



West Northamptonshire Council

Pension Committee

15/06/2021

Mark Whitby – Head of Pensions

Report Title	Governance and Compliance Report
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West MO	John Murphy on behalf of Catherine Whitehead	23 May 2021
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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 Committee with information on the following significant current issues which have an impact on the governance, management and administration.
- The LGPS Scheme Advisory Board's review of governance in the LGPS
 - The Pension Regulator's new code of practice
 - The Pension Schemes Act 2021
 - 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 Members of the Pension Committee are responsible for the ongoing governance, management and administration of the Northamptonshire Local Government Pension Scheme in conjunction with the Section 151 Officer and Officers. This report provides an update on developments and issues that impact the LGPS that members of the Pension Committee 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 decision making in other reports presented to the Pension Committee and assists in the ongoing attainment of skills and knowledge as required by the Pensions Regulator.

5. Issues

5.1 The Local Government Pension Scheme Advisory Board's good governance review.

- 5.1.1** On 15 February 2021, the Scheme Advisory Board published the phase 3 report of the Good Governance Review that was produced by the Hymans Robertson project team. The phase 3 report provides further details on some of the recommendations that were included in the phase 2 report which should be read in conjunction with each other. The phase 3 report includes further detail on the following recommendations:
- The LGPS senior officer – a single named officer who is responsible for the delivery of LGPS activity for a Fund. The report covers the core functions of the role, the personal competencies needed to fulfil the role and how the role could be incorporated into different organisational structures.
 - Conflicts of interest – all administering authorities should publish a conflicts of interest policy that is specific to the LGPS. That policy should cover how it identifies, monitors and manages any conflicts. The report includes more detail on what LGPS-specific areas should be covered by the policy.
 - Representation – each administering authority must publish a policy on how scheme members and non-administering authority employers are represented on its committees and the reasoning behind those decisions.
 - Skills and training – introduce a requirement for key individuals, such as pension committee members and section 151 officers, to have the appropriate level of knowledge and understanding to carry out their duties efficiently. The administering authority must publish an administration strategy that sets out its policy on delivery, assessment and recording of training plans.
 - Service delivery – regulation change to make it compulsory for an administering authority to publish an administration strategy.
 - Key performance indicators – that focus on ensuring that each administering authority has defined service standards and has the governance in place to monitor those standards.
 - Business planning process – the senior officer and the committee must be satisfied with the resource and budget allocated to administer the LGPS each year. Require expenditure should be based on the business plan for the coming year with an inflationary increase.
- 5.1.2** At the Scheme Advisory Board meeting on 8 February 2021 the Board agreed that the Chair should submit the Board's good governance action plan to the Local Government minister for consideration. The action plan sets out:
- Changes that MHCLG could take forward by amending regulations or producing statutory guidance

- Work associated with the changes made by MHCLG that could be done by SAB or other bodies
- Actions that SAB can take to improve governance and administration immediately, regardless of which changes are progressed by MHCLG.

5.1.3 Full information on the good governance project can be found at the following link; <https://lgpsboard.org/index.php/projects/good-governance> . The Pension Committee will continue to be updated with developments on this review.

5.2 The Pension Regulator’s new code of practice

5.2.1 On 17 March 2021 the Pensions Regulator (TPR) launched a consultation on its new code of practice which closed on 26 May 2021. The code of practice sets out how the Pensions Regulator expects trustees (in the case of the LGPS Pension Committee, Board Members, Section 151 Officers and administrators) to administer, govern and manage their respective pension schemes.

5.2.2 The draft new code consolidates (with updates and amendments) most of the existing 15 codes of practice including the public service code of practice 14 into a new online code providing a single up-to-date and consistent source of information. The other codes will be consolidated into the single code at a later date, subject to further consultation.

5.2.3 The revised code of practice is expected to be effective later in the calendar year and from that point pension schemes have 6 months to demonstrate full compliance with the code.

5.2.4 Details of the new code of practice can be found at the following link: <https://www.thepensionsregulator.gov.uk/en/media-hub/press-releases/2021-press-releases/pensions-schemes-to-benefit-from-single-tpr-code-of-practice>

5.3 The Pension Schemes Act 2021

5.3.1 On 11 February 2021 the Pension Schemes Act 2021 received Royal Assent. The provisions within the Act will come into force when the Secretary of State makes regulations for them to do so.

5.3.2 The provisions of the Act that will affect the LGPS include climate risk reporting, pensions dashboards and transfers out.

5.3.3 Climate risk reporting - on 27 January 2021, the Government launched a consultation on draft regulations entitled ‘Taking action on climate risk: improving governance and reporting by occupational pension schemes’. The regulations would require trustees of pension schemes in scope to meet the climate change governance requirements that underpin the 11 recommendations of the Taskforce on Climate-related Financial Disclosures and to report on how they have done so. The regulations will not apply to the LGPS, however, it is expected that MHCLG will bring forward regulations which substantially mirror the requirements set out in the consultation document.

5.3.4 Pensions Dashboards – administering authorities are encouraged to use the Pensions Dashboard Programme’s Data Standards Guide to identify any data gaps to ensure that they are ready to supply the right information to the dashboards once they are live.

5.3.5 Transfers Out – secondary legislation is awaited to provide the extra conditions members must satisfy before they are able to transfer out their LGPS benefits.

5.4 Skills and knowledge opportunities

5.4.1 Section 248A of The Pensions Act 2004 as incorporated within The Pensions Regulator’s Code of Practice (Governance and administration of public service pension schemes) requires all members of the Pension Committee to maintain the necessary skills and knowledge to undertake their role effectively.

- 5.4.2 In order to facilitate the acquisition of skills and knowledge for members of the Pension Fund Board appendix A lists the main events that are deemed useful and appropriate.
- 5.4.3 Requests to attend external events will be facilitated by the Governance Team. It may be necessary to restrict numbers of attendees on some courses through reasons of cost.
- 5.4.4 It has been recognised that the local elections have resulted in a significant change to the membership of the Pension Committee and also the Pension Board. As a result, officers scheduled a virtual training session on 4 June 2021 for new and existing members to refresh their knowledge on the requirements of being a Pension Fund Committee and Pension Fund Board member. This session was recorded and is available to view for those who were unable to attend. This was followed by a more in-depth virtual training session on Pensions Governance on 7 June 2021. Again this session was recorded for anyone who was unable to attend. Further mandatory training modules to cover the eight CIPFA Skills and Knowledge requirements as detailed below will be arranged in due course.
- Pensions legislations and guidance
 - Pensions governance (held 7 June 2021)
 - Funding strategy and actuarial methods
 - Pensions administration and communications
 - Pensions financial strategy, management, accounting, reporting and audit standards
 - Investment strategy, asset allocation, pooling, and performance and risk management
 - Financial markets and product knowledge
 - Pensions services procurement, contract management and relationship management

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.

6.2.1 Legal

- 6.2.2 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 No.	Risk	Residual risk rating
7	Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively.	Green
13	Failure to administer the scheme in line with regulations and guidance.	Green
16	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:
<https://pensions.northamptonshire.gov.uk/governance/key-documents/northamptonshire/>

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.

6.4 Consultation

6.4.1 Not applicable.

7 Background Papers

7.1 Pensions Act 2004 - <https://www.legislation.gov.uk/ukpga/2004/35/contentss>

7.2 The Pensions Regulator's Code of Practice number 14 - <https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-14-public-service-pension-code-of-practice>

7.3 The Pension Schemes Act 2021 - <https://www.legislation.gov.uk/ukpga/2021/1/contents/enacted>