

## West Northamptonshire Council

### Pension Fund Committee

12/12/2022

Mark Whitby – Head of Pensions

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

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#### List of Appendices

##### Appendix A – Skills and knowledge training schedule

#### 1. Purpose of Report

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- 1.1 This is a standing report that identifies issues and developments relevant to West Northamptonshire Council's management and administration of the Northamptonshire Pension Fund.

#### 2. Executive Summary

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- 2.1 This report provides the Pension Fund Committee with information on the following significant current issues which have an impact on the governance, management and administration of the Northamptonshire Pension Fund.
- Pensions Dashboards Regulations 2022
  - Taskforce on Climate related Financial Disclosures (TCFD) consultation
  - The Pensions Regulator publishes enforcement and prosecution policies and publishes scam prevention strategy
  - Recruitment for "All other employers Representative" to the Pensions Committee
  - Skills and knowledge opportunities

### **3. Recommendations**

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3.1 The Pension Fund Committee is asked to 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 Pension Committee need to be aware of to fulfil their responsibilities to the Fund's key stakeholders.

### **5. Issues and Choices**

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#### **5.1 Pensions Dashboards Regulations 2022**

##### Draft regulations laid for approval

5.1.1 In October the Department for Work and Pensions (DWP) laid draft Pensions Dashboard Regulations before each house of Parliament.

5.1.2 DWP can only make the regulations if each House approves the draft by a resolution. The House of Lords was scheduled to consider the regulations on 15 November 2022 but as of yet, no date has been set for this to happen in the House of Commons.

##### Further response to consultation

5.1.3 On 17 October the DWP responded to the further consultations which ran between 28 June and 19 July 2022 and confirmed that they will:

- give pension schemes six months' notice of the point at which pensions dashboards will be available to the public, the 'Dashboard Available Point'. This is an increase to the 90 days proposed in the consultation.
- go ahead with the second proposal allowing the Money and Pensions Service (MaPS) and the Pensions Regulator (TPR) to share information about dashboards.

##### Research on public value of dashboards

5.1.4 The Pension Dashboard Programme (PDP) has published the results of research carried out by Ipsos. PDP commissioned Ipsos to carry out quantitative research into the value that people attach to pension dashboards and their likelihood to use them.

5.1.5 Ipsos undertook online interviews with 1,960 individuals forming a representative sample of the UK population aged between 18 and 75. Differences in the likelihood of the public to use dashboards and their willingness to pay for them are explored across demographic and pension characteristics such as type and number of pensions, and levels of pension engagement.

5.1.6 PDP will use the results to inform development of the central digital architecture.

5.1.7 The full results and press release can be found [here](#).

##### Update on connecting early participants to the dashboard ecosystem

5.1.8 The PDP have also provided an update on testing for early participants, the first stage now that the central digital architecture is complete to start to test with real pension data using their two non-commercial suppliers (the State Pension & Money Helper Dashboard, built by the Money and Pensions Service). The second stage is for participants who have volunteered to help test and develop the service to being testing and work towards completing their connection journey in the new year. The third stage is for those participants to go live and will play an essential part in the process of preparing for compulsory staging, when pension providers and schemes will start to connect to dashboards in the order specified by the regulations and rules. Their experiences will feed into the development of the connection process and will help improve the experience for the rest of the pensions industry.

## 5.2 Taskforce on Climate related Financial Disclosures (TCFD) consultation

5.2.1 The Department for Levelling Up, Housing and Communities issued their TCFD consultation on 1 September 2022 for the LGPS in England and Wales.

5.2.2 The proposed requirements are similar to the current requirements for private pension schemes, although is slightly simplified and applies to LGPS of all sizes (rather than a phased approach for private pension schemes). The requirements will therefore apply to all LGPS funds from 2023/24 regardless of fund size.

5.2.3 The regulations are expected to be in force by April 2023 with the deadline for the first report being 1 December 2024.

5.2.4 The key proposals are summarised as follows:

- Governance – Administering Authorities (AAs) must establish and keep up to date processes to monitor risks and opportunities associated with climate change. This includes ensuring that officers and advisors also have processes in place.
- Strategy - AAs should include detail on their approach to assessing and managing climate related risks and opportunities in both their funding and investment strategies.
- Scenario analysis - AAs will be required to carry out two sets of scenario analysis, which is specific to their funding and investment strategies and must be carried out at least every three years. Importantly, this relates to the Fund’s assets and liabilities (not just their assets). One scenario must be the “Paris-aligned” scenario (which assumes an ultimate 1.5 to 2 degree temperature rise above pre-industrial levels) and the other scenario will be at the choice of the AA. Scenario analysis must be conducted at least once in each valuation period.
- Risk Management – AAs will be expected to establish and maintain a process to identify and manage climate-related risks and opportunities related to their assets. They will have to integrate this process into their overall risk management process.
- Metrics - There are four key metrics which need to be reported on. These relate to greenhouse gas emissions, the carbon footprint of fund assets, the quality of the available data on emissions, and a Paris-aligned metric requiring AAs to report the percentage of the value of their assets for which there is a public net zero commitment by 2050 or sooner.
- Targets - AAs will be expected to set a target in relation to one metric, the chosen metric may be one of the four mandatory metrics listed above, or any other climate related metric recommended by the TCFD. Progress against the target must be assessed once a year, and the target revised if appropriate.
- Approach to reporting - The AA should publish an annual Climate Risk Report, by 1 December of each year (starting 1 December 2024). This may be a standalone report, or a section in the AA’s annual report.
- Scheme Climate Risk Report - It is proposed that the Scheme Advisory Board should prepare an annual report linking to each Fund’s individual reports and aggregate figures for the 4 key metrics mentioned above.

5.2.5 The consultation closed on the 24 November 2022 and the Northamptonshire Pension Fund provided a response.

## 5.3 The Pensions Regulator

### 5.3.1 Enforcement and prosecution policies

5.3.1.1 In October the Pensions Regulator (TPR) published a revised enforcement policy, updated prosecution policy and new enforcement strategy with the aim of providing clarity on what those who are subject to enforcement action can expect from TPR.

5.3.1.2 The enforcement policy sets out TPR's approach to investigating cases and any subsequent enforcement action. It is web-based and divided into standalone chapters, each with links to other relevant documents. The policy also consolidates previous policies in respect of defined benefit, defined contribution and public service pension schemes.

5.3.1.3 The prosecution policy explains how TPR will approach prosecuting workplace pension criminal offences. The policy has been brought up to date to reflect the new criminal powers in the Pensions Schemes Act 2021 and other developments.

5.3.1.4 The enforcement strategy sets out the overarching aims of TPR's enforcement work (excluding automatic enrolment). It also provides an insight into the framework TPR applies when selecting cases for enforcement action.

5.3.1.5 The full documents are available at the following links:

[revised enforcement policy](#)

[updated prosecution policy](#)

[new enforcement strategy](#)

### 5.3.2 Scam prevention strategy

5.3.2.1 The Pensions Regulator has published a new strategy to combat pension scams, it aims to tackle the issue by:

- educating savers about the threat scams present
- encouraging higher standards and preventing practices that lead to saver harm
- fighting fraud through prevention, disruption and punishment of criminality

5.3.2.2 In line with TPR Corporate Strategy, Joint Regulatory Strategy and with the Financial Conduct Authority main objective is to for individuals not to lose some, or all of their pension savings to scammers. The reasons that this may occur is categorised into three areas:

- savers not being enabled to make good decisions
- practices by schemes, advisors and providers which lead to saver harm
- pensions fraud and other criminality

5.3.2.3 Some examples of how TPR will be enacting the policy are as follows -

- encourage industry to use anti-scam messaging on all annual benefit statements and touchpoints that savers have with their provider
- continue to support and amplify the messages of the FCA's ScamSmart campaign adapting messaging to deal with new and emerging threats
- continue to encourage industry to go beyond minimum compliance and engage savers with their pensions, and work to improve the pensions consumer journey including a review of guidance on member communications for scam-prevention messaging

5.3.2.4 Full details can be found - [Our strategy to combat pension scams | The Pensions Regulator](#)

5.3.2.5 The Northamptonshire Pension Fund has ensured that letters/forms in relation to transferring to another pension arrangement contain the appropriate pension scam wording with links to the associated documentation. Information is also published on the Pension Service website and is included in newsletters. The Fund will be reviewing the new strategy in detail to establish if there are any areas of compliance that need to be achieved.

## **5.4 Recruitment for “All other employers’ representative” to the Pensions Committee**

- 5.4.1 The Northamptonshire Pension Committee includes a number of co-opted members representing the various stakeholders of the Fund in addition to elected members. Two of these co-opted member positions are for employer representatives for scheme employers in the Northamptonshire Pension Fund (other than North Northamptonshire Council and West Northamptonshire Council who already have representation on the Pension Committee).
- 5.4.2 Following a recruitment campaign in October, a successful applicant has been appointed. The Committee is now appropriately represented.

## **5.6 Skills and knowledge opportunities**

- 5.6.1 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.
- 5.6.2 In order to facilitate the acquisition of skills and knowledge for members of the Pension Fund Committee, appendix A lists the main events that are deemed useful and appropriate.
- 5.6.3 If members of the Pension Fund 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)**

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### **6.1 Resources and Financial**

- 6.1.1 There are no resources or financial implications arising from the report.

### **6.2 Legal**

- 6.2.1 The Fund has consulted with its Governance advisors, Aon, to understand the legislative requirements to comply with Pensions Dashboards regulations.

### **6.3 Risk**

- 6.3.1 The Constitution Section 4.8 para 1.3 states that the Pension Committee has “Authority to develop and maintain a skills and knowledge framework for all Pension Committee and Investment sub-committee members and for all officers of the Fund including;
- (i) Determining the Fund’s knowledge and skills framework;
  - (ii) Identifying training requirements;
  - (iii) Developing training plans; and
  - (iv) Monitoring attendance at training events.

- 6.3.2 This report ensures on-going compliance with the above and that the Pension Committee is up to date with:

- New or amending legislation affecting the LGPS;
- Relevant activities of the LGPS Scheme Advisory Board and the Pensions Regulator that concern the governance of the (LGPS) on a national and local basis; and
- Skills and knowledge opportunities

- 6.3.3 The risks associated with the Pension Committee not having the required level of knowledge and

understanding 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 Committee 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 as per the Business Plan 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 that 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 required.