



## West Northamptonshire Council

### Local Pension Board

28/04/2022

### Mark Whitby – Head of Pensions

Report Title	Governance and Compliance Report
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#### Contributors/Checkers/Approvers

Head of Pensions	Mark Whitby	5 April 2022
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#### 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 Board 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 – 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
  - Department for Work and Pensions – Consultation on draft Pensions Dashboards Regulations 2022
  - The Pensions Regulator – Reporting pension scams
  - New legislation – Pensions Wise guidance
  - Governance of the Northamptonshire Pension Fund – Vacancies on the Pensions

### **3. Recommendations**

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

### **4. Report Background**

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- 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 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**

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**5.1 The Department for Levelling Up, Housing and Communities (DLUHC) - Levelling Up the United Kingdom – White Paper**

- 5.1.1 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.
- 5.1.2 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 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.
- 5.1.4 Further information can be found in the white paper on page 162 - Levelling Up the United Kingdom - GOV.UK ([www.gov.uk](http://www.gov.uk)).

### **5.2 Scheme Advisory Board**

**5.2.1 UN Letter about investments in the Israeli settlement economy**

- 5.2.1.1 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”.*

5.2.2.2 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](#).

### **5.2.2 Scheme member representation in Asset Pools**

5.2.2.1 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.

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

5.2.2.3 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.

5.2.2.4 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.

### **5.3 Department for Work and Pensions (DWP) – Draft Pensions Dashboards Regulations 2022 Consultation**

5.3.1 On 31 January 2022 the DWP published a consultation on the draft Pensions Dashboards Regulations. The consultation closes on 13 March 2022.

5.3.2 Pensions dashboards will allow individuals to see information about all their pensions, including the State Pension, in one place. These draft regulations set the requirements to be met to deliver this and will place a legal duty on pension providers to provide information to the dashboards.

5.3.3 The consultation proposes a staging deadline of the end of April 2024 for public service pension schemes, including the LGPS. This means that LGPS administering authorities will need to be able to connect to the digital architecture by this date and be ready to provide scheme member data to them via the dashboards.

5.3.4 The Local Government Pensions Committee responded to consultation stating that it is their view that the LGPS will not be able to connect and meet its statutory duties by the proposed connection deadline of April 2024 for the following reasons:

- The value data required goes beyond what LGPS administering authorities must currently provide
- LGPS administering authorities will already be under significant pressure at the time because of implementing the McCloud remedy
- The proposed response times for value data mean that funds will need to collect and validate data on a monthly basis (whilst the Northamptonshire Pension Fund collects data on a monthly basis, not all other LGPS Funds will).
- Recruitment and retention of suitably skilled staff remains a barrier
- A number of other technical issues that are unique to the LGPS.

5.3.5 The LGPC response to the consultation can be found in full [here](#). The Local Pension Board will

be kept up to date with developments regarding the Pensions Dashboard.

#### **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.
- 5.4.2 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 (Disclosure of Information) (Requirements to Refer Members to Guidance etc) (Amendment) Regulations 2022**

- 5.5.1.1 The above regulations were laid before Parliament on 17 January 2022 and come into force on 1 June 2022.
- 5.5.1.2 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.
- 5.5.1.3 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).
- 5.5.1.4 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.
- 5.5.1.5 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.
- 5.5.1.6 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.
- 5.5.1.7 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. The process concluded at the end of March with no candidates being received. The vacancy will be readvertised again in May 2022 using different communication methods including the use of LinkedIn in order to obtain more interest.

### **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 The vacancy for the NNC representative that had existed since the elections in May 2021 has now been filled by Councillor Andrew Weatherill.

### **5.6.3 Fund Policy/Strategy Updates**

5.6.3.1 Officers have reviewed the Fund's Payment of Employee and Employer Contributions Policy and only non-material changes were made to the policy such as updating job titles and the removal of reference to LGSS. The revised policy can be found on the Fund's website [here](#).

## **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 Board 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 Board, appendix A lists the main events that are deemed useful and appropriate.

5.7.3 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 Implications (including financial implications)**

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### **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**

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7.1 Not applicable.