



West Northamptonshire Council

Pension Committee

30/03/2022

Mark Whitby – Head of Pensions

Report Title	Governance and Compliance Report
Report Author	Jo Kent, Governance and Regulations Manager Joanne.Kent@westnorthants.gov.uk

Contributors/Checkers/Approvers

MO	John Murphy on behalf of Catherine Whitehead	7/3/2022
S151	James Smith on behalf of Martin Henry	2/3/2022
Head of Pensions	Mark Whitby	23/2/2022

List of Appendices

Appendix A – Skills and knowledge training schedule

1. Purpose of Report

- 1.1 This is a standing report that identifies issues and developments in the governance, management and administration of the Northamptonshire Local Government Pension Scheme (LGPS) as administered by West Northamptonshire Council.

2. Executive Summary

- 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.
- Department for Levelling Up, Housing and Communities – SF3 data 2020/21, Section 13 Report and Levelling Up the United Kingdom White Paper
 - Scheme Advisory Board – UN Letter regarding investments in the Israeli settlement economy and Scheme Member representation on Asset Pools
 - The Pensions Regulator – Reporting pension scams
 - New legislation – Pension Scams and Pensions Wise guidance

- Governance of the Northamptonshire Pension Fund - Recruitment for the vacant position of all other employers representative on the Pensions Committee and unfilled position for North Northamptonshire Council employer representative on the Local Pension Board
- Skills and knowledge opportunities

3. Recommendations

- 3.1** The Pension Committee is asked to:
- a) Note the contents of this report.

4. Report Background

- 4.1** This report provides an update on developments and issues that impact the LGPS that members of the Local Pension Board need to be aware of in order to fulfil their responsibilities to the Fund's key stakeholders. The content of this report will also provide information that will support the scrutiny of decisions made by the Pension Committee and assists members of the Local Pension Board in the ongoing attainment of skills and knowledge as required by the Pensions Regulator and the Public Services Pensions Act 2013.

5. Issues

5.1 The Department for Levelling Up, Housing and Communities (DLUHC)

5.1.1 SF3 statistics 2020/21

5.1.1.1 On 21 December, DLUHC published the final SF3 statistics for 2020/21. This is a statistical release containing information on the LGPS' total expenditure, income and membership for 2020/21 in England and Wales. The statistics were based on data provided by all 85 administering authorities. The headline statistics are as follows:

- Total LGPS expenditure in 2020/21 was £13.6bn. This was an increase of £0.2bn (1.2%) on 2019/20.
- Total LGPS income in 2020/21 was £17.3bn. This was an increase of £1.3bn (8.4%).
- Employers' contributions to the LGPS amounted to £10.3bn, up by 3.4%. This reflects the early deficit payments made by many employers following the triennial valuation.
- Employees' contributions to the LGPS were £2.4bn in 2020/21, up by 4.9%
- The market value of the 85 LGPS Funds at the end of March 2021 was £337.1bn, an increase of £64.7bn (23.8%).
- The LGPS encompassed 6.1 million people at the end of March 2021. Of this, 2 million are employees who still contribute to the scheme, 1.8 million are pensioners and 2.3 million are former employees who are entitled to a pension in the future.
- There were 82,936 retirements from the LGPS in 2020/21, a decrease of 6,070 (6.8%) compared with 2019/20. The overall decrease suggests that deferred benefits coming into payment are increasing but normal retirements are decreasing, and redundancy retirements are materially decreasing.

5.1.1.2 The full SF3 report can be found [here](#).

5.1.2 Section 13 Report

5.1.2.1 On 16 December 2021, the DLUHC published the Government Actuary's Department (GAD) report on the 2019 LGPS Fund valuations as required by section 13 of the Public Service Pensions Act 2013.

5.1.2.2 GAD found the scheme's financial position had strengthened since its previous review in 2016 on the back of buoyant investment returns between 2016 and 2019. The main findings of the Section 13 report are as follows:

- Compliance – Fund valuations were compliant with relevant regulations.
- Consistency – Funds had implemented GAD's 2016 recommendation to provide a standard valuation dashboard to aid readers when comparing results for different Funds. However, differences in methodology and assumptions do mean that a like for like comparison is not straightforward.
- Solvency – the size of Funds has grown considerably more than local authority budgets since 2016, so there's an increased risk of strain on employers from any future funding changes.
- Long-term cost efficiency – where relevant Funds had generally acted on GAD's 2016 recommendations on operating plans to close any deficit funding gaps. GAD highlighted four Funds they are concerned about the level or trajectory of employer contributions and the implications for taxpayers. The Northamptonshire Fund is not one of those four Funds.

5.1.2.3 GAD's recommendations for Funds or the SAB to consider during the 2022 valuations include:

- Improve consistency in the approach to assessing emerging and existing key issues, such as recent legal judgements (McCloud) and setting employer contributions for new academies.
- Ensuring deficit recovery plans can be demonstrated to be a continuation of the previous plan.
- Continue with ongoing improvements on transparency through an expanded valuation dashboard.
- Review the governance around asset transfer arrangements from local authorities.

5.1.2.4 The full Section 13 report can be found [here](#).

5.1.3 Levelling Up the United Kingdom – White Paper

5.1.3.1 On 2 February 2022, the UK Government published its white paper on Levelling Up that sets out the Government's plans to spread economic opportunities more equally across the UK. The plans are wide-ranging with the intention to address six drivers of spatial disparity across "missions". The paper outlines the role of institutional investment in the Levelling Up agenda as providers of capital. Specifically for the LGPS, the paper notes the progress to date with the increasing investment in infrastructure from £1bn in 2016 to £21bn in 2021 (largely through the asset pools). As part of the proposals individual LGPS Funds will need to publish their plans to target up to 5% of their assets being invested in "local" projects.

5.1.3.2 The Scheme Advisory Board understands that the context of local refers to the UK rather than local to a particular LGPS Fund and that there will be no mandating beyond the requirement to have a plan.

5.1.3.3 It is expected that the government will release a consultation on this matter in the summer of 2022 which will also include the outstanding climate risk and reporting regulations and the pooling guidance.

5.1.3.4 Further information can be found in the white paper on page 162 - Levelling Up the United Kingdom - GOV.UK (www.gov.uk).

5.3 Scheme Advisory Board

5.3.1 UN Letter about investments in the Israeli settlement economy

5.3.1.1 On 22 November 2021, Michael Lynk, United Nations Special Rapporteur on the Palestinian Territories sent a letter to all Pension Committee Chairmen/women. The letter asked a number of questions of LGPS administering authorities concerning investment in companies that may be involved in the Israeli settlement economy. The Scheme Advisory Board and the Local Authority Pension Fund Forum (LAPFF) met with Michael Lynk on 11 January 2022. The following statement was subsequently released by the Scheme Advisory Board:

“The discussion was productive and it was agreed to follow up with another call in a month or so. It was made clear that LGPS Funds’ primary objective in investments is to ensure pensions are paid but they do take into account human rights issues seriously in their decisions and through LAPFF are actively engaged with many companies listed on the [United Nations] database. In that respect Mr Lynk will provide further information on the database in particular the process for removing companies from it. LGPS Fund who are considering responding to Mr Lynk may wish to reference this ongoing discussion”.

5.3.1.2 Officers, in light of the ongoing national dialogue, do not at this time intend to respond to Mr Lynk’s letter which can be found [here](#).

5.3.2 Scheme member representation in Asset Pools

5.3.2.1 On 17 December the Scheme Advisory Board expressed its disappointment that the ACCESS asset pool continues not to have adopted the SABs policy on including member representation in its governance arrangement. SAB urges representatives of the pool’s Funds to reconsider the position to include scheme member representation, either as full members, with, or without voting rights or as observers.

5.3.2.2 SAB subsequently amended the statement to reflect that ACCESS had complied with SAB’s policy by explaining their reasons for excluding scheme members.

5.3.2.3 At the Joint Committee meeting of the ACCESS asset pool on 7 March 2022 proposals were agreed that will enable each ACCESS Authority’s Local Pension Board (LPB) to send two observers on a rotational basis to Joint Committee meetings. In practice observers from three ACCESS Authority LPBs at a time will attend Joint Committee meetings in person, allowing each LPB to be represented at least once a year. The observers can be drawn from scheme member representatives, employer representatives or independent LPB members. Whilst it will be for each LPB to agree the two observers, it is desirable that at least one of the observers from each LPB is a scheme member representative. This arrangement will be reviewed after its first full year. The Inter Authority Agreement will need to be revised accordingly followed by the Fund’s Governance and Compliance Statement and the Council’s constitution.

5.4 The Pensions Regulator

5.4.1 On 18 January 2022, the Pensions Regulator (TPR) published a press release following concerns that too few schemes are reporting suspected pension scams. Failing to report suspicions of pension scams does not enable TPR to understand the scale of the problem or put in place successful interventions.

5.4.1.1 Reporting concerns about potential pension scams to Action Fraud is being incorporated into the relevant transfer out processes by Officers of the Northamptonshire Pension Fund.

5.5 New legislation

5.5.1 The Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021

5.5.1.1 On 8 November 2021:

- the Government published its response to the Pension Scams: empowering trustees and protecting members consultation;

- The Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021 were laid; and
 - The Pensions Regulator published its guidance on dealing with transfer requests.
- 5.5.1.2 The Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021 took effect from 30 November 2021 and introduce further legal restrictions on the member's right to transfer out of certain pension schemes, including the LGPS.
- 5.5.1.3 The regulations give administering authorities of the LGPS tools to act if they have suspicions about the circumstances that have led the member to request a transfer. The member will no longer be able to insist on a statutory transfer taking place in these circumstances.
- 5.5.1.4 These changes will affect the payment of cash equivalent transfers for:
- Deferred members who request a statement of entitlement on or after 30 November 2021
 - AVC members who elect for payment of a transfer on or after 30 November 2021
 - Pension credit members (divorce benefits) who elect for payment of a transfer on or after 30 November 2021.
- 5.5.1.5 Officers have updated processes and documents for members impacted by these new regulations to ensure compliance.

5.5.2 The Occupational and Personal Pension Schemes (Disclosure of Information) (Requirements to Refer Members to Guidance etc) (Amendment) Regulations 2022

- 5.5.2.1 The above regulations were laid before Parliament on 17 January 2022 and come into force on 1 June 2022.
- 5.5.2.2 These regulations will require administrators of occupational pension schemes including the LGPS, to give their members, in certain cases a stronger 'nudge' to obtaining Pension Wise guidance.
- 5.5.2.3 Pension Wise is a government service from MoneyHelper that offers free, impartial pensions guidance about defined contribution pension options, such as additional voluntary contributions (AVCs).
- 5.5.2.4 Administering authorities will need to give the stronger nudge where it receives an application, or a communication in relation to an application, from a scheme member to start receiving their AVCs on or after 1 June 2022. These regulations also apply to applications from scheme members aged 50 or over to transfer out their AVCs.
- 5.5.2.5 As part of the application process, administering authorities must:
- Offer to book a Pension Wise appointment on behalf of the scheme member
 - Where the member accepts, take reasonable steps to book the appointment
 - Where the member does not accept the offer, or where the authority is unable to book the appointment despite having taken reasonable steps, gives details to the member of how to book the appointment themselves
 - Explain to the member that the authority cannot proceed with the application unless the member has attended the appointment and confirmed this to the authority, or has opted out of attending an appointment, and
 - Explain to the member that they can only opt out in respect of the application by giving (either verbally or in writing) a notification to the administering authority. The member may only give the notification in a separate communication made solely for that purpose.
- 5.5.2.6 Administering authorities must keep a record of whether, in respect of an application, the member attended a Pension Wise appointment or opted out of attending one.

5.5.2.7 Officers are currently reviewing the processes and documentation for scheme members who retire with AVCs and so these future changes will be incorporated as part of that review ready for implementation on 1 June 2022. Officers will also review the process for scheme members who are over the age of 50 who make an application to transfer out their AVCs to ensure full compliance with the new Regulations by the same date.

5.6 Governance of the Northamptonshire Pension Fund

5.6.1 All other scheme employers representative on the Pensions Committee

5.6.1.1 The Pensions Committee is formed of the following representatives.

Representing:	Number of seats
West Northamptonshire Council (the administering authority)	7
North Northamptonshire Council	2
All other employers	2 (1 vacant)
Active Scheme Members	1
Deferred and Pensioner Members	1

5.6.1.2 There has been a vacancy on the Pension Committee for a representative of all other scheme employers since the establishment of the Pensions Committee following the creation of the new administering authority on 1 April 2021, (West Northamptonshire Council). At the time it was not possible to fill both of the all other scheme employer representative positions due to only receiving one candidate.

5.6.1.3 A fresh campaign was launched at the beginning of February 2022 to find candidates to take part in a ballot to elect a representative to this seat. Unfortunately, no expressions of interest were received and so the process will be re-run in May 2022.

5.6.2 North Northamptonshire Council (NNC) employer representative on the Local Pension Board

5.6.2.1 The Local Pension Board is formed of three scheme member representatives and three scheme employer representatives. The three scheme employer representative positions are comprised of an elected member for West Northamptonshire Council, an elected member for NNC and an employer representative from any other of the scheme's employers.

5.6.2.2 NNC have been contacted on numerous occasions prior to and since the elections in May 2021 to put forward an elected member to represent itself as an employer in the scheme. The Monitoring Officer of West Northamptonshire Council has escalated this matter with the Monitoring Officer at NNC and it is expected that a representative will be named shortly.

5.7 Skills and knowledge opportunities

5.7.1 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.

5.7.2 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.

5.7.3 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 Implications (including financial implications)

6.1 Resources and Financial

6.1.1 There are no resources or financial implications arising from the proposals as the ongoing costs (specifically training delivered by the Fund’s advisors) have been considered in the existing budget for 2021/22 as previously approved by the Pension Committee and the budget for 2022/23 has been included within the Business Plan and Medium-Term Strategy 2022/23 – 2024/25 which is to be approved at this meeting.

6.2 Legal

6.2.1 There are no legal implications arising from the proposals.

6.3 Risk

6.3.1 The mitigated risks associated with this report 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 Board 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](#)

6.4 Relevant Pension Fund Objectives

6.4.1 The following objectives 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 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.

6.5 Consultation

6.5.1 Not applicable.

7 Background Papers

7.1 Not applicable.