

**Northamptonshire
Local Pension Board**

**Annual Report
2015-16**

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Chairman's Foreword

It is my pleasure, as Chairman of the Northamptonshire Local Pension Board, to introduce the first Board's first Annual Report. The Local Pension Boards is a new body established in accordance with the Public Service Pensions Act 2013. It's task is to assist the Council by making sure it is administering the Local Government Pension Scheme effectively and efficiently and is compliant with the law.

The Board was established by the Council in March 2015. A recruitment campaign followed, and by the end of July of that year we had a full complement of members and had held our first meeting. Much of the Board's time since then has been taken up with putting in place the policies and procedures necessary for the satisfactory operation of the Board according to statutory requirements and guidance issued by the Pensions Regulator and the Local Government Scheme Advisory Board. In order to provide assurance to the Council that the Board is operating within the relevant statutory provisions and best practice principles, much of the Board's first annual report focuses on these areas.

As Board Members we are required to be conversant with a great deal of pension law and regulatory material, as well as a range of related topics, including financial services, investment performance and actuarial practices. We have had to absorb a lot of guidance from the Pensions Regulator and the Local Government Pension Scheme Advisory Board. As you would expect, one of our first priorities was to establish a knowledge management policy and framework to deliver this requirement. Details of this are set out within the report.

Information about the Board, as well as details of the Board's work, is available on the Council's website. We want to hear from scheme members and employers about any issue or issues which may be causing them concern so please feel free to contact any member of the Board using the details set out in this report.

I am confident that the dedication and commitment of the current Board members will continue into 2016-17 in order to assist the Council in maintaining the high standards of the administration of the Fund.

Paul Evans

Chairman of the Northamptonshire Local Pension Board

Background

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 (Northamptonshire County 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.



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.

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 Council to agree the establishment of a Local Pension Board by 1st April 2015. In this context, established means that the Council, as Administering Authority, had to approve the creation of the Board and agree its composition and terms of reference in accordance with its constitution. It did not mean that the Local Pension Board had to be fully operational by that date.

However, it was anticipated all Local Pension Boards should be operational within a reasonable period after 1st April 2015, and certainly by the end of July of that year. The Northamptonshire Local Pension Board was established by the Council at its meeting of full Council meeting on 19 March 2015 and held its first meeting on 6 July 2015.

Role and Remit

The role and remit of the Local Pension Board is to assist the Council in its capacity as scheme administering authority by making sure it is administering the Local Government Pension Scheme effectively and efficiently and, in doing so, is complying with relevant laws and regulations. The Board does this by reviewing the policies and practices that the Council has adopted and checking them against the applicable regulations, as well as comparing them to examples of best practice elsewhere.

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Constitution and Membership

The Council approved the terms of reference for the Local Pension Board on the basis that the Board is a stand-alone authority. It has also approved standing orders for the Board. A copy of both documents is available at the following link:

<https://cmis.northamptonshire.gov.uk/cm5live/MeetingsCalendar/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/2343/Committee/398/Default.aspx>

A concise summary of the Local Pension Board's terms of reference is set out in the Council's constitution (see Part 2, Article 9 (Local Pension Boards) and Part 3 (Responsibility for Functions)):

<https://cmis.northamptonshire.gov.uk/cm5live/PublicDocuments.aspx>

In order to ensure they are fully representative, all Local Pension Boards must include an equal number of employer and member representatives with a minimum requirement of no fewer than four in total. At its meeting in March 2015, the Council agreed to establish a Local Pension Board with three employer representatives and three scheme member representatives. The term of appointment for all members is four years or until qualification for membership ceases.

Council determined that two of the employer representatives were to be appointed by Full Council directly, while all other members were appointed via an open and transparent selection process. An application pack containing the terms of reference and an outline of the knowledge and understanding and capacity requirements was made available and advertised to employers and members within the Fund in a way that was compliant with the requirements set out in the Local Government Pension Scheme (LGPS) – Guidance on the Creation and Operation of Local Pension Boards in England and Wales. Following receipt of applications from potential representatives, a short listing and interview process involving the Council's Monitoring Officer determined that the selected representatives had the required attributes to carry out the role effectively.

The appointment/recruitment process led to the successful appointment of three scheme member representatives – Paul Evans, Penny Smith and Nina Thomas – and three employer representatives – Audra Statham and Councillors Allan

Matthews and Mick Scrimshaw. The membership of the Board is as set out below:

Employer Representatives

Member	Role	Email	Appointed
Audra Statham	Chief Financial Officer, Daventry District Council	ASTatham@daventrydc.gov.uk	June 2015
Councillor Allan Matthews	County Councillor	amatthews@northamptonshire.gov.uk	March 2015
Councillor Mick Scrimshaw	County Councillor	mscrimshaw@northamptonshire.gov.uk	March 2015

Scheme Member Representatives

Member	Role	Email	Appointed
Paul Evans	Accredited Counter Fraud Specialist, Daventry District Council	PEvans@northamptonshire.gov.uk	June 2015
Penny Smith	Registrar of Births and Deaths/ Deputy Superintendent Registrar, Northamptonshire County Council	psmith@northamptonshire.gov.uk	June 2015
Nina Thomas	Senior Project Manager, Northamptonshire County Council	nthomas@northamptonshire.gov.uk	June 2015

The Chair and Vice-Chair of the Board is elected by the Board on annual basis. The current Chair is Paul Evans and the Vice-Chair is Penny Smith.

The Board has met four times during the period of this Annual Report. The attendance record for members of the Board is detailed below:

Date	Paul Evans	Penny Smith	Nina Thomas	Audra Statham	Allan Matthews	Mick Scrimshaw
06/07/15	Attended	Attended	Attended	Attended	Attended	Attended
01/10/15	Attended	Attended	Attended	Apologies	Attended	Attended
21/01/16	Attended	Attended	Apologies	Attended	Attended	Apologies
25/04/16	TBC	TBC	TBC	TBC	TBC	TBC

Note – April information to be included.

Code of Conduct and Conflicts Policy

The Council, as Administering Authority is required to prepare and approve a code of conduct for the Board to adopt. This code has to set out the standards of behaviour expected of members, incorporating the 'Seven Principles of Public Life' (known as the Nolan Principles).

The elected and co-opted members of the Council are governed by the code of conduct for councillors. This code is required of every local authority by the Localism Act 2011 and sets out the standards of behaviour expected of individuals in their capacity as councillors or co-opted members. In addition, there is a legal obligation for councillors to disclose, in a register maintained by the authority's monitoring officer, certain pecuniary interests, as defined in regulations made under the 2011 Act. Both of these requirements apply to any members of a Local Pension Board who are also councillors of a local authority. They do not apply to members of a Local Pension Board who are not Councillors unless they are specifically adopted in terms of reference or other policy document to apply to the other members of the Board. At its meeting on 1 October 2015, the Local Pension Board formally agreed to adopt the Council's Code of Conduct for all members of the Board.

Aside from the provisions of the Council's Code of Conduct, for the purposes of the members of the Local Pension Board, a 'conflict of interest' is defined in section 5(5) of the Public Service Pensions Act 2013 as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of a Local Pension Board (although that does not include a financial or other interest arising by virtue of that person being a member of the LGPS). The Pensions Regulator recommended that all administering authorities put in place a Conflict of Interest Policy for the operation of their new local pension boards. The Pension Board duly agreed a detail Conflicts Policy at their meeting on 1 October 2015. A copy of the policy can be found here:

<https://cmis.northamptonshire.gov.uk/cm5live/MeetingsCalendar/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/2595/Committee/448/Default.aspx>

It is not anticipated that significant conflicts of interest will arise in the same way as would be the case if the Board was making decisions on a regular basis (compared, for example, to a Pensions Committee). However, officers will take steps to identify, monitor and manage conflicts in accordance with the policy.

Knowledge and Understanding

In accordance with Section 248A of the Pensions Act 2004, every individual who is a member of a Local Pension Board must be conversant with:

- the rules of the Local Government Pension Scheme (LGPS)
- any document recording policy about the administration of the Fund which is for the time being adopted in relation to the Fund.

Each individual must have knowledge and understanding of the law relating to pensions and such other matters as may be prescribed.

The Council is required to make appropriate training available to Local Pension Board members to assist them in undertaking their role and where possible support all members of the Board in undertaking that training. The Board, in turn, is required to establish and maintain a policy and framework to address the knowledge and understanding requirements that apply to its members.

Being conversant with the rules of the LGPS and any document recording policy about the administration of the Fund means having a working knowledge (i.e. a sufficient level of familiarity) of them so that members of a Local Pension Board can use them effectively when carrying out their role of assisting the County Council. In particular members of a Local Pension Board need to understand the rules and documents in enough detail to know where they are relevant to an issue and where a particular provision or policy may apply.

In order to assist the Council, it is implicit that members of the Local Pension Board understand the duties and obligations that apply to the Council as well as to themselves. The rules of the LGPS would include:

- the relevant regulations;
- the relevant investment regulations; and
- the transitional regulations (including any earlier regulations as defined in the transitional regulations to the extent they remain applicable), and any statutory guidance referred to in these regulations.

The Local Pension Board is required to prepare and keep updated a list of the core documents recording policy about the administration of the Fund and make sure that the list and documents (as well as the rules of the LGPS) are accessible to its members. The LGSS Pensions Team has prepared such a list for Local Pension Board members, which is available at the following link:

<http://pensions.cambridgeshire.gov.uk/index.php/governance2/key-documents-for-the-northamptonshire-fund/>

The Board needs to be aware of the range and extent of overriding law which applies to the LGPS and have sufficient knowledge and understanding of the content and effect of that law to recognise when and how it impacts on their role, responsibilities and duties.

Given the role of the Local Pension Board is to assist the Council, members of a Board need to have sufficient knowledge and understanding to challenge any failure by the Council to comply with the Regulations and other legislation relating to the governance and administration of the LGPS (which is interpreted as including the Regulations and other legislation relating to investment and funding matters) and/or any failure to meet the standards and expectations set out the Code of Practice.

Members of the Board are required to have a breadth of knowledge and understanding that is sufficient to allow them to understand fully any professional advice the Board is given. They must be able to challenge any information or advice they are given and understand how that information or advice impacts on any decision relating to their duty to assist the Council.

A Local Pension Board's knowledge management policy and framework provides for the acquisition and retention of knowledge and understanding for its members. Members of the Local Pension Board are aware that their knowledge and understanding responsibilities technically began from the date they first took up their post.

The knowledge management policy and framework requires its members to undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses. A personalised training plan is then be used to document and address these promptly. This would be supported by any person the Local Pension Board has designated to implement the knowledge and understanding policy and framework.

Learning programmes deliver the appropriate level of detail to ensure that Local Pension Board members have the required level of knowledge and understanding specific to the LGPS. The Pensions Regulator has provided an e-learning

programme which has been developed to meet the needs of all members of public sector scheme pension boards, whether or not they have access to other learning. It is not anticipated that this e-learning module alone would provide the sufficient level of LGPS specific training required for Local Pension Board members. Members are required to complete the Pension Regulator's toolkit and have been contacted with a reminder and provided with a link as follows:

<http://www.thepensionsregulator.gov.uk/public-service-schemes/learn-about-managing-public-service-schemes.aspx>

The Knowledge Management Policy has been designed to assist the Local Pension Board in performing and developing its role in accordance with the Terms of Reference with the ultimate aim of ensuring that Pension Fund is managed and assisted by individuals who have the appropriate level of knowledge and skills as required by the Pensions Act 2004 also enforced by the Pensions Regulator.

The Knowledge Management Policy incorporates both the best practice as identified by the CIPFA Technical Knowledge and Skills Framework and the requirements of the Pensions Regulator. The CIPFA framework covers eight areas of knowledge identified as the core requirements for effective management of a public sector pension fund. These are:

- pensions legislation;
- pensions governance;
- pensions administration;
- pension accounting and auditing standards;
- financial services procurement and relationship development;
- investment performance and risk management;
- financial markets and products knowledge; and
- actuarial methods, standards and practice.

The Pension Regulator's Code of Practice requires all members of the Local Pension Fund Board to maintain the necessary skills and knowledge to undertake their role effectively. Board members need to be conversant with the rules of the scheme and any document recording policy about the administration of the scheme; and to have knowledge and understanding of the law relating to pensions and any other matters which are prescribed in regulations.

The framework is designed to improve knowledge and skills in all relevant areas of activity of a Pension Fund Board and assist Board members in achieving a

degree of knowledge appropriate for the purpose of enabling individuals to properly exercise the functions of a member of a pension board.

The Knowledge Management Policy also recognises the requirement that skills and knowledge within the remit of a local pension board must be on an individual rather than a collective basis. As such self- assessments will identify individual training needs following which appropriate training will be arranged. The Policy sets out the methods by which the members of the Pension Fund Board will achieve and maintain the required knowledge and understanding and how this will be measured on an ongoing basis.

The Local Pension Board is required to keep appropriate records of the learning activities of individual members and the Local Pension Board as a whole. This will assist members in demonstrating their compliance, if necessary, with the legal requirement and how they have mitigated risks associated with knowledge gaps. It is a statutory requirement to include details of the training undertaken by members of the Pension Fund Board in the Fund’s Annual Report. In addition, this information may be required by other agencies such as the Pensions Regulator from time to time.

A schedule detailing the training undertaken by Local Pension Board members is detailed below:

Member	Event	Date
Paul Evans	LGA Local Pension Board Training	21/5/2015
	LGSS Joint Local Pension Board Training	1/9/2015
	LGSS Pensions – LDI & Passive Training Day	27/10/2015
	UBS First Steps Seminar	3/11/2015
	UBS Second Steps Seminar	25/11/2015
	LAPFF Annual Conference	2-4/12/2015
	Valuation Training	2/2/2016
	LGC Investment Seminar	3-4/3/2016
Penny Smith	LGA Local Pension Board	21/5/2015

	Training	
	LGSS Joint Local Pension Board Training	1/9/2015
	LGSS Pensions – LDI & Passive Training Day	27/10/2015
	LGSS Valuation Training	2/2/2016
Nina Thomas	LGA Local Pension Board Training	21/5/2015
	LGSS Pensions – LDI & Passive Training Day	27/10/2015
	UBS First Steps	3/11/2015
	UBS Second Steps	25/11/2015
Audra Statham	LGA Local Pension Board Training	21/5/2015
	LGSS Joint Local Pension Board Training	1/9/2015
	UBS First Steps	3/11/2015
	UBS Second Steps	25/11/2015
Cllr Allen Matthews	AON Pension Board Member Training	9/7/2015
	LGSS Joint Local Pension Board Training	1/9/2015
	LGSS Joint Pensions Liability Driven Investment & Passive Investment Training Day	27/10/2015
	LGSS Valuation Training	2/2/2016
Cllr Mick Scrimshaw	LGA Local Pension Board Training	21/5/2015
	LGSS Joint Local Pension Board Training	1/9/2015

At its first meeting in July 2015, the Board considered a proposal for developing and maintaining a policy and framework to address the knowledge and understanding requirements that apply to members of the Local Pension Board.

It was agreed to delegate responsibility to the Democratic Services Manager and the LGSS Pensions Service Governance and Regulations Manager for ensuring that the knowledge and framework for the Local Pension Board was developed and implemented. Together with the Pensions Team, the Board felt that Democratic Services should develop and maintain a training record for each Board member.

The Board received and approved the Knowledge Management Policy for Pension Fund Board Members at its second meeting in October 2015. The Policy is available at the following link:

<https://cmis.northamptonshire.gov.uk/cm5live/MeetingsCalendar/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/2595/Committee/448/Default.aspx>

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Reporting Breaches of the Law to the Pensions Regulator Policy

In accordance with section 70 of the Pensions Act 2004, certain individuals must report to the Pensions Regulator as soon as reasonably practicable where that individual has reasonable cause to believe that:

- a duty which is relevant to the administration of the LGPS, and is imposed by or by virtue of an enactment or rule of law, has not been or is not being complied with; and
- the failure to comply is likely to be of material significance to the Regulator in the exercise of any its functions.

This obligation directly applies to each individual who is a member of the Local Pension Board. The Local Pension Board must therefore have effective arrangements in place to meet its duty to report breaches of law.

At its meeting in October 2015, the Local Pension Board was informed that, in line with the Pensions Regulator's Code of Practice number 14 (Governance and administration of public service pension schemes), the Fund has developed a policy that sets out the mechanism for reporting breaches of the law. The policy ensures that those with a responsibility to report breaches of the law are able to meet their legal obligations, by analysing situations effectively in order to make an informed decision on whether a breach has been made.

As the Local Pension Fund Board does not have decision making powers, the Board was not able to approve this policy. Instead it reviewed the Policy at its meeting in October 2015 before it was approved by the Pension Committee at its meeting on 23 October 2015. A copy of the "Reporting Breaches of the Law to the Pensions Regulator Policy" is available at the following link:

<https://cmis.northamptonshire.gov.uk/cm5live/MeetingsCalendar/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/2534/Committee/412/Default.aspx>

Governance Compliance Statement

Each Administering Authority must 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. Where the Administering Authority does delegate its functions, the statement must include:

- the terms, structure and operational procedures of the delegation;
- the frequency of any committee or sub-committee meetings;
- whether such a committee or sub-committee includes representatives of scheme employers or members, and if so, whether those representatives have voting rights;
- the extent to which a delegation, or the absences of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and
- details of the terms, structure and operational procedures relating to the Local Pension Board.

The Local Pension Board, at its meeting in April 2016, considered a report on the Compliance Code of Practice.

Note – more information to be added

Work Programme 2015-16

The Local Pension Board has met four times in 2015-16 on 6th July 2015, 1st October 2015, 21st January 2016 and 25th April 2016.

Board Meeting – 6th July 2015

At its first meeting on 6th July 2015, the Board received a presentation that provided background and context to the operation of the Pension Fund. Other issues considered by the Board at this meeting included the Board's Terms of Reference and the Knowledge and Understanding Policy, both of which are covered separately in the Annual Report.

Also at this meeting, the Board received a report setting out its priorities and work programme for 2015-16. The work programme is reviewed at every Board meeting in order to take account of issues that arise during the year and changes according to Pension Committee planning and decision-making timescales. The Board's work programme aligns largely with the Pension Committee work programme.

Board Meeting – 1st October 2015

The Board reviewed reports presented to the Pension Committee since the last Board meeting, including an update on the Business Plan, the Employers Admissions and Cessations Report and the Governance and Legislation Report. As part of its discussion on these reports, the Board focused on the consistency of Key Performance Indicators.

The Board also considered, as a confidential item, a report on the Annual General Meeting (AGM) of the Northamptonshire Pension Committee. The report provided an update of the topics discussed at the AGM that relate to the Fund financial performance during that period.

Board Meeting – 21st January 2016

The Board received a summary of items presented to the Pension Committee, including the Business Plan Update Report; Overpayment of Pensions Report:

Employers Admissions and Cessations Report and the Governance and Legislation Report.

At this meeting the Payment of Employee and Employer Pension Contributions was presented to the Board. The policy was designed to ensure that both scheme employers and officers of the Fund had a clear process for dealing with non-compliance and to provide further strength and evidence to the Pensions Regulator that as a Fund, all the relevant controls were in place. The policy had been approved by the Pensions Committee on 18th December 2015 and would become effective from April 2016. The Board reviewed the policy and satisfied itself that the administration fees relating to late payments were comparable to charges made by other funds. The Board made no recommendations to the Pension Committee.

The Board also had the opportunity to review the policy for Admission Bodies, Scheme Employers and Bulk Transfers. The policy had been presented and approved at the Pension Committee meeting that took place on 23rd October 2015. It had been revised following an exercise to streamline the policy and amend a number of technical terms following the introduction of the Local Pension Scheme Regulations 2013. The Board reviewed the policy but made no recommendations to the Pension Committee.

The Board received the Statement of Investment Principles July 2015. The Local Government Pension Scheme regulations required every administering authority to prepare, maintain and publish a written statement of the principles that governed its decisions about the investment of Fund money. During discussion Board members clarified their understanding of the benchmark targets and discussed training opportunities for members involved in valuation work.

Board Meeting – 25th April 2016

Note - This section to be revised when information available

The Board received an executive summary of standing items presented to the Pensions Committee, which included XXX.

The Board also discussed the Business Plan and Fund Objectives, including the Fund Valuation Plan, the Compliance Code of Practice and the Performance Report. The Board also discussed and agreed its Annual Report.

More detail is available in the agendas and minutes of the above Northamptonshire Local Pension Board meetings which can be accessed via following link:

https://cmis.northamptonshire.gov.uk/cm5live/Committees/tabid/110/ctl/ViewCMIS_CommitteeDetails/mid/558/id/448/Default.aspx

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Work Programme 2016-17

The Local Pension Board maintains a work programme which is considered at every meeting. Although a large part of the Board's work is aligned with that of the decision making Pension Committee, now that the Board is established and members have completed a number of training activities it will begin to select topics for in-depth analysis with a view to making recommendations to the Pension Committee on a regular basis.

The Work Programme for 2016-17 is as set out below:

Add work programme when completed

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Key Officers supporting the Local Pension Board

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