6,500)	
Total income	(127,500)	(135,000)	(7,500)	
Benefits payable	118,000	116,000	(2,000)	Benefits in line with current membership numbers. Demand led.
Payments to and on account of leavers	10,000	6,900	(3,100)	
Total Payments	128,000	122,900	(5,100)	
Net (additions)/withdrawals from dealings with members	500	(12,100)	(12,600)	
Management Expenses (Invoiced)	4,078	4,140	62	See below
Management Expenses (Non-Invoiced)	13,100	12,200	(900)	Fees from prior year plus actuarial growth assumption on AUM at June 23 to March 24.
Total Management Expenses	17,178	16,340	(838)	
Total income less expenditure	17,678	4,240	(13,438)	
Investment income	(31,000)	(24,600)	6,400	Actual income received to Q1 plus three estimated quarters.
Taxes on income	-	-	-	
(profit) and losses on disposal of investments and changes in the market value of investments	(138,000)	(158,000)	(20,000)	Actual Q1 return followed by actuarial long term growth assumption
Net return on investments	(169,000)	(182,600)	(13,600)	

Net (increase)/decrease in the net assets available for benefits during the year	(151,322)	(178,360)	(27,038)	
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Management Expenses	2023-24 Budget	2023-24 Forecast	Variance	Comments
	£000	£000	£000	
Total Administration Expenses	2,784	2,787	3	
Total Governance Expenses	814	873	59	Payroll for final IHLI termination account from 2021 - not included in 23/24 budget. ¹
Total Investment Invoiced Expenses	480	480	-	
Total Management Expenses	4,078	4,140	62	

Administration Expenses Analysis	2023-24 Budget	2023-24 Forecast	Variance	Comments
	£000	£000	£000	
Staff Related	1,819	1,822	3	
Altair administration and payroll system	397	386	(11)	
Data assurance	21	34	13	A more proactive approach to address tracing has been undertaken in preparation for Dashboards.
Communications	51	51	-	
Other Non-Pay and Income	29	27	(2)	
County Council Overhead Recovery	467	467	-	
Total Administration Expenses	2,784	2,787	3	

¹ Settlement of ill health insurance with Legal and General. Delays in payments are due to allowing for an extended period after the policy end date to ensure no further claims will arise and updates to the data provided that required several iterations before accurately calculating the final settlement figure.