



## West Northamptonshire Council

### Local Pension Board

**28/04/2022**

### Mark Whitby – Head of Pensions

<b>Report Title</b>	Northamptonshire Pension Fund - Business Plan and Medium Term Strategy Update Report to the end of the 2021/22 financial year.
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#### Contributors/Checkers/Approvers

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#### List of Appendices

**Appendix A – Full list of the key fund activities for the 2021/22 financial year.**

**Appendix B - Variances against the forecast of investments and administration expenses based on original setting of assumptions**

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

- 1.1 Good governance requires that updates to the pre-agreed Annual Business Plan and Medium-Term Strategy are provided to the Board on a regular basis. This update highlights the progress made on the key activities for the period up to the end of 2021/22 financial year.

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

- 2.1 The Northamptonshire Pension Fund have for many years considered it good governance to have in place a Business Plan and Medium Term Strategy that is reviewed on an annual basis for the start of the next financial year.
- 2.2 The report summarises the progress made on each activity for the period under review.

### 3. Recommendations

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3.1 The Pension Board is asked to:

3.1.1 Note the Business Plan Update to the end of the financial year.

### 4. Report Background

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#### 4.1 Re-tender for strategic investment advisory services

4.1.1 Background: This continued the work undertaken in 2020/21 to re-tender the investment advisory services contract that was previously awarded to Mercer LLC that expired on 30 September 2021 by performing a mini competition on the National LGPS Framework.

4.1.2 The November 2020 Investment Sub-Committee approved the timetable and the proposed contract term for the Consultancy re-tender and approved the launch of a re-tender for the Investment Management Performance Reporting contract currently provided by Mercer, should this be necessary.

4.1.3 This was a joint procurement with the Cambridgeshire Pension Fund for a single supplier to benefit from the efficiencies of a shared service. Each Fund will have separate contractual arrangements.

4.1.4 Key milestones:

Key Milestones	Dates	On target for completion?
Notify successful supplier	April 2021	Completed
Complete Consultancy procurement / complete National Frameworks Order	June 2021	Completed
Complete Management Performance Reporting procurement	June 2021	Not applicable
Transition/handover (including historical performance data)	July 2021 to September 2021	Not applicable
New contract begins	1 October 2021	Completed
Strategy health check	31 March 2022	Not applicable

4.1.3 Update: Completed - the successful supplier was the Fund's incumbent strategic adviser, Mercer, therefore a health check on the current strategy by a new provider is not applicable. The contract was signed with a commencement date of 9 December 2021.

#### 4.2 Retender for global custody services

4.2.1 Background: This continues the work undertaken in 2020/21 with Funds in the ACCESS pool to launch a revised framework for Global Custody Services under the National LGPS Frameworks. The Pension Committee approved in principle the collaborative procurement of a global custodian, alongside ACCESS partners, in sufficient time to transition the Fund's custody arrangements to the chosen provider (if a change from the current provider) before the expiry on 30 September 2021 of the Fund's extended contract with Northern Trust. Delivery of this activity is dependent upon collaboration with ACCESS partners in calling off the new framework.

#### 4.2.2 Key milestones:

Key Milestones	Dates	On target for completion?
Work with ACCESS partners to call off a common custodian.	December 2020 to 30 September 2021 (revised date, formerly June 2021)	Completed
Complete transition to the new custodian (if required).	July 2021 to September 2021	Not applicable

4.2.3 Update: Completed - Northern Trust was awarded the contract and formally signed by all parties in November 2021 with an effective contract start date of 1 October 2021.

#### 4.3 Review contracts for actuarial, benefits and governance consultancy services

4.3.1 Background: The existing separate contracts for actuarial, benefits and governance consultancy services are due to expire on 1 April 2023 with the option to extend for a further 12 months. Consideration will need to be given as to whether the separate contracts should be extended together at or if it is appropriate to conduct procurements earlier to tie in with future activity required from these contracts. The procurement will be on a joint basis with the Cambridgeshire Pension Fund using the National LGPS Framework.

#### 4.3.2 Key milestones:

Key Milestones	Dates	On target for completion?
Decision whether to procure or extend each contract	June 2021	Completed

4.3.3 Update: In July 2021 the Pension Committee made a decision to extend the actuarial contract by a further 12 months. Upon further consideration and in recognition of the excellent service received from the benefits and governance contract, the Pension Committee agreed to extend this contract by a further six months in March 2022.

#### 4.4 Re-tender for pensions administration and pensioner payroll platform

4.4.1 Background: The Fund currently uses Aquila Heywood Ltd's Altair product as its pensions administration and payroll platform. The contract with Aquila Heywood Ltd was extended in September 2021 by a further three years to enable minimum disruption with the commencement of the Future Northants programme, the pandemic and the forthcoming work required of the age discrimination remedy (McCloud).

A competitive procurement process will need to be undertaken using the National LGPS Framework at least 18 months in advance of the end of the existing contract (September 2024) to ensure that there is sufficient time to complete a successful migration of data if a new supplier is procured.

#### 4.4.2 Key milestones:

Key Milestones	Dates	On target for completion?
Obtain and complete National LGPS Framework documents	September 2022	On target
Commence procurement process	1 April 2023	On target
Award contract to successful supplier	1 October 2023	On target
Start date of contract	1 October 2024	On target

4.4.3 Update: This activity will continue into the Business Plan for 2022/23.

#### 4.5 Undertake administrative actions in connection with the Local Government Reorganisation in Northamptonshire

4.5.1 Background: With effect from 1 April 2021 West Northamptonshire Council (WNC) and North Northamptonshire Council replace the existing eight local authorities in Northamptonshire, with WNC becoming the administering authority for the Northamptonshire Pension Fund. Approximately 7,700 scheme members are impacted by this change. The material administrative actions required in connection with this change will be monitored and reported under this business plan activity.

#### 4.5.2 Key milestones:

Key Milestones	Dates	On target for completion?
Update scheme member records by automatic aggregation to reflect each member's new unitary employer.	April to June 2021	Completed
Disaggregate records and issue benefit awards where scheme members so elect (monitor volumes).	April 2021 to March 2022	On target
Process early leaver and redundancy awards arising from service reviews (monitor volumes).	April 2021 to March 2023	On target
Provide member estimates as required as each service review takes place (monitor volumes).	April 2021 to March 2023	On target

4.5.3 Update: Work continues on the aggregation of benefits, there has been no increase in the amount of work received arising from this activity and therefore no additional impact on service delivery.

#### 4.6 Review Business Continuity Plan

4.6.1 Background: The Business Continuity Plan (BCP) covering the Fund's governance and administration will need to be reviewed following the creation of WNC (the administering authority) on 1 April 2021 to ensure the arrangements previously in place remain to support the delivery of the Pensions Service. In addition, it is now business as usual to ensure that the Fund's external suppliers, such as those that provide and host the pensions administration and payroll platform, regularly supply detailed confirmation that they have satisfactorily carried out disaster recovery and penetration testing.

4.6.2 Key milestones:

Key Milestones	Dates	On target for completion?
Draft revised BCP utilising new Lead Authority (West Northamptonshire Council) BCP template	By October 2021 and rescheduled to November 2021	Completed.
Scrutiny of business continuity arrangements by the Local Pension Board	January 2022 rescheduled from November 2021	Completed
Update the Pension Committee on business continuity arrangements.	March 2022 rescheduled from December 2021	Rescheduled to March 2022.

4.6.3 Update: The Pension Committee was updated on the plan in March 2022 following review from the Pension Fund Board in January 2022. The plan is now ready for when WNC request sight of it for inclusion with the wider WNC corporate plan.

**4.7 Develop the Fund's cyber-resilience strategy**

4.7.1 Background: The Pensions Regulator and other industry bodies have expressed the concern that pension funds are not taking sufficient positive action to prevent themselves (including scheme members) from being victims of cyber-crime. In particular, the Regulator is concerned that LGPS Funds are relying too much on their respective administering authorities to put appropriate measures in place to protect Fund assets and data.

4.7.2 Work was undertaken in 2020/21 to assess the Fund's level of Cyber-Resilience through a survey conducted by a specialist cyber resilience team at Aon, the Fund's governance advisers. The survey results highlighted a number of activities to be undertaken to demonstrate improved resilience which will be undertaken during the course of 2021/22.

4.7.3 Key milestones:

Key Milestones	Dates	On target for completion?
Develop a cyber-resilience strategy and action plan.	April to June 2021	Completed
Undertake mapping of data and asset flows.	April to June 2021	Completed
Submit survey to higher risk suppliers to ascertain their approach to cyber-resilience. Aon's specialist cyber-resilience team to analyse survey responses and provide feedback.	April to June 2021	Completed
Local Pension Board to provide scrutiny of cyber-resilience strategy and action plan.	July 2021	Completed
Pension Committee to approve cyber-resilience strategy, incident response plan and action plan.	October 2021	Completed (incident response plan scheduled for completion during 2022/23).

4.7.4 Update: A detailed update on the progress made towards the Fund's cyber resilience action plan can be found in a separate agenda item to be presented at this meeting.

#### **4.8 Obtain the Pension Administration Standards Association (PASA) accreditation**

4.8.1 Background: Obtaining the PASA accreditation will demonstrate to the stakeholders of the Fund that quality operations are in place where the performance and capabilities of the administration and governance functions are in line with those of higher quality organisations providing pensions administration services. Once achieved the accreditation is granted for a three-year period subject to an annual certification process.

4.8.2 Key milestones:

Key Milestones	Dates	On target for completion?
Commence preparation and collation of assessment material.	April 2022	On target
Provide information to PASA for assessment.	March 2023	On target
Hold site visit and receive assessment results	2023/24	On target

4.8.3 Update: No planned activity scheduled for this reporting period.

#### **4.9 Complete the Guaranteed Minimum Pension Rectification**

4.9.1 Background: Following the end of contracting-out on 6 April 2016 it has been necessary for all pension schemes to reconcile their scheme members contracted out liability against that recorded by HMRC. The Fund outsourced the majority of the reconciliation and rectification exercise to ITM Limited. The reconciliation stage of this completed in 2019/20, however following the delay in HMRC issuing the final file of data, the rectification stage was not able to commence during 2020/21. It is now ready to commence in 2021/22 but with the same anticipated completion date as previously estimated.

4.9.2 Key milestones:

Key Milestones	Dates	On target for completion?
Produce project plan to rectify the member records that require amendments.	April 2021	Completed
Implement project plan.	June to December 2021	On target
Process amendments highlighted from GMP rectification analysis	January 2022 to March 2023	On target

4.9.3 Update: All active records that required updating due to HMRC providing a different GMP amount have been updated through an automated process. Members whose GMP pension element was already in payment will require a manual intervention to determine whether there has been an under or over payment. Members that have been underpaid will be paid any arrears due and their pension will be set to the correct level. Where a member has been overpaid, the pension will be amended to the correct rate and any overpayment due to an incorrect GMP value will be written off in line with the Fund's Overpayment of Pension Policy.

#### **4.10 Prepare for the application of the McCloud age discrimination remedy**

4.10.1 Background: As a result of the ruling in the McCloud it will be necessary for LGPS Funds to look at every scheme member who was in active membership of the scheme on 1 April 2012 to see if the impact of the remedy requires an amendment to the member's accrued benefits.

4.10.2 MHCLG (now DLUHC) released a consultation in 2020/21 detailing proposed amendments to the LGPS regulations because of the remedy and a response to the consultation is still pending. It is understood that LGPS Funds will need to begin work on rectifying records in 2022/23 and in the meantime an exercise is required to collect data relevant to the accurate calculation of the remedy, namely, hour changes and breaks in membership, where this has not previously been provided by scheme employers.

#### 4.10.3 Key milestones:

Key Milestones	Dates	On target for completion?
Issue data collection template to identified employers.	June 2021	Completed.
Work with employers to collect the data required.	Rescheduled to October to December 2021 (previously June to October 2021)	Ongoing – rescheduled to April 2022.
Make necessary amendments to member records for previously missing data.	June 2021 to March 2022	Ongoing – delay due to valuation work.
Send communications to members (upon release of amended LGPS Regulations).	Expected to be April 2022 (pending guidance from DLUHC).	Delayed pending release of amended regulations now expected summer 2022
Application of the revised underpin (following release of amended LGPS Regulations).	Expected to commence in 2022/23. DLUHC to provide guidance on this matter, including time period within which this work will be undertaken.	Delayed pending a further consultation. Remedy now expected to commence from autumn 2023.

4.10.4 Update: Work is continuing to collect and reviewing membership data from scheme employers. Uploading the amended scheme data from employers has been rescheduled to April 2022 to allow completion of data cleansing for the 2022 valuation.

#### **4.11 Prepare for the 2022 Valuation of the Pension Fund**

4.11.1 Background: Work with the Fund's actuarial advisors to develop requirements and plan for the triennial valuation of the Pension Fund. The valuation date is 31 March 2022 with results to be published by 31 March 2023 and new employer contribution rates effective from 1 April 2023.

#### 4.11.2 Key milestones:

Key Milestones	Dates	On target for completion?
Develop valuation plan with Fund Actuary	April to June 2021	Completed
Undertake pre-valuation activities	July 2021 to March 2022	Completed
Valuation of the Pension Fund	April 2022 to March 2023	On target
Triennial valuation results published	31 March 2023	On target
Implementation of revised employer contribution rates	April 2023 onwards	On target

4.11.3 Update: All pre-valuation activities required prior to 31 March are on track or have now been completed. A paper providing an update on the progress of valuation activities was presented to the Committee in March 2022, this included the Committee approving financial assumptions to be used for the valuation.

#### 4.12 Processing of undecided leaver records

4.12.1 Background: The Fund has a number of unprocessed leaver records where a member has left a period of pensionable employment, is not entitled to immediate payment of pension benefits, but is entitled to either a refund of contributions, aggregation with another period of pensionable membership and/or a deferred pension award. The number of these cases has historically grown due to 1) scheme employers not notifying the Fund that members of the scheme have left their employment 2) scheme employers providing late monthly reporting and 3) the volume of employer data that has to be queried.

4.12.2 The Fund will treat a case as a backlog case if it is six months or more from the date of notification by the scheme employer. Cases within six months of notification will be identified as business as usual cases. Statutory disclosure requirements are completed immediately on notification of an exit by the scheme employer.

#### 4.12.3 Key milestones:

Key Milestones	Dates	On target for completion?
Baseline volumes and develop action plan	April to June 2021	Completed
Process cases in accordance with action plan	Throughout 2021/2022	Outstanding cases will be processed in line with 2022/23 action plan.
Process cases in accordance with action plan	2022/2023	On target



4.12.4 Update: Undecided leaver records are being processed monthly by the Projects and Operations Team in line with the action plan set out. The volume of incomplete cases 6 months or older has increased to 8,551 at the end of December from the original baseline of 7,986. The teams are now using additional reporting methods to ensure that the cases can be allocated and worked on as quickly, and efficiently, as possible, as well as improved reconciliation checks identifying cases ready for processing. Additional resource has also been added to the Projects and Operations Team dealing with this activity in readiness for the 2022-23 scheme year.

**4.13 Scope and conduct potential liability reduction exercise**

4.13.1 Background: The Fund has an increasing number of records belonging to members that are due a refund of pension contributions (due to having insufficient membership within the LGPS to be awarded a pension entitlement and with the member not having claimed a refund) and also a large number of pensions in payment of a very low value that could be fully commuted into a one-off payment, extinguishing the Fund from any future liability.

4.13.2 It has become increasingly common for pension schemes to look at ways of reducing the number of such records, communicating with these members in order to assess their eligibility and desire to receive payment of the refund or fully commute their benefits.

4.13.3 Key milestones:

Key Milestones	Dates	On target for completion?
Conduct exercise (to review and offer refund options to members).	April 2021 to March 2022	Postponed with effect from October 2021 to focus resources on the processing of undecided leavers.
Scope exercise, formulate project plan and conduct exercise (small commutable pensions).	April 2022 to March 2023	Postponed with effect from October 2021 to focus resources on the processing of undecided leavers.

4.13.4 Update: No update due to reprioritisation of this activity.

**4.14 Undertake a review of the Fund’s Additional Voluntary Contributions (AVC) providers.**

4.14.1 Background: At the October 2019 meeting of the Pension Committee a review of the Fund’s two AVC providers was presented with a recommendation that Standard Life be closed to currently contributing members. The recommendation was accepted, which would leave Prudential as the only remaining AVC provider that active members of the scheme could pay additional contributions to. Members paying AVCs to Standard Life would have the option to switch payment of their additional contributions to Prudential and would be able to leave their accumulated funds with Standard Life until such times as they need to utilise them or transfer them to Prudential also.

4.14.2 Standard Life has remained an active provider within the Fund due to the impact of the pandemic. However, over the last year LGPS Funds across the country have collectively become concerned about the administrative performance of Prudential, citing cases of not allocating contributions to members' accounts in a reasonable time period and the disinvestment of funds from members' accounts taking several months to complete. As a result, Officers need to undertake a further review of Prudential and Standard Life's administrative performance to ensure the decision made in October 2019 remains in the best interest of scheme members. The Fund's governance advisors, Aon have been commissioned to undertake this review.

4.14.3 Key milestones:

Key Milestones	Dates	On target for completion?
Aon to undertake the review	January 2022 rescheduled from 1 April 2021	The review is now underway
Officers to consider outcome of review	May 2021	When report becomes available (estimated June 2022)
Present findings of review to Pension Committee	July 2021	When report becomes available (estimated July 2022)
Plan and undertake the required actions as a result of the review (as approved by Pension Committee)	August 2021 (onwards)	When report becomes available (estimated July 2022 – August 2022)

4.14.4 Update: The review is in progress and the Pension Committee and Local Pension Board will be presented with the findings as soon as the information is available.

**4.15 Implement multiple investment strategies**

4.15.1 Background: With an increasing number and variety of scheme employer participating in the Fund it is prudent to consider whether greater flexibility is required to meet the different funding requirements of these scheme employers, who may have different investment risk appetites and whose scheme membership may have vastly differing levels of maturity. This project will look to create a small number of "investment buckets" into which different categories of scheme employer could be allocated. This activity builds on the investigatory and scoping work carried out in 2020/21.

4.15.2 Key milestones:

Key Milestones	Dates	On target for completion?
Consider impact modelling by Fund Actuary.	April 2021 to May 2021	Completed
Pension Committee to decide whether to proceed.	Rescheduled to 11 October Committee (formerly July 2021)	Completed
Devise and implement action plan.	August 2021 to September 2022	Not applicable

4.15.3 Update: Completed - no further action following the decision not to proceed at the previous meeting.

#### **4.16 Conduct specific employer covenant monitoring**

4.16.1 Background: Officers are working with the Fund Actuary and Price Waterhouse Cooper (PWC) to carry out covenant assessments of those employers considered to present the greatest financial risk to the Fund. This activity will involve engaging with the relevant employers to explain the process and collect information to allow PWC to carry out a covenant assessment and for the Actuary and PWC to advise on the results and appropriate actions to be taken.

4.16.2 Key milestones:

Key Milestones	Dates	On target for completion?
Issue and collect covenant monitoring questionnaire to relevant employers	April 2021 to June 2021	Completed
Issue collated responses to PWC for analysis	July 2021 to August 2021	Completed
Discuss results and next steps with the Actuary and PWC	September 2021 to October 2021	Completed
Incorporate results of covenant monitoring into 2022 valuation planning	November 2021 to March 2022	Completed

4.16.3 Update: Completed - results of the employer covenant analysis have been reviewed and scheme employers have been contacted regarding their results. Some employers have been invited for further conversations to help officers understand the reasons behind the results and/or to obtain assurance over the strength of their covenant ahead of the valuation. The position following these further discussions will be incorporated into the triennial valuation process.

#### **4.17 Continue development of the asset pool**

4.17.1 Background: The ACCESS asset pool development is a long-term project. 2021/22 will see the Fund's final liquid assets transfer into the pool as the remaining tranches of sub-funds are established in the asset pool. In parallel, ACCESS is developing a pool level solution for investing in illiquid assets. The Fund has additional sub-fund requirements not yet part of the ACCESS launch plan. Engagement with ACCESS partners is required to promote these requirements, including around Responsible Investment, in order to achieve timely inclusion.

4.17.2 Dates for completion are dependent upon the approval of the Joint Committee for creating the necessary sub-funds, FCA approval and resolution of other limiting factors. The dates reflect the targets for submission of business cases for the respective sub-funds to the asset pool.

4.17.3 Key milestones:

Key Milestones	Dates	On target for completion?
Liquid Assets – implement tranches as they arise.	2021/22 to 2022/23	On target
Illiquid Assets – Continue to support the illiquid assets pooling solution.	2021/22 to 2022/23	On target
Promote the Fund’s requirements.	2021/22 to 2022/23	On target

4.17.4 Update: The Fund, along with 4 other authorities, transferred its existing investment in the M&G Alpha Opportunities Fund into a new ACCESS sub-fund on 1 December 2021.

4.17.5 Illiquid assets- An introductory meeting between MJ Hudson and the Fund’s Officers has taken place to discuss initial data supplied on the Fund’s pension investments. On the 4 February 2022, MJ Hudson presented to the ACCESS Non-Listed Sub-Group (NLSG) their preliminary thoughts on the order of asset class procurement for the pooled illiquid Investment solution. On the 7 March 2022, the Joint Committee were provided with an introductory update and outline of MJ Hudson’s initial engagement with Authorities. Real Estate (property) was approved as the first asset class to be progressed while further information is gathered and assessed on other asset classes in order to determine ACCESS’s next steps for pooling illiquid assets.

4.14.6 Promoting the Fund’s requirements- On 7 March 2022 the Joint Committee gave approval for the Fund’s request to create a new sub-fund for Multi Asset Credit with BlueBay to be submitted to Link for consideration.

**4.18 Review the Fund’s Responsible Investment Policy**

4.18.1 Background: This continues the work undertaken in 2020/21 to revise the Fund’s Responsible Investment (RI) Policy for incorporation in the Investment Strategy Statement (ISS). The revised ISS will be issued for consultation during Q1 2021/22 and feedback considered by the Pension Committee before final approval.

4.18.2 The Fund will also work with its advisers, partner ACCESS funds and Link to develop a governance and reporting framework to monitor compliance with the Fund’s RI Policy.

4.18.3 Key milestones:

Key Milestones	Dates	On target for completion
Commence 30 day consultation with Fund stakeholders on the revised Investment Strategy Statement	April to June 2021	Completed
Pension Committee approval of revised ISS	December 2021 (formerly October 2021)	Completed

4.18.4 Update: Completed - The ISS was approved at the December meeting and published on the Fund's web pages on 17 December 2021. A new web page on Responsible Investment has been created for members and will be periodically updated with the Fund's progress on Responsible Investment activities.

**4.19 Review the Property Strategy**

4.19.1 Background: The Fund's Property investments comprise a multi manager mandate managed by CBRE and residential investments in the Private Rented Sector and Shared Ownership property funds managed by M&G, which mainly comprise UK based assets. A periodic review of these mandates will be undertaken, considering the underlying investment funds and their performance with a focus on the appropriateness of the allocations both geographically and by sector and the relevance of the performance benchmarks and targets. This review will include consideration of possible enhancements to the property strategy, especially considering the expected benefits falling out of the pooling agenda.

4.19.2 The output of the review will be used to inform the Fund's requirements from the ACCESS illiquid asset programme, the implementation of which will be dependent upon the path to migrate to the ACCESS solutions.

4.19.3 Key milestones:

Key Milestones	Dates	On target for completion?
Commence the review	October 2021	Completed
Complete the review and submit report to the Investment Sub Committee	September 2022 (formerly February 2022)	On target – revised date due to re-prioritisation of Responsible Investment commitments.
If a change to Strategic Allocation, approval by Pension Committee	October 2022 (formerly March 2022)	On target– revised date due to re-prioritisation of Responsible Investment commitments.
Communicate the Fund's requirements to the ACCESS pool	November 2022 (formerly April 2022)	On target – revised date due to re-prioritisation of Responsible Investment commitments.

4.19.4 Update: Officers have reviewed the scope for the property investment review with the Independent Adviser and Mercer, however following discussion with the Chair of the Pension Fund Committee, this work has been re-prioritised due to the increasing commitment regarding the Responsible Investment workstream.

#### **4.20 Review of Performance Reporting and Benchmarks**

4.20.1 Background: This review will focus on the efficient measurement of the Fund's wide-ranging investment mandates to appropriately gauge that those mandates are delivering expected levels of return and, indeed, meeting the strategic investment needs of the Fund. The existing performance reports are comprehensive and complex, however, there is concern that they contain inappropriate benchmark comparisons and complicate effective decision-making. Wider considerations such as delivery of responsible investment requirements further impact this subject.

4.20.2 The sources of information for performance reporting reflect the wide-ranging number of mandates the Fund has and the quality and timeliness of information available from those sources.

4.20.3 This review will evaluate the strengths and weaknesses of the current report and explore options to improve the quality and clarity of reporting.

4.20.4 The key participants will be Officers, the Fund's consultant and Independent Adviser utilising other third parties as required, with a report on the outcome presented to Investment Sub Committee members.

4.20.5 Key milestones:

Key Milestones	Dates	On target for completion?
Commence the review	April 2021	Completed
Report to the Investment Sub-Committee	November 2021	Completed
Implement revised reporting	March 2022	Completed

4.20.6 Completed - a revised reporting template was used for the September 2021 quarterly performance report and presented at the November ISC. Future publications will take into account feedback from ISC members as and when necessary.

#### **5. Additional key activities for 2021/22**

##### **5.1 Review contract for specialist pensions legal services**

5.1.1 Background: The existing contract for specialist pensions legal services, as currently held by Squire Patton Boggs, is due to expire on 4 February 2023 with the option to extend for a further 12 months. Consideration will need to be given as to whether to extend this contract or extend for a further 12 months. The procurement will be on a joint basis with the Cambridgeshire Pension Fund using the National LGPS Frameworks.

5.1.2 Key milestones:

Key Milestones	Dates	On target for completion?
Decision whether to procure or extend each contract	February 2022	Decision at March 2022 Committee

5.1.3 Update: Officers reviewed the service that is received from the current supplier of specialist legal services that is due to end on 4 February 2023 and recommended to the Pension Committee that the contract be extended for the maximum time period available under the terms and conditions of a further 12 months. The Committee agreed the request in March 2022 and the contract will now cease on 4 February 2024 with a re-tendering exercise required at least 6 months in advance of this date.

## 5.2 Review the Pension Regulator’s revised Code of Practice

5.2.1 Background: In March 2021 the Pensions Regulator launched a consultation on its revised code of practice. The code of practice sets out how the Pensions Regulator expects LGPS Pension Committee Members, Board Members, Section 151 Officers and administrators to administer, govern and manage their pension schemes. The revised code consolidates (with updates and amendments) most of the existing 15 codes of practice providing a single up to date and consistent source of information. The revised code is expected to come into force in November 2021 from which point pension schemes have six months to demonstrate full compliance with the code.

### 5.2.2 Key milestones:

Key Milestones	Dates	On target for completion?
Identify revisions to the code of practice that require changes to processes, policies and strategies and produce an action plan to achieve compliance with the new requirements within six months	November/December 2021	Rescheduled to 2022/23.
Present action plan to the Pension Fund Board	January 2022	Rescheduled to 2022/23.
Present progress against the action plan to the Pension Fund Board and Pension Committee	June/July 2022	2022/23

5.2.3 Update: Rescheduled to 2022/23 due to the delay with the code of practice being released.

## 6. Issues and Choices

6.1 This report is for noting only as the Pension Committee approved the Business Plan and Medium Term Strategy 2021/22 on 26 March 2021.

## 7 Implications (including financial implications)

### 7.1 Resources and Financial

7.1.1 The financial estimates and associated budgets included with the Business Plan and Medium Term Strategy were approved by the Pension Committee on 26 March 2021.

7.1.2 Performance against the financial estimates in the Business Plan will be presented to the Pension Committee and Board each meeting. The Business Plan sets out the cost of each activity where known and where costs become known during the course of the year the Pension Committee and Board will be updated accordingly.

## 7.2 Legal

7.2.1 There are no legal implications arising from the proposals.

## 7.3 Risk

7.3.1 The mitigated risks associated with this report has been captured in the Fund's risk register as detailed below -

Risk	Residual risk rating
Those charged with the governance of the Fund and scheme are unable to fulfil their responsibilities effectively	Green
Pension Fund objectives are not defined and agreed.	Green
Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making.	Green

7.3.1 Please see the full [Northamptonshire Risk Register](#)

## 7.4 Relevant Pension Fund Objectives

7.4.1 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 continually monitor and measure clearly articulated objectives through business planning.
- To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.

## 7.5 Consultation

7.5.1 Not applicable.

## 8. Background Papers

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8.1 [Northamptonshire Business Plan](#)



Appendix A – Key activities for the year

Activity	Area	Period	On target
Retender for strategic investment advisory services	Procurement of services	April 2021 to 31 March 2022	Completed
Re-tender for global custody services	Procurement of services	December 2020 to September 2021	Completed
Review contracts for actuarial, benefits and governance consultancy services	Procurement of services	June 2021	Completed
Retender for pensions administration and pensioner payroll platform	Procurement of services	September 2022 to October 2024	Yes
New: Review contract for specialist pensions legal services	Procurement of services	February 2022 to March 2022	Extension to services proposed.
Undertake administrative actions in connection with the Local Government Reorganisation in Northamptonshire	Core services and governance activities	April 2021 to March 2023	2021/22 activities completed. 2022/23 activities transferred to next year's Business Plan
Review Business Continuity Plan	Core services and governance activities	October 2021 to December 2021	Completed
Develop the Fund's cyber-resilience strategy	Core services and governance activities	April 2021 to October 2021	Completed
Obtain the Pensions Administration Standards Association (PASA) accreditation	Core services and governance activities	April 2022 to 2023/24	Activity not being considered at this time due to other commitments
New: Review the Pension Regulator's revised Code of Practice	Core services and governance activities	November 2021 to July 2022	Transferred to 2022/23 Business Plan
Complete the Guaranteed Minimum Pension Rectification	Scheme member data projects	April 2021 to December 2021	2021/22 activities completed. 2022/23 activities transferred to next years Business Plan.
Prepare for the application of the McCloud age discrimination remedy	Scheme member data projects	June 2021 to 2022/23	Outstanding activities transferred to 2022/23 Business Plan
Prepare for the 2022 Valuation of the Pension Fund	Scheme member data projects	April 2021 to April 2023 onwards	2021/22 activities completed. 2022/23 activities transferred to next year's Business Plan

Processing of undecided leaver records	Scheme member data projects	April 2021 to 2022/23	Outstanding cases and 2022/23 activities transferred to next year's Business Plan
Scope and conduct potential liability reduction exercises	Scheme member data projects	April 2021 to March 2023	Transferred to 2022/23
Undertake a review of the Fund's Additional Voluntary Contributions (AVC) providers.	Scheme member data projects	April 2021 to August 2021 onwards	Transferred to 2022/23
Implement multiple investment strategies	Scheme employer projects	April 2021 to September 2022	Completed.
Conduct specific employer covenant monitoring	Scheme employer projects	April 2021 to March 2022	Completed
Continue development of the asset pool	Investment related activities	2021/2022 to 2022/23	2021/22 activities completed. 2022/23 activities transferred to next year's Business Plan
Review the Fund's Responsible Investment Policy	Investment related activities	April 2021 to October 2021	Completed
Review the Property Strategy	Investment related activities	October 2021 to April 2022	Transferred to 2022/23 Business Plan.
Review of Performance Reporting and Benchmarks	Investment related activities	April 2021 to March 2022	Completed

Appendix B – Variances against the forecast of investments and administration expenses based on original setting of assumptions

Fund Account	2021/22 Estimate	2021/22 Forecast	Variance	Comments
	£000	£000	£000	
Contributions	(107,000)	(117,000)	(10,000)	Contributions in line with current membership numbers
Transfers in from other pension funds	(7,000)	(13,000)	(6,000)	Demand led
<b>Total income</b>	<b>(114,000)</b>	<b>(130,000)</b>	<b>(16,000)</b>	
Benefits payable	100,000	106,000	6,000	Benefits in line with current membership numbers.
Payments to and on account of leavers	7,000	11,000	4,000	Demand led
<b>Total Payments</b>	<b>107,000</b>	<b>117,000</b>	<b>10,000</b>	
<b>Net (additions)/withdrawals from dealings with members</b>	<b>(7,000)</b>	<b>(13,000)</b>	<b>(6,000)</b>	
Management Expenses	3,367	3,318	(49)	See below
<b>Total income less expenditure</b>	<b>(3,633)</b>	<b>(9,682)</b>	<b>(6,049)</b>	
Investment income	(35,000)	(24,000)	11,000	Actual income received to December 2021 plus estimated final quarter February 2022 actuals
Taxes on income	-	-	-	
(profit) and losses on disposal of investments and changes in the market value of investments	(117,000)	(150,000)	(33,000)	
<b>Net return on investments</b>	<b>(152,000)</b>	<b>(174,000)</b>	<b>(22,000)</b>	
<b>Net (increase)/decrease in the net assets available for benefits during the year</b>	<b>(155,633)</b>	<b>(183,682)</b>	<b>(28,049)</b>	

Management Expenses	2021-22 Estimate	2021-22 Forecast	Variance	Comments
	£000	£000	£000	
Total Administration Expenses	2,247	2,251	4	See below
Total Governance Expenses	675	633	(42)	ACCESS and consultancy forecasts lower than expected
Total Investment Invoiced Expenses	445	434	(11)	
<b>Total Management Expenses</b>	<b>3,367</b>	<b>3,318</b>	<b>(49)</b>	

Administration Expenses Analysis	2021-22 Estimate	2021-22 Forecast	Variance	Comments
	£000	£000	£000	
Staff Related	1,461	1,448	(13)	Vacancy factor higher than forecast
Altair administration and payroll system	299	319	20	Altair insights addendum
Data projects	46	44	(2)	
Communications	21	22	1	
Other Non-Pay and Income	15	13	(2)	
County Council Overhead Recovery	405	405	-	
<b>Total Administration Expenses</b>	<b>2,247</b>	<b>2,251</b>	<b>4</b>	