



West Northamptonshire Council

Local Pension Board

25/1/2024

Mark Whitby – Head of Pensions

Report Title	Governance and Compliance Report
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List of Appendices

Appendix A Northamptonshire Pension Fund Training Plan

1. Purpose of Report

- 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

- 2.1 This report provides the Board 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 (6.1)
 - McCloud (6.2)
 - Scheme Advisory Board (6.3)
 - The Pensions Ombudsman (6.4)
 - The Pensions Regulator (6.5)
 - Skills and knowledge opportunities (6.6)
- 2.2 The report also provides details of immaterial amendments made to policies or strategies as a result of Officer reviews (6.7).

3. Recommendation

- 3.1 The Pension Local Pension Board is asked to note the Governance and Compliance Report.

4. Reasons for Recommendation

- To ensure adequate oversight of the issues impacting the Northamptonshire Pension Fund.
- To ensure that the Committee and Board are aware of government consultations and responses provided.
- To comply with the CIPFA Skills and Knowledge Framework.
- To ensure good governance and compliance with the Local Government Pension Scheme Regulations and other relevant legislation and guidance.

5. Report Background

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

6. Issues and Choices

6.1 Pensions Dashboards

6.1.1 Dashboards survey

- 6.1.1.1 On 20 October 2023 the National LGPS Technical Group issued administering authorities with a Pensions Dashboards survey. The survey gathered information about the administering authorities' progress in implementing the Pensions Dashboards.

6.1.2 Common questions on Pension Dashboards

- 6.1.2.1 The Pensions Dashboards Programme published a blog addressing some of the common dashboard questions. The blog covers:

- How is connection guidance different to the connection deadline.
- When will guidance be published, and how will PDP engage with industry.
- Upcoming examples of how dashboards will look.

- 6.1.2.2 The blog can be found [here](#).

6.1.3 National LGPS Technical Group – AVCs and dashboards

- 6.1.3.1 At its meeting of 29 September 2023, the National LGPS Technical Group agreed to form a sub-group to look at AVCs and dashboards.

- 6.1.3.2 The sub-group will work with all LGPS AVC providers to establish common approaches on matching and providing value data.

- 6.1.3.3 The LGA will support the sub-group, which comprises representatives from software providers and administering authorities. Progress from the sub-group will be published in the National LGPS Technical Group minutes.

6.1.4 The Pensions Regulator blog on the dashboard checklist

- 6.1.4.1 The Pensions Regulator has published a blog encouraging schemes to follow their dashboard checklist.

- 6.1.4.2 The blog also warns schemes they need to start preparing for dashboards now, as it will take time and involve a lot of work. Schemes should not lose focus of this while they wait for their target connection dates.

- 6.1.4.3 The blog can be found [here](#).

- 6.1.4.4 Updated progress against the checklist for the Northamptonshire Pension Fund will be presented to the Committee in March 2024 and the Board in April 2024.

- 6.1.5 The Financial Reporting Council (FRC) consults on revising the Actuarial Standard Technical Memorandum (AS TM1)
- 6.1.5.1 On 3 November 2023 the FRC published a consultation to revise the AS TM1 to update the accumulation rate assumptions (used when estimating future money purchase pot values) within the guidance. The consultation closed on 4 December 2023.
- 6.1.5.2 AS TM1 is used in the calculation of statutory money purchase illustrations (SMPs). These are the pension illustrations used by LGPS AVC providers to project AVC estimated retirement income. It is the value data stated in SMPs Is that will be used to display on dashboards.
- 6.1.5.3 Administering authorities will need to understand AVC value data during their implementation of dashboards and once dashboards go live. More information can be found in the LGPS Pensions Dashboards connection guide.
- 6.1.5.4 The consultation can be found [here](#) and the connection guide can be found [here](#).
- 6.1.6 Integrated Service Provider (ISP) and Member Data Services – National LGPS Framework update.
- 6.1.6.1 The National LGPS Frameworks has implemented a variation to the existing framework for Pensions Administration Software to include integrated ISP services. Users who have appointed their software provider via this framework, or plan to use it before it expires in April 2025, are able to make use of the variation to incorporate ISP services within their contract.
- 6.1.6.2 It is also working with some authorities on a new framework for ISP and Member Data Services. This framework will include lots for ISP, address tracing, mortality screening, bank account verification and data quality reporting / dashboard readiness. It is due to launch in the first quarter of 2024.
- 6.1.7 LGPS Pensions Dashboards connection guide
- 6.1.7.1 On 6 November 2023, LGA emailed administering authorities letting them know the draft LGPS Pensions Dashboards connection guide has been published. A final version of the guide will be published when the Money and Pensions Service (MaPS) issues guidance on the staged timetable for connection and a final internal review has been undertaken.
- 6.1.7.2 The guide sets out the steps administering authorities need to take to connect to the dashboards ecosystem. It includes actions for authorities to take, decisions for them to make, statutory timings and recommendations on timings that are not prescribed. The non-prescribed timings will be revised when MaPS issue guidance on the staged timetable for connection.
- 6.1.8 Proposed staging date for public service pension schemes
- 6.1.8.1 On 28 November 2023, LGA emailed administering authorities letting them know the proposed staged connection date for public service pension schemes. This is not yet official government policy so can only be shared informally. The email also confirmed that Money and Pensions Service (MaPS) plan to publish the staged timetable for connection in Spring 2024.
- 6.2 McCloud
- 6.2.1 Consultation cases
- 6.2.1.1 The Department for Levelling Up, Housing and Communities (DLUHC) would like to know if administering authorities receive any applications for McCloud compensation.
- 6.2.1.2 For example, an authority might receive an application from a member who overpaid an annual allowance charge that HMRC will not refund.
- 6.2.1.3 Depersonalised details are required to be submitted to DLUHC as and when cases arise.
- 6.2.2 Dedicated areas of member websites
- 6.2.2.1 LGA have created new areas in the member websites dedicated to the McCloud remedy. The new pages include:
- a short video
 - frequently asked questions

- an interactive 'Am I affected?' tool
 - examples of how members might be affected
 - detailed information about how the remedy will affect different types of members
- 6.2.2.2 The Northamptonshire Pension Fund provides a link directly from its McCloud Remedy webpage to the LGA website, please see [here](#).
- 6.2.3 Initial prioritisation policy
- 6.2.3.1 On 12 October 2023, on behalf of DLUHC, LGA emailed administering authorities in England and Wales. The email included a link to DLUHC's initial policy on how to prioritise cases affected by the McCloud remedy.
- 6.2.3.2 The policy is not yet final. They will be discussed with the McCloud statutory guidance working group. DLUHC will also consult on the policy before a final version is issued early next year.
- 6.2.4 Interfund transfers and the underpin
- 6.2.4.1 Certain transfers for members with underpin protection are on hold until the actuarial guidance for transfers is updated for the McCloud remedy. DLUHC confirm:
- administering authorities can continue paying interfund transfers for members with underpin protection using the methodology in the current actuarial guidance.
 - authorities will not need to review these payments when the guidance is updated.
- 6.2.4.2 The sending authority must make sure they provide the receiving authority with the information they need to perform accurate underpin calculations. The sending authority should have:
- loaded any hour changes and service breaks for the remedy period
 - validated that information, and
 - if the member is over age 65, supplied the provisional underpin amount, provisional assumed benefits and the underpin date.
- 6.2.4.3 It should not be necessary for the receiving authority to take any additional steps to verify the information they receive.
- 6.2.5 McCloud survey
- 6.2.5.1 On 20 October 2023 the National LGPS Technical Group, emailed administering authorities with a McCloud survey. The survey gathered information about administering authorities progress in implementing the McCloud remedy.
- 6.2.6 McCloud technical guide for administrators
- 6.2.6.1 On 15 November 2023, LGA emailed administering authorities letting them know that the first instalment of our McCloud technical guide for administrators had been published. The guide explains how the underpin protection works in the LGPS after the changes made because of the McCloud case. The guide is being released in instalments due to the breadth and complexity of the McCloud remedy project and because guidance is still awaited in some areas. The first instalment includes an overview, which pension accounts qualify for underpin protection, as well as how to perform provisional and final underpin calculations.
- 6.2.7 McCloud webinars for administrators
- 6.2.7.1 LGA ran free McCloud Zoom webinars for pension administrators in December 2023. The webinars lasted up to two hours and were held on Thursday 7 December and Wednesday 20 December.
- 6.2.7.2 The webinars provided an opportunity to ask LGA any questions about the McCloud technical guide or the McCloud remedy more generally. The questions asked will feed into the next version of the guide – where there may be gaps and where further explanation is needed.

6.2.8 Teachers' excess service – TPS communications

6.2.8.1 The Teachers' Pension Scheme (TPS) has issued its first communications to employers about the McCloud remedy for teachers with excess service. Administering authorities may start to receive queries from employers about this issue.

6.2.8.2 A teacher has excess service if they have a part time teaching post as well as a fulltime role. Unprotected teachers in this group will become retrospectively eligible for membership of the LGPS for the period from 1 April 2015 to 31 March 2022.

6.2.9 Templates for member correspondence and disclosure article

6.2.9.1 LGA are working with the Communications Working Group to produce templates for administering authorities to use to communicate with their members about the McCloud remedy. Authorities can find the initial draft on the L G P S administrator websites in the administrator guides.

6.2.9.2 The first draft includes paragraphs administering authorities can add to existing letters to members protected by the underpin from 1 October 2023:

- 'compulsory' retirement quote letter – where the retirement date is fixed, such as redundancy/efficiency retirement, ill health retirement or age 75 retirement
- 'optional' retirement quote letter – where the member is under age 75 and may choose to delay payment to a later date
- retirement estimates provided on the member's request
- deferred benefits calculation.

6.2.9.3 An article to inform members about the changes has also been produced. The article satisfies the requirements set out in the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013. Administering authorities must inform all members who might be affected by the changes as soon as possible and, in any event, by no later than 31 December 2023.

6.2.9.4 All disclosure requirements for the Northamptonshire Pension Fund were met by 14 December 2023.

6.3 Scheme Advisory Board

6.3.1 Academy conversions guidance

6.3.1.1 On 19 October 2023, the SAB published guidance on academy conversions. The guidance is published in response to a recommendation in the Section 13 Report on the 2019 fund valuations, produced by the Government Actuary's Department (GAD).

6.3.1.2 The guidance explains the common actuarial approaches LGPS administering authorities use when a local authority school converts to an academy. It was developed in a collaborative way by a working group. The group included representatives from GAD, the Department for Levelling Up, Housing and Communities (DLUHC), the Department for Education, fund practitioners, fund actuaries, academy school representatives and trade unions.

6.3.1.3 The guidance can be found [here](#).

6.3.2 Consultation on investment reforms – SAB and DLUHC responses

6.3.2.1 On 2 October 2023 the SAB published its full response to the investment consultation. The consultation contained proposals in a range of areas, including:

- setting a target date for the migration of all listed assets to pools
- a proposal to move to fewer pools - with a target size of £50 billion
- a requirement for funds to have a plan to invest up to 5 per cent of assets to support levelling up in the UK
- a proposal for funds and pools to dedicate 10 per cent of assets to private equity investments.

- 6.3.2.2 The Board's response was shaped by a working group comprising of councillors, scheme representatives and practitioners from the Board's membership, led by Board Chair, Cllr Roger Phillips.
- 6.3.2.3 On 22 November 2023, the Department for Levelling Up, Housing and Communities (D LUHC) published its response to the consultation on investment reforms. The response largely adopts the measures the Government originally consulted on.
- 6.3.2.4 The Government will now implement proposals to accelerate and expand pooling and increase investment in levelling up and private equity.
It will do this by:
- setting out in revised investment strategy statement (ISS) guidance that funds should transfer all assets to their pool by 31 March 2025. Funds should also set out which assets are pooled, under pool management and not pooled and the rationale, value for money and date for review if not pooled
 - issuing revised pooling guidance to set out a preferred model of pooling including delegation of manager selection and strategy implementation
 - implementing a requirement in guidance for administering authorities to set a training policy for pensions committee members and to report against the policy
 - issuing revised guidance on annual reports to include:
 - a standard asset allocation and the proportion of assets pooled
 - a comparison between actual and strategic asset allocation
 - net savings from pooling
 - net returns for each asset class against their chosen benchmark.
 - making changes to LGPS official statistics to include a standard asset allocation and the proportion of assets pooled and the net savings of pooling
 - amending regulations to require funds to set a plan to invest up to 5 per cent of assets in levelling up the UK and to report annually on progress against the plan
 - issuing revised ISS guidance to require funds to consider investments to meet the Government's ambition of a 10 per cent allocation to private equity.
- 6.3.2.5 The Scheme Advisory Board and Department for Levelling Up, Housing and Communities responses can be found [here](#).

6.4 The Pensions Ombudsman

6.4.1 Court of Appeal rule TPO is not a competent court

6.4.1.1 The Court of Appeal has ruled in the case of 'The Pensions Ombudsman v CMG Pension Trustees Limited & Anor' the Pensions Ombudsman (TPO) is not a 'competent court' for the purposes of enforcing a dispute regarding a monetary obligation under section 91(6) of the Pensions Act 1995.

6.4.1.2 This could affect how overpayments are recouped and monetary obligations due to misconduct are recovered from pension benefits when there is a disagreement over the amount. A TPO decision that allows recoupment / recovery may not be enough for enforcement; an order from a county court or another competent court may be needed. TPO is currently reviewing its position and will provide an update in due course.

6.4.1.3 The determination can be found [here](#).

6.5 The Pensions Regulator

6.5.1 Governance and administration Survey 2022-23 results

6.5.1.1 TPR published the results of its survey on governance and administration practices among public service pension schemes on 27 November 2023.

6.5.1.2 The survey was carried out online from January to March 2023 and received responses from 191 of 204 public service pension schemes. The survey covered topics such as risk management, annual benefits statements, breaches of the law and dashboards. It also asked LGPS administering authorities about actions in relation to climate related risks and opportunities

6.5.1.3 A response was submitted for the Northamptonshire Pension Fund and the Chair of the Pension Board was consulted with prior.

6.5.1.4 The survey results can be found [here](#).

6.5.2 Cyber security guidance

6.5.2.1 The Pensions Regulator has revised its cyber security guidance. The guidance helps trustees and pension scheme managers meet their duties to assess risk, ensure controls are in place, and respond to incidents.

6.5.2.2 For the first time, the guidance asks pension schemes to report any significant cyber-related incidents to TPR on a voluntary basis as soon as is reasonably practicable. This will help TPR build a better picture of the cyber risk facing the industry and its members.

6.5.2.3 The guidance can be found [here](#).

6.5.3 General Code of Practice

6.5.3.1 The General Code of Practice was laid in Parliament on the 10 January. The General Code of Practice consolidates the previous 10 TPR codes into a single code. It also introduces new topics such as Cyber Security and Pension Scams.

6.5.3.2 The 5 main areas of the code are:

- The Governing body
- Funding and Investment
- Administration
- Communications and disclosure
- Reporting to TPR

6.5.3.3 The Code is expected to come into force on 27 March 2024 and the Northamptonshire Pension Fund will be ensuring compliance within the 6-month deadline.

6.6 Skills and knowledge opportunities

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

6.6.2 In addition, in order to facilitate the acquisition of skills and knowledge for members of the Pension Board, appendix A lists the main events that are deemed useful and appropriate.

6.6.3 If members of the Pension Board 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.

6.6.4 The Training Strategy was approved at the July meeting of the Pension Committee and members have until 24 July 2024 to complete the mandatory training modules. Please find the Training Strategy [here](#).

6.7 Northamptonshire Pension Fund Policy/Strategy updates

6.7.1 In March 2023 the Pension Fund Committee agreed for all policies and strategies to be reviewed by the Committee on a three year cycle (unless stated otherwise) with Officer reviews to be conducted on an annual basis or as deemed necessary.

6.7.2 For the period the following non material amendments were applied:

Policy/Strategy	Review reason	Amendments made
Cyber Strategy	Officer annual review due.	1) Inserted a section on the roles and responsibilities relating to the Strategy and included delegated authority of the Committee. 2) Growing risk has been replaced with significant risk. 3) TPR Code of Practice references updated – due to be released early 2024. 4) Changed administering authority references to ‘Fund’ for consistency throughout the Strategy. 5) Added cyber security considerations to appointing or reappointing of advisors. 6) Incident response plan wording changed to reflect it is now in place.
Data Improvement Policy	Officer annual review due.	None.

7. Implications (including financial implications)

7.1 Resources and Financial

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

7.2 Legal

7.2.1 There are no legal implications directly arising from this “for information” report. Any legal implications arising from the issues discussed will be identified and highlighted at the appropriate time.

7.3 Risk

7.3.1 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.

- 7.3.2 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.
- 7.3.3 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](#)

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 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.

7.5 Consultation

- 7.5.1 The Fund is kept updated with developments and consultations via various sources such as the Local Government Association, The Pensions Regulator and Scheme Advisory Board. No consultation was required for this report.