

WEST NORTHAMPTONSHIRE COUNCIL

Council

29th September 2022

Councillor Malcolm Longley: Cabinet Member for Finance

Report Title Annual Report of the Local Pension Board

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List of Appendices

None

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. 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 7 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:
- Administration Performance;

- Business Plan updates;
- Governance and Compliance;
- Risk Monitoring;
- Internal Audit;
- Business Continuity;
- ACCESS pooling update; and
- Cyber Resilience.

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)
- Councillor Andrew Weatherill (NNC)
- Julie Petrie (Northampton Partnership Homes)

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 2021-22 is set out below. The Board's consideration of the issues described can involve both pre- and post-scrutiny of policy depending on the timetable for policy adoption by the Pension Fund Committee.

7.2 Administration Performance

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;
- Internal Dispute Resolution Procedure;
- Occurrences of breaches of the law; and
- Employer Admissions and Cessations.

- 7.2.1 Through these reports, the Board were provided with an oversight of the performance of the administration of the fund and the plans in place to improve performance further. The Board have had the opportunity to challenge performance, to note good progress against KPIs and also received information about issues such as breaches of the law.
- 7.2.2 Throughout the period covered by this report, the Board were advised that only one of the breaches of the law that had occurred were considered to be material in nature. This related to a failure by Prudential to provide annual benefit statements by the statutory deadline of 31 March 2022. The Board were advised that this breach had been reported to the Pensions Regulator and that the relevant Prudential statements had been sent out on 21st April 2022.
- 7.2.3 At their meeting in April 2022, the Board were advised of a non-reportable data breach that had occurred. The Board satisfied themselves that any issues arising were not a result of staffing shortages and were pleased to note plans to add a further post to the retirements team.
- 7.2.4 At their meeting in June 2022, the Board reviewed performance against KPIs and noted the additional monitoring that would be provided in respect of the target to provide transfer-in quotes to scheme member.
- 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 January 2022, the Board were updated on the appointment of a contractor to provide investment advice. The Board sought assurances that performance standards were considered as part of the procurement process. The Board were advised that delays by HMRC had caused a delay to the commencement of the Guaranteed Minimum Pension Rectification. The Board also received an update on the implications of the judgement in the case of Lord Chancellor and Secretary of State for Justice versus McCloud, The Secretary of State for the Home Department versus Sargeant (the McCloud Judgement) and the implications for the fund.
- 7.3.4 At their meeting in April 2022, the Board received an update on the Business Plan, including the procurement of a strategic investment consultant and global custody services. The Board heard that plans to pursue Pension Administration Standards Association (PASA) accreditation had been postponed due to the prioritisation of other projects. The Pensions Committee had

endorsed this decision. The Board noted with concern the progress related to undecided leavers but were advised that additional resources had been allocated to address this.

7.3.5 The Board were also updated on the Fund's Responsible Investment Policy and the carbon action plan. In response to enquires from Board members, the Board were advised that the fund would be signing up to the UK Stewardship Code. The Board were satisfied that the fund is well managed, particularly given the complexity of the scheme.

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. In January 2022, the Board was advised that new legislation had been enacted in November 2021 to place further restrictions on individual member's rights to transfer out of the scheme. In response to enquiries by the Board, the Board were advised that any reported scams would be subject to a in-depth investigation. Officers were on high alert to monitor any requests to transfer overseas.

7.4.3 At their April 2022 meeting, the Board were advised of the right of members to attend ACCESS Joint Committee meetings. Mr Standish-Day advised he would be happy to attend. The Board was advised of a difficulty in filling a vacancy on the Pensions Committee and were advised further efforts to fill the vacancy would be made in May-June 2022.

7.4.4 At their meeting in June 2022, the Board were updated on the Governance Compliance Statement and new code of practice.

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 reduction in risk associated with recruitment, following the successful recruitment to a number of posts within the team. The Board were advised of updates to the risk register related to the members of the Pensions Committee and Local Pension Board completing training.

7.5.2 The Board challenged officers to attach timescales to the identified risks relating to reduction of carbon. The Board also sought assurance about the direction of travel in relation to risks flagged as amber. The Board were advised that not all risks were under the control of the Pensions Team, such as the payment of employer contributions. It was agreed that additional information would be added to the register to clarify this.

7.6 Internal Audit

7.6.1 At its meeting in January 2022, the Board received an update on the Internal Audit of the administration of the Fund. The Board were pleased to note the control environment was given substantial assurance and compliance was given good assurance. The Board sought assurance that process had been made towards implementing the findings of the audit.

7.7 Business Continuity

7.7.1 At its meeting in January 2022, the Board received an update on the Business Continuity Plan, which had been updated to reflect the new template implemented by the Council.

7.8 Data Improvement Policy and Plan

7.8.1 The Board received an update in June 2022 on the updated Data Improvement Policy and heard that the work required following the McCloud age discrimination remedy had commenced. The Board welcomed the introduction of data submission templates as a tool to manage data quality. The Board sought assurances about the mechanism for monitoring the action plan, which would be via the Administration Report.

7.9 Reporting Breaches of the Law to the Pensions Regulator Policy

7.9.1 The Board were advised that the revised policy would be updated in line with the new Code of Practice when it was published. It was acknowledged that changes were likely to be minimal. The Board praised the clarity of the policy document.

7.10 Valuation Update

7.10.1 At their meeting in June 2022, the Board received an update on the valuation process. They heard that contribution rates for North Northamptonshire Council and West Northamptonshire Council would be finalised in the coming months, alongside rates for Northamptonshire Police. In response to questions, the Board were advised that a long-term view was taken of investment markets and the modelling created enabled the actuary to consider around 5,000 economic futures over the next 20 years, with the worst 5% scenarios tested against.

7.11 ACCESS pooling update

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

7.12 Cyber Resilience.

7.12.1 The Board received regular updates relating to cyber resilience work in relation to the fund.

7.13 Work Programme

7.13.1 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.
- ACCESS Updates.

November 2022

- Risk Strategy
- Internal Audit
- Annual Report and Statement of Accounts/External Audit
- Code of Practice Action Plan
- Climate Change Action Plan
- Conflicts of Interest Policy
- Good Governance Review Action Plan
- Administration Strategy
- Cyber Resilience

January 2023

- Overpayment of Pension Policy
- Review of website and digital communications
- Communication Strategy and Plan
- Funding Strategy Statements
- Cyber Resilience

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 \(moderngov.co.uk\)](#)