

WEST NORTHAMPTONSHIRE COUNCIL

2 December 2021

Councillor Malcolm Longley: Cabinet Member for Finance

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

Appendix A – Annual Report of the Local Pension Board

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. A copy of the Local Pension Board Annual Report is attached at Appendix 1. 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 Council notes the annual report of the Local Pension Board, set out at Section 6 below.

4. Reason for Recommendations

- 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 relating to the creation and ongoing operation of local pension boards 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:
- Pension Service Administration Performance Report;
 - Business Plan updates;
 - Governance and Compliance;

- Risk Monitoring;
- Administration Strategy Review;
- ACCESS pooling update; and
- Pension Fund Communication Plan.

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 Ken Pritchard (WNC)
- Julie Petrie (Northampton Partnership Homes)
- Vacancy (NNC)

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 2020-21 is set out below.

7.2 Pensions Administration Performance Report

One of the core functions of the Local Pension Board is to ensure the effective and efficient governance and 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;
- Breaches of the law;
- Internal Dispute Resolution Procedure; and
- Employer Admissions and Cessations.

7.2.1 Through these reports, the Board were able to develop an understanding of the authority's performance and the plans in place to improve this performance further. The Board have had the opportunity to challenge the Administering Authority's performance and received information about issues such as breaches of the law. Throughout the period covered by this

report, the Board were satisfied that none of the breaches of the law (such as contribution payments paid outside of the statutory period) were considered to be material in nature.

7.2.2 The Board were pleased to note good progress against KPIs and were satisfied that any issues that had caused KPIs to be missed had been addressed. At their meeting in July 2021 the Board considered a single breach of the law in relation to the refund of pension contribution payments that were paid outside of the statutory period, which was considered to be non-material.

7.2.3 At their meeting in November 2021, the Board received an update on KPIs, receipt of contributions and breaches of the law. The Board noted the IT outage that occurred in mid-August, followed by changes to the WNC firewall, which caused intermittent responsiveness issues with the hosted pensions server until mid to late October. The Board heard that this impacted all casework teams to varying degrees. The Board requested that the Pensions Committee be advised of the issues when they next meet.

7.3 Business Plan updates

7.3.1 It is considered good practice for the Northamptonshire Pension Fund to adopt a Business Plan and Medium-Term Strategy that:

- Sets out the objectives of the Council with regards to the management of the Fund;
- Documents the priorities and improvements to be implemented during the next three years to help achieve those objectives;
- Enables progress and performance to be monitored in relation to those priorities; and
- Provides a clear vision for the next three years.

7.3.2 The Board received regular updates on the Business Plan and Medium Term Strategy including regular updates on staffing and recruitment.

7.3.3 At their meeting in March 2021, the Board were updated on the impact of the COVID-19 pandemic and the resulting action plans. The Board were also updated on work that had been undertaken on cyber-resilience, IT systems and investment strategies.

7.3.4 At their meeting in July 2021, the Board received a full update of the Annual Business Plan and Medium Term Strategy 2021-22 to 2023-24, including:

- Procurement of services;
- Core governance activities;
- Scheme member and data projects;
- Scheme employer projects; and
- Investment related activities

7.3.5 At their meeting in November 2021, the Board received a list of key fund activities for the 2021-22 financial year, as well as variances against forecast investments and administration expenses. The Board also received updates on the re-tendering of strategic investment advisory services, global custody services and pensions administration and pensioner payroll platform. The Board also discussed the development of the fund's cyber resilience strategy.

7.4 Governance and Compliance

7.4.1 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. The Administering Authority must keep the policy and statement under review and, if revisions are made, it should be published and a copy must be sent to the Secretary of State for Housing, Communities and Local Government.

7.4.2 The Board received regular updates on Governance and Compliance including details of the following:

- Updates on the impact of the Government's decision to revoke the regulations that had introduced a public sector exit cap;
- Work by the Pensions Regulator to combat pension scams, including the intention of the Northamptonshire fund to sign up to this pledge;
- The Local Government Pension Scheme Advisory Board's Good Governance Review;
- The Pension Regulator's new Code of Practice;
- Skills and knowledge opportunities; and
- The Pension Schemes Act 2021.

7.5 Risk Monitoring

7.5.1 The Board receives regular updates on risk monitoring, including sight of the full risk register. The Board noted the intention to strengthen the management of risks around cyber security and pension scams. At their meeting in July 2021, the Board was advised of proposals to amend the risks in relation to climate change, cyber-crime, governance, conflicts of interest and the impact of data errors.

7.5.2 At their meeting in November 2021, the Board noted an update to the risk relating to the delivery of services due to inadequate recruitment and retention processes. The Board sought assurance about the change to gross and residual risks scores on the basis that the recruitment market was more challenging and there were fewer applications for vacancies. The Board heard that additional recruitment avenues were being utilised, including specialist recruitment agencies.

7.6 Administration Strategy Review

7.6.1 The Board received an update on the review of the Administration Strategy. The Board noted a number of updates that had been made, including:

- Updates to the wording of the objectives within the strategy to ensure these reflect the latest version of the Fund objectives;
- Updates to KPIs where changes have been previously agreed by the Pension Committee;
- Removal of reference to service level agreements; and
- Updates to key activities to reflect current processes.

7.7 Admission Bodies, Scheme Employers and Bulk Transfer Policy

7.7.1 The Board scrutinised the Admission Bodies, Scheme Employers and Bulk Transfer Policy at their meeting in November 2022. The document outlines the Fund's policies regarding the treatment of admitted bodies and scheme employers in a range of scenarios, particularly their entry and exit from the Fund, and the bulk transfer of pension rights into and out of the Fund.

7.8 Training Strategy

7.8.1 The Board reviewed the fund's Training Strategy, the purpose of which is to assist the Pension Committee, Local Pension Board and senior officers to ensure the Fund is managed and assisted by individuals who have the appropriate level of knowledge and skills as required by the Pensions Act 2004 and as enforced by the Pensions Regulator. The Board felt it would be helpful if engagement with online training modules could be monitored in order to ensure there was adequate take up. The board also underlined the importance of training to ensure all parties were equipped with the knowledge necessary to deal with risks related to cyber security.

7.9 Northamptonshire Pension Fund Communications Plan

7.9.1 The Communications Plan outlines the Fund's planned communication activities on a monthly basis for each stakeholder group. As well as setting out planned newsletters, surveys, employer training and web updates, the plan also highlights some of the Fund's key initiatives for the year. The Plan is prepared pursuant to Regulation 61 of the Local Government Pension Scheme Regulations 2013. The Board received an update at their meeting in July 2021.

7.10 ACCESS pooling update

7.10.1 The Board has received regular updates on the ACCESS asset pool, including reports and minutes of the ACCESS Joint Committee.

7.11 Work Programme

7.11.1 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.

- Administration Report.
- Business Plan Update.
- Governance and Compliance Report.
- Risk Monitoring.
- Pension Fund Engagement.
- Business Continuity Plan.
- Responsible Investment Policy.
- Anti-Fraud and Corruption Policy.

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- Administration Report.
- Business Plan Update.
- Governance and Compliance Report.
- Risk Monitoring.
- Code of Practice Action Plan.
- Effectiveness Review of the Pension Fund Board.
- Risk Strategy.

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

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.

8.8 **Communications**

8.8.1 The report is for information only. There are no communication 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 \(modern.gov.co.uk\)](#)