



## West Northamptonshire Council

### Pension Fund Committee

27/03/2024

### Mark Whitby – Head of Pensions

<b>Report Title</b>	Governance and Compliance Report
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#### Contributors/Checkers/Approvers

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<b>Head of Pensions</b>	Mark Whitby	12/02/2024

#### List of Appendices

- Appendix A Progress made against the Pension Regulators dashboard checklist  
Appendix B Skills and knowledge complementary training schedule

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

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

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

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- 2.1 This report provides the Pension Committee with information on the following significant current issues which have an impact on the governance, management and administration of the Northamptonshire Pension Fund.
- Pensions Dashboards (6.1, 6.2 & 6.3)
  - McCloud (6.4)
  - Scheme Advisory Board (6.5)
  - The Pensions Ombudsman (6.6 & 6.7)
  - The Pensions Regulator (6.8 & 6.9)
  - Skills and knowledge opportunities (6.10)
- 2.2 The report also provides details of any proposed immaterial amendments due to be made to policies or strategies as a result of Officer reviews (6.11).

### **3. Recommendation**

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- 3.1 The Pension Committee is asked to:
- 1) Note the Governance and Compliance Report.
  - 2) Note the immaterial amendments to be applied to the policy in section 6.11.2.

### **4. Reasons for Recommendation**

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- To ensure adequate oversight of the issues impacting the Northamptonshire Pension Fund.
- To ensure that the Committee is 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**

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

### **6. Issues and Choices**

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#### Pensions Dashboards

#### 6.1 PASA dashboard guidance

6.1.1 The Pensions Administrations Standards Association (PASA) has published Pensions Dashboards Connection Ready Guidance and a 'Call to Action'.

6.1.2 The Connection Ready Guidance explains what being 'connection ready' means and what a typical scheme plan could look like. It covers five main areas: governance, matching, value data, technology and administration. For each area, it describes the key activities, how to do them, why they matter and how to show that they have been done.

6.1.3 The Call to Action lists the top five actions that schemes need to take now to prepare for dashboards and can be found [here](#).

6.1.4 PASA will release further supporting materials in the next few months, such as practical tips for certain connection ready activities, checklist of key actions and outlines of connection ready decisions.

6.1.5 The Pensions Dashboards Connection Ready Guidance can be found [here](#).

#### 6.2 Pension Dashboard Programme updates

6.2.1 Blog on recent queries - On 30 November 2023, the Pensions Dashboards Programme (PDP) published a blog covering the following recent queries they have received:

- When do PDP expect to publish dashboard standards?
- What are the different types of testing?
- When will the dashboards available point be?

6.2.2 A link to the blog can be found [here](#).

6.2.3 January newsletter - Covering Chris Curry's blog looking back at 2023 and a recording of the December PDP webinar on understanding dashboards architecture and find and view data. A link to the newsletter can be found [here](#).

- 6.2.4 FAQs newsletters - The FAQs newsletters help to answer the most frequently asked questions about pensions dashboards. The January edition features FAQs about the central digital architecture. A link to the letter can be found [here](#).
- 6.2.5 Blog on industry engagement - PDP will continue to work closely with industry, regulators and DWP to deliver dashboards. Groups and forums will continue to collaborate in 2024 and PDP invites you to register your interest in joining one of these groups. A link to the blog can be found [here](#).
- 6.2.6 Connection guidance and understanding AVCs and value data webinar - The January webinar included speakers from PDP, PASA, DWP, TPR and Jayne Wiberg from the LGA. A link to the webinar can be found [here](#).
- 6.3 The Pensions Regulator dashboard checklist
- 6.3.1 The Pensions Regulator has published a blog encouraging schemes to follow their dashboard checklist. The Northamptonshire Pension Fund is progressing well against the checklist and is included as Appendix A of the report.
- 6.3.2 Project plan activities based on the LGAs connection guide will be undertaken in the following areas in order to connect to the Pension Dashboard:
- Governance
  - Internal controls
  - Connection
  - Record keeping
  - Budget
  - Resource
  - Data

#### McCloud

- 6.4 Initial prioritisation policy
- 6.4.1 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.
- 6.4.2 The final version is due to be published imminently.

#### Scheme Advisory Board

- 6.5 SAB commissions report on the LGPS and Sharia law
- 6.5.1 In 2022, the Board received legal advice from Lydia Seymour (Counsel) on members opting out of the LGPS on the basis of their (principally Islamic) religious belief, and whether this might constitute unlawful discrimination. In order to give a definitive opinion, Counsel advised that she needed to understand better the basis of those beliefs and the extent to which they would be broadly shared across the Muslim community.
- 6.5.2 The Board commissioned Mufti Faraz Adam of Amanah Associates, an Islamic finance expert, to produce a report on Sharia law and the LGPS. The aim being to address any possible legal risk for scheme employers and to ensure the scheme is as inclusive as possible.
- 6.5.3 The report examines the issue from the starting point that the LGPS is an extension of the employer/employee contract. The report concludes that as a part of the contractual arrangement between employer and employees, Muslim employees can continue to contribute to, and benefit from, the excellent benefits offered by the LGPS.

- 6.5.4 In publishing the report, the Board made no claim of expertise on the matter of Sharia law and wishes to be clear that the report represents the views of the author and not the Board. More information can be found [here](#).

#### The Pensions Ombudsman (TPO)

#### 6.6 Response to Court of Appeal ruling

- 6.6.1 TPO has expressed its disappointment about the recent Court of Appeal ruling that it is not a competent court for enforcing a dispute about a monetary obligation under section 91(6) of the Pensions Act 1995.
- 6.6.2 The ruling means that a TPO decision to allow recoupment / recovery from a pension is not enough to enforce it. The scheme also needs an order from a County Court.
- 6.6.3 The Department for Work and Pensions is supporting legislative changes to formally empower TPO to bring these disputes to an end without needing a County Court Order.
- 6.6.4 In the meantime, TPO has been working with stakeholders across the sector to review the management of such disputes to minimise the additional time and cost that has been added to the process. It has also published a recovery in overpayment cases factsheet to provide guidance to help schemes manage these disputes.
- 6.6.5 The response to the judgement can be found [here](#) and the overpayments cases factsheet can be found [here](#).

#### 6.7 Interim chair of the Pensions Ombudsman appointed

- 6.7.1 DWP has appointed Anthony Arter as the Interim Chair of TPO. Anthony served as the Pensions Ombudsman for eight years until January 2023, followed by a period as the Deputy Pensions Ombudsman. He will serve as the Interim Chair until a permanent Chair is appointed.

#### The Pensions Regulator (TPR)

#### 6.8 Cyber security guidance

- 6.8.1 The Pensions Regulator has revised its cyber security guidance. The guidance helps trustees and pension scheme managers meet their duties to assess the risk, ensure controls are in place, and respond to incidents.
- 6.8.2 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.
- 6.8.3 A link to the guidance can be found [here](#).

#### 6.9 General Code of Practice

- 6.9.1 On 10 January 2024, the Pensions Regulator responded to the 2021 consultation on the new code of practice which is expected to come into force on 27 March 2024. It replaces Code of Practice 14 for public service pension schemes and brings together ten previous TPR Codes into one code.
- 6.9.2 The SAB's Secretariat is studying the Code closely to identify any new requirements for administering authorities and how the Code's requirements align with items on the SAB workplan, such as the SAB's 2021 Good Governance recommendations.
- 6.9.3 TPR's research on governance and administration shows that the LGPS already has high standards of governance in place. The Code provides an opportunity for funds to review current practices, but also presents challenges during what is already a busy time for the LGPS. Clarity is required on which parts of the Code apply to the LGPS, what these mean for administering authorities and how they should be applied in practice. The SAB will support authorities in understanding any new requirements in the Code and, where needed, will produce new or update existing guidance to help authorities with their responsibilities.

6.9.4 The new code of practice consultation can be found [here](#).

6.10 Skills and knowledge opportunities

6.10.1 The Public Services Pensions Act 2013 and the Pensions Regulator’s Code of Practice (Governance and administration of public service pension schemes) require all members of the Pension Committee to maintain the necessary skills and knowledge to undertake their role effectively.

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

6.10.3 If members of the Pension Committee would like to attend any of the events listed in appendix A, please contact a member of the Fund’s governance team who will make the necessary arrangements if an invitation has not already been sent.

6.10.4 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. A copy of the Training Strategy can be found [here](#) for reference.

6.11 Northamptonshire Pension Fund Policy/Strategy updates

6.11.1 In March 2023 the Pension 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.

6.11.2 For the period the following non material amendments are due to be applied:

Policy/Strategy	Review reason	Comments/amendments made
Conflicts of Interest Policy	Annual review due	The approval, review and consultation section has been updated to reflect that annual Officer reviews will be conducted in addition to the three-year Committee review cycle.
Reporting breaches of the Law to the Pensions Regulator Policy	Annual review due	The General Code of Practice has been laid in Parliament and is due to come into force 27 March 2024. As the reporting breaches of the law is a component of the Code, Officers will review in line with the new Code. No material changes are expected, and confirmation of the review will be reported to the Committee at the June meeting.
Risk Strategy	Annual review due	To review after March to align with the new General Code and to seek views on approach from our new governance advisors. As part of Local Pension Board discussions to also explore using an assurance mapping approach.
Cessations Policy	Annual review due	The review is slightly delayed whilst the outcome of the actuarial procurement was awaited. The results of the review will be reported to the Committee at the June meeting.

6.11.3 The amended Conflict of Interest Policy will be published to the website.

6.11.4 In addition the Cyber Hygiene Guidelines have also been reviewed in line with the relevant module in the new General Code and the Pension Regulators cyber security principles guidance. A copy will be circulated to all Committee and Board members.

## **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 Relevant legislation is referenced in the main body of the report.

### **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 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.
- 7.5.2 Aon supported the review of the Cyber Hygiene Guidelines.