

WEST NORTHAMPTONSHIRE COUNCIL

Local Pension Board

2 November 2023

Report Title	Annual Report of the Local Pension Board
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List of Approvers

Monitoring Officer	Catherine Whitehead	
Chief Finance Officer (S.151)	Martin Henry	11/10/2023
Other Director	Mark Whitby	18/10/2023
Communications Lead/Head of Communications	Becky Hutson	12/10/2023

List of Appendices

None

1. Purpose of Report

- 1.1. The Local Government Scheme Advisory Board Guidance on the creation and operation of Local Pension Boards in England and Wales suggests that it is good practice for the Local Pension Board to consider publishing an annual report of the Board's activities for that year. It is consistent with good governance practices that the Board should submit this report to the Council in its capacity as the Administering Authority.

2. Executive Summary

- 1.2. The report provides a summary of the work of the Board over the past year. Council is asked to note the Annual Report and raise any comments accordingly. The report has been published on the Council's website and the Pension Fund website.

3. Recommendations

3.1 It is recommended that the Local Pension Board recommends the annual report to Council, set out at Section 6 below.

4. Reason for Recommendations (NOTE: this section is mandatory and must be completed)

4.1 As stated above, it is good practice for the Local Pension Board to publish an annual report and that this report be submitted to the Council in its capacity as the Administering Authority.

5. Report Background

5.1 The Public Services Pensions Act 2013 requires all Public Service Pension Schemes to establish a Local Pension Board. The role of the Board is to assist the Administering Authority (West Northamptonshire Council) to:

- Secure compliance with the Local Government Pension Scheme (LGPS) regulations and other legislation relating to the governance and administration of the LGPS and also the requirements imposed by the Pensions Regulator in relation to the LGPS; and
- Ensure the effective and efficient governance and administration of the LGPS.

5.2 The Local Pension Board is expected to complement and enhance the Council's existing arrangements for administering the pension scheme. It does not replace the existing arrangements and it is not a decision-making body. Rather, it is designed to act as a critical friend to the existing Pension Committee and Investment Sub-Committee.

5.3 The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 were laid before Parliament on 28th January 2015 and came into force on 20th February 2015. These regulations required the Administering Authority (then Northamptonshire County Council) to agree the establishment of a Local Pension Board by 1st April 2015. The Northamptonshire Local Pension Board was established on 19 March 2015 and held its first meeting on 6 July 2015. The first meeting of the Board under West Northamptonshire Council was held on 1 July 2021.

5.4 The Board's annual report focuses on demonstrating to the Administering Authority that the Board is fulfilling its statutory role by helping the Administering Authority to:

- secure compliance with the Local Government Pension Scheme (LGPS) regulations and other legislation relating to the governance and administration of the LGPS and also the requirements imposed by the Pensions Regulator in relation to the LGPS; and
- ensure the effective and efficient governance and administration of the LGPS.

5.5 Over the course of the past year, the Board has reviewed a range of issues and policies relevant to the scheme, including:

- Internal Audit updates;
- Administration Performance;
- Governance and Compliance;
- Business Plan updates;
- The Overpayment of Pension Entitlement Policy;
- Communication Strategy and Plan;

- Annual Report and Statement of Accounts;
- Conflict of Interest Policy;
- Valuation Update;
- Business Plan and Medium-Term Strategy; and
- Training Strategy.

5.6 The report provides a digest of this activity to the Administering Authority for information.

6. Board Membership

6.1 The Board is composed of three employer representatives and three employee representatives:

Employer representatives

- Councillor Greg Lunn (WNC)
- Councillor Andrew Weatherill (NNC)
- Julie Petrie (Northampton Partnership Homes)

Employee representatives

- Alicia Bruce (active member, Moulton College)
- Katy Downes (deferred member)
- Kev Standishday (active member, Unison)

6.2 Members who are not appointed by their authorities are recruited via open advertisement to all employers or employees respectively. This ensures the widest possible range of employers or members have the opportunity to apply. Selection is conducted by officers from Finance and Democratic Services teams.

7. Issues and Choices

7.1 The Board's work programme for 2022-23 is set out below.

7.2 Internal Audit

7.2.1 At its meeting in November 2022, the Board received an update on the Internal Audit of the administration of the Fund. The Board noted the control environment received substantial assurance and compliance received satisfactory assurance. The Board sought assurance that process had been made towards implementing the findings of the audit. Members of the Board reviewed the report and recommended that the risk register should also be subject to audit.

7.3 Administration Performance

7.3.1 A core function of the Local Pension Board is to assist the Administering Authority in ensuring the effective and efficient administration of the Scheme. The Board received information on and discussed the following areas:

- Details of key performance indicators (KPIs), whether they had been met and the reasons if they were not met;

- Details of employee and employer contributions timescales and targets;
- Details of new employer Admissions and Cessations.
- Occurrences of breaches of the law and material data breaches, if any;
- Details of significant overpayments, if any; and
- Internal Dispute Resolution Procedure cases.

7.3.2 These reports provided the Board with an oversight of the administration of the fund and the plans in place to monitor and manage performance. Through these reports, the Board have had the opportunity to challenge performance, note progress against KPIs and also receive information about issues such as breaches of the law. The Board were advised of missed KPIs at their meetings in April and June and were advised these were largely due to staff turnover and the need to develop the skills and experience of members of the team.

7.3.3 Throughout the period covered by this report, the Board were advised that none of the breaches of the law that had occurred were considered to be material in nature. Non-material breaches were reported to the Board as well.

7.3.4 At their meeting in April 2023, the Board were advised of additional KPIs designed to measure the customer journey of scheme members from event dates such as the date of retirement and will encompass the performance not just of the administering authority but also the scheme employer, payroll contractor and other payroll funds.

7.3.5 The Board reviewed disputes raised through the Internal Dispute Resolution Procedure (IDRP), the route through which scheme members can raise their concerns and challenge decisions. The Board were advised of the nature of each dispute, as well as the dates decisions on the disputes were made and the outcomes.

7.4 Business Plan updates

7.4.1 The Northamptonshire Pension Fund has adopted a Business Plan and Medium-Term Strategy that is agreed annually and is monitored by both the Committee and the Board. The business plan sets out a range of activities being undertaken by the service for which regular updates are provided to the Board. The most recent list of activities considered were:

- Re-tendering for benefits and governance consultancy services
- Re-tendering for actuarial consultancy services
- Re-tendering for legal services provider
- Re-tendering for pensions administration and pensioner payroll platform
- Address and mortality screening Services
- Review and implement changes required from the Pension Regulator's new Code of Practice
- Continue to review cyber resilience
- Implement the best practice recommendations of the good governance review
- Review the administrative performance of the Fund's additional voluntary contribution providers
- Complete the Guaranteed Minimum Pension Rectification
- Application of the McCloud age discrimination remedy

- Prepare for the implementation of Pension Dashboards
- Processing of undecided leaver records
- Continue development of the ACCESS asset pool
- Continue activities within the Fund's Climate Action Plan
- Implement the revised Investment Strategy
- Implement recommendations from the review of the website and digital communications.

7.4.2 At their meeting in November 2022, the Board received information about the performance of external providers, as well as changes in the marketplace. The Board also received information about changes to practice in processing leavers which had increased the speed and efficiency of the process.

7.4.3 At their meeting in January 2023, the Board heard that project resource had been redirected to support retirements activity, which resulted in a delay to work on the Guaranteed Minimum Pensions Rectification Activity. The Board heard that this would be restarted early this year. At the April meeting the Board were advised that changes to Government-set discount rate had impacted on benefit calculations, resulting in delays processing undecided leavers. This was an issue for all administering authorities. At the June meeting, the Board received an update on software procurement.

7.5 Governance and Compliance

7.5.1 It is a requirement for each Administering Authority to have in place a Governance Compliance Statement that sets out whether it delegates its functions, or part of its functions under the Regulations to a committee, a sub-committee or an officer of the authority. Each Administering Authority is required keep the policy and statement under review and, if revisions are made, the policy should be published and a copy sent to the Secretary of State.

7.5.2 The Board received regular updates on Governance and Compliance, with a focus on issues that have an impact on the governance, management and administration of the Northamptonshire Fund. In November 2022, the Board received a detailed update about the Pensions Dashboard Regulations 2022, which had been laid before Parliament. The Board received assurance that a project plan was in place, underpinned by data. The Board also heard that the Department for Levelling Up, Housing and Communities had launched a taskforce on Climate Related Financial Disclosures, to which the Northamptonshire Fund would respond. The Board made enquires about the increase in management costs and were advised that these related to the value of Assets Under Management, which fluctuated.

7.5.3 At their meeting in January 2023 the Board received a further update on the Pensions Dashboard Regulations, including the work that was underway to connect the Fund's systems to the dashboard. Clarification on detailed points from the Government was awaited. The Board also heard about policies developed by the Pensions Regulator in response to increased risk of scams related to the increased cost of living. This would require a review of processes for transfers out of the scheme, which was underway.

7.5.4 At their meeting in April 2023, the Board received an update about the impact of the McCloud remedy. The Board heard that some instructors may be required to move between the Teachers scheme and the Local Government Pensions Scheme, with some teachers being retrospectively eligible for the LGPS from April 2015 to March 2022. The Board also heard that online training was now available for Committee and Board members. At their June meeting, the Board received further updates on the new dashboard regulations and the McCloud Remedy.

7.6 Overpayment of Pension Entitlement Policy

7.6.1 At the meeting in January 2023, the Board reviewed the Overpayment of Pension Entitlement Policy. The policy aims to ensure the Fund:

- Has 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.
- Manages 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.
- Ensures benefits are paid to, and income collected from, the right people at the right time in the right amount;
- Identifies errors as soon as possible;
- Rectifies overpayments with the co-operation of the individual;
- Encourages individuals to take an active role in checking payslips/payments for obvious errors; and
- Avoids the Internal Dispute Resolution Procedure (IDRP), where possible, by managing the process effectively.

7.6.2 The policy is designed to provide assurance to the Fund's stakeholders that:

- All overpayments are treated in a fair and equitable manner;
- The Fund seeks to recover overpayments that have occurred, but, acknowledges that there may be legal reasons and/or other circumstances which mean that an overpayment may not, in practice, be able to be recovered (in whole or in part); and
- has steps in place to prevent and also investigate potentially fraudulent activity.

7.6.3 This was an important piece of pre-scrutiny where the Board had the opportunity to review the policy prior to adoption by the Pensions Committee. The Board reviewed the policy and it was agreed that all policies should be reviewed on a three-yearly cycle.

7.7 Communication Strategy and Plan

7.7.1 The Communication Strategy and Plan is produced in accordance with regulation 61 of the Local Government Pension Scheme regulations 2013. This requires administering authorities to:

- Prepare, maintain and publish a written statement setting out their policy concerning communications with:
 - scheme members (active, deferred, retired and dependant)
 - representatives of scheme members
 - prospective scheme members
 - scheme employers

- Set out their policy on:
 - the provision of information and publicity about the scheme
 - the format, frequency and method of distributing such information or publicity
- the promotion of the scheme to prospective scheme members and their employers.
- Keep the statement under review and make such revisions as are appropriate following a material change in the policy on any of the matters included. If revisions are made, a revised statement must be published.

7.7.2 The Board reviewed the Strategy at their January meeting and heard that new ways of communicating with members had been incorporated into the Strategy. The Board queried the percentage change in the performance indicators and were advised this section of the report would be clarified.

7.8 Annual Plan and Statement of Accounts 2021-22

7.8.1 The Board received the statement of accounts shortly before their consideration by the Audit and Governance Committee. The Board queried how the fund management expenses compared to other funds and heard this would form part of the analysis provided to the Pensions Committee later in the year. The Board sought assurances that value for money was being achieved.

7.9 Conflicts of Interest Policy

7.9.1 The Board reviewed the Conflicts of Interest Policy at their meeting in January following training provided in November.

7.10 Valuation Update

7.10.1 The Board received an update on progress made towards completing the valuation of the Pension Fund and setting of employer contribution rates at their meeting in January. In April the Board received a further update advising on the satisfactory completion of the project.

7.11 Training Strategy

7.11.1 The Board received an update on the new mandatory training framework, which would provide a significant improvement in terms of measuring knowledge of decision makers and maintaining audit trails.

7.12 The Board considered a number of items that were exempt from publication, including cyber resilience, updates relating to the ACCESS asset pool and the investment strategy.

7.13 Work Programme

7.14 The Board's work programme for future meetings is flexible, but is planned to include the following:

Standing items:

- Update on progress in achieving key activities in the Fund's Annual Business Plan and Medium Term Strategy.
- Review of the Fund's administrative performance (KPIs on core activities and timeliness of receipt of employer contributions).
- Update on governance, compliance and legislative changes affecting the administration and management of the LGPS.
- Update on progress made in the government's LGPS asset pooling agenda.
- Review of the Fund's risk register and associated changes.

January 2024

TBC

April 2024

TBC

June 2024

TBC

November 2024

TBC

8. Implications (including financial implications)

8.1 Resources and Financial

8.1.1 The report is for information only. There are no resources or financial implications arising from the proposals.

8.2 Legal

8.2.1 The report is for information only. There are no legal implications arising from the proposals.

8.3 Risk

8.3.1 The report is for information only. There are no significant risks arising from the proposed recommendations in this report.

8.4 Consultation and Communications

8.4.1 Consultation on the content of the report is undertaken with the Local Pension Board prior to submission to full Council.

8.5 Consideration by Overview and Scrutiny

8.5.1 The administration of the Local Government Pension Scheme is a non-executive matter and therefore consideration by Overview and Scrutiny is not required.

8.6 **Climate Impact**

8.6.1 The report is for information only. There is no significant climate impact arising from the proposed recommendations in this report.

8.7 **Community Impact**

8.7.1 The report is for information only. There is no significant community impact arising from the proposed recommendations in this report.

9. **Background Papers**

9.1 The agendas and reports of the Local Pension Board are published here: [Browse meetings - Local Pension Board - West Northamptonshire Council \(moderngov.co.uk\)](#)