Democratic Services
County Hall
Northampton
NN1 1AT

Northamptonshire Local Pension Board	19 July 2016	The Blue Room County Hall Northampton NN1 1AT	2.00 pm

AGENDA

*** Papers enclosed**

Item No.	Subject	Responsible Officer
1.	Welcome and Apologies for Absence	Chairman
2.	Declarations of interest by members, if any	Chairman
3.*	Minutes of the meeting held on 25 April 2016	Jenny Rendall
4.*	Action Log	Joanne Walton
EXEMPT ITEMS		
In respect of the following items the Chairman may move the resolution set out below, on the grounds that if he public were present it would be likely that exempt information (information regarded as private for the purposes of the Local Govermen Act 1972) would be disclosed to them: The committee is requested to resolve: "That under Section 100A of the Local Government Act 1972, the public be excluded from the meeting for the following item(s) of business on the grounds that if he public were present it would be likely that exempt information under Part 1 of Schedule 12A to the Act of the descriptions against each item would be disclosed to them.		
5.*	Executive Summary of agenda items from 30 June 2016 Pension Committee meeting	Joanne Walton
PUBLIC ITEMS		
6.*	LGSS Pension Service Administration Performance Report	Joanne Walton
7.*	Northamptonshire Pension Fund - Draft Risk Register Report	Joanne Walton
8.*	Valuation of the Pension Fund	Joanne Walton
9.*	Pension Ombudsman - Case Study – Payment of Death Grant	Joanne Walton
10.*	Norhamptonshire Local Pension Board Communication Policy	Paul Hanson
11.	Asset Pooling	Joanne Walton
12.	Future Meetings	Jenny Randall
13.	Urgent Issues	Jenny Rendall

Issued: 11 July 2016

Jenny Rendall
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Democratic Services
Room 144
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Northamptonshire County Council

Northamptonshire Local Government Pension Scheme Local Pensions Board

Minutes of the meeting held on 25 April 2016

Venue: Room 28, County Hall, Northampton

(Meeting held in public)

PRESENT:-

Paul Evans (Chairman)

Employers Side	Employees Side
Councillor Allan Matthews	Nina Thomas
Audra Statham	

Also in attendance (for all or part of the meeting)

Paul Hanson	Democratic Services Manager
Michelle Oakensen	LGSS Pensions Governance Officer
Jenny Rendall	Democracy Officer (minutes)
Paul Tysoe	Investment & Fund Accounting Manager
Joanne Walton	LGSS Pensions Governance & Regulations Manager
Mark Whitby	LGSS Head of Pensions

There were no members of the public present.

11/16 Apologies for non-attendance and Declarations of Interest

Apologies were received from Penny Smith who had resigned from the Local Pension Board.

12/16 Declarations of interest by members, if any:

There were none.

13/16 Minutes of the Meeting held on 21 January 2016:

RESOLVED that: The Local Pensions Board approved: the minutes of the meeting held on 21 January 2016 subject to the amendment of Audra Statham's status as a member from the Employers side.

14/16 Executive Summary of standing items from the Pension Committee meetings held during March:

At the Chairman's invitation, LGSS Pensions Governance & Regulations Manager, Jo Walton, introduced this report (copies of which had been previously circulated) highlighting the standing items as:

- Governance & Legislation Report
- Government's Investment Reform Agenda
- Employers' Admissions & Cessations Report
- Risk Strategy

Queries from the Local Pension Board were answered as follows:

- LGSS had responded on behalf of the Cambridgeshire and Northamptonshire Funds to the consultation on public sector exit payments.
- The risk register which identified areas of most concern would be brought to the Local Pension Board in July.

RESOLVED that: the Local Pensions Board noted the contents of the report on the March 2016 Pension Committee meetings standing reports.

15/16 Business Plan and Fund Objectives (including Fund Valuation Plan):

At the Chairman's invitation, LGSS Pensions Governance & Regulations Manager, Jo Walton, introduced this report (copies of which had been previously circulated) highlighting that this had been presented to the Pensions Committee in March where it had been approved. It set out a plan for the year, what had been undertaken and how these actions related to performance indicators which were unchanged from the previous year. The migration from Oracle to Altair payroll was due to go live in August 2016.

Queries on the report were provided as follows:

- The majority of employers transferring staff into the Fund sponsored the transfer and would therefore take responsibility should the new body fail. The Fund as a whole would be responsible for any bodies that failed and did not have a guarantor.
- Northamptonshire County Council (NCC) would be the guarantor for the bodies it was currently creating to provide services. It was the guarantor for First for Wellbeing.
- NCC acting as a guarantor was a strong covenant.

RESOLVED that: the Local Pensions Board noted the Pension Fund Business Plan for 2016-17.

16/16 Results of the Pensions Regulator's Survey of Public Survey Governance and Administration and Compliance with the Code of Practice::

At the Chairman's invitation, LGSS Pensions Governance & Regulations Manager, Jo Walton introduced this report (copies of which had been previously circulated) highlighting the following:

- Section 2 provided survey results alongside whether the Fund was compliant and details of the plan to achieve full compliance.
- Not all public sector pension schemes responded to the survey.
- The Local Pension Board would like to review the plans to achieve full compliance before they are presented to Pensions Committee. This would come back to the Board in July and the Committee in October 2016.

In response to queries on the report, the following was confirmed:

- All items were considered equally important as they all applied to the Code of Practice.
- There was a need to ensure better monitoring of record-keeping.
- Using the Altair system for provision of pensioner payroll would be an improvement on Oracle due to the removal of double entry of data.
- The Pension Fund would use Aggresso for General Ledger purposes only.
- It was suggested the Local Pension Board take a role in ensuring procedures for publishing information about the Local Pension Board were noted correctly. A report would be made to the Board in July 2016.

RESOLVED that:

1) **the Local Pension Board noted the contents of the report and approved the proposed course of action to achieve full compliance with the Pensions Regulator's Code of Practice;**
2) **That the Risk Strategy and Register would be presented to the Local Pension Board at its meeting to be held in July 2016; and**
3) **Progress with plans for meeting the Pensions Regulator's Code of Practice would be provided to the Local Pensions Board at its meeting to be held in July 2016.**

17/16 LGSS Pensions Service Administration Performance Report:

At the Chairman's invitation, LGSS Pensions Governance & Regulations Manager, Jo Walton introduced this report (copies of which had been previously circulated) stating key areas in the report related to receipt of employers and employee contributions. It also included details of key performance indicators and an internal audit update. The Pensions Committee had received it during March 2016.

Queries on the report were answered as follows:

- There was 1 employer within the Scheme who had made frequent late payments and nothing had been received from them since December 2015. A contract between them and a local authority had been terminated and there would be a recommendation to the Pensions Committee to terminate them from the Scheme. They had 3 active employees.
- Only 2.5% of employers made late payments.The Pensions Committee received information in greater detail which was available to the Local Pension Board and members of the public.

RESOLVED that: The Local Pension Board noted the LGSS Pensions Service Administration Performance Report.

18/16 Annual Report of the Local Pension Board:

At the Chairman's invitation, Democratic Services Manager, Paul Hanson introduced this item (copies of which had been previously circulated) stating the Annual Report had been created which included background, who the members were, their attendance at meetings, details of the code of conduct and the training undertaken.

Queries on the report were answered as follows:

- Information on the work of the task and finish group relating to asset pooling would also be provided as members of the Board attended where possible.
- The Communications Plan would also be included.

It was also noted the members felt the annual report was very good.

RESOLVED that: The Local Pension Board reviewed and approved the Annual Report.

19/16 Investment Training:

At the Chairman's invitation, Investment & Fund Accounting Manager, Paul Tysoe provided a presentation on investment training (copies of which were provided at the meeting) highlighting the following:

- From the Scheme's age profile since the year 2000 it could be seen that people were tending to live longer
- The Scheme had 2 sources of income: contributions and investments. Good investments relieved the pressure on contributions.
- The Fund's Actuaries performed a valuation of the Fund every 3 years to produce a rates and adjustment certificate. As of March 2014 the Fund was 70% funded and a deficit recovery plan was devised.
- Whilst the Fund was currently worth more than it had been in 2007, the deficit was higher because of liabilities.
- The investment strategy set by the Pensions Committee was actioned by the Investment Sub-Committee (ISC). The 2009 Investment Regulations were due to be revised that year but this might not be until the autumn. The Fund received investment advice from Mercers Ltd as well as from an independent advisor.
- Members were recommended to attend either the UBS Steps training or that provided by Schroders.
- A target was set by ascertaining the performance expected of a particular asset and then adding a relevant sum above it. Figures were shown that by December 2015 performance had exceeded this.. The theory was that achieving the 4.6% target consistently over 20 years would ensure the Fund was fully funded by that time.
- The ISC was made up of members from the Pensions Committee and there was quarterly monitoring of investment managers.
- Northern Trust as the Fund's Custodian held all assets.. Mercers provided an annual report on all investment managers.
- Abel Noser reviewed trading behaviour on an annual basis and it had been a long time since any fund manager had been written to in this respect.
- WM Company was no longer trading in performance so a replacement would be required for them.
- The Fund had various managers: Newton undertook equities, Baillee Gifford undertook a diversified growth fund, CBRE property, Skagen overseas equities and Majedie managed a closed fund in UK equities.
- The bulk of the Fund was invested in equities, 18% in fixed income, 8% in private property and 8% in diversified growth fund.
- Investment pooling was considered to be a good idea but Funds could not pick their investment managers. Benefits could be achieved through collaboration and could provide six figure savings. There was also a beauty parade planned in another asset class that could provide a 6 figure fee saving. The fund on its own had too small a sum in property to gain savings but could as part of an asset pool.
- Investment pooling would require each Fund to set its own strategy that the pool would be required to deliver. ACCESS currently had 197 investment mandates across 14 Funds, approximately 10 of which were held by Northamptonshire Pension Fund None of the mandates within ACCESS were the same and all would need rationalisation.

- It was hoped liquid assets would be invested in early but illiquid assets were harder to arrange so quickly and may have to be invested after April 2018. Her Majesty's Treasury did understand this.

Answers to questions on the presentation were provided as follows:

- Everything was performance based. Targets were not pushed because that would be pushing against risk. Most targets were set at out-performing the market by 2%.
- If it so chose the Fund could have 100% invested in equities. It was however, considered too big a risk to invest in this way. The Fund also maintained a strategy not to give too big a percentage to any manager.
- Discussions had been held with various people from DCLG, Her Majesty's Treasury, and the Local Government Association (LGA) from which it had become clear that it was for the Fund to decide if it invested in infrastructure. There was also a clear intention that all investments were made for the benefit of the Fund. Suggestions were always strongly challenged.
- The Valuation would not take account of asset pooling.
- An optimum and minimum number of sub-funds would need to be decided to gain the maximum savings. It was felt 6-7 sub funds would be a good optimum. More than that would create pressure and less than that would have an adverse affect on risks.
- The Fund had until April 2018 to start the new investments.
- Negotiation would be required with regard to closed funds and they would need to accept rationalisation and compromise.
- All performance monitoring and governance would remain with the Pool and reported back to each Fund.
- Her Majesty's Treasury had stated they wanted the new arrangements to provide better governance and control.

RESOLVED that: the Local Pensions Board noted the presentation on Investing Training.

<u>20/16 Urgent Items:</u>

The Democratic Services Manager informed the Local Pension Board that Penny Smith had resigned from the Board and they would look to recruit a replacement by the next meeting. A letter of thanks would also be forwarded to Penny.

There being no further business, the meeting concluded at 11.50am.

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NORTHAMPTONSHIRE PENSION FUND

Local Pension Board **<u>Agenda Item: 4</u>**

Action log from Local Pension Board meeting held on 25 April 2016

This log captures the actions from the Northamptonshire Local Pension Board of the 25 April 2016 together with any carried forward items from previous meetings and updates members on the progress on compliance in delivering the necessary actions. This is the updated action log as at 8 July 2016.

Item No.	Item	Action to be taken by	Issue/Action	Action/Status
16/16	Results of the Pensions Regulator's Survey of Public Survey Governance and Administration and Compliance with the Code of Practice	Jo Walton	That the Risk Strategy and Register would be presented to the Local Pension Board at its meeting to be held in July 2016	Completed – The Draft Risk Register incorporating the Risk Strategy to be presented at the July meeting of the Local Pension Board to allow input from the Board before becoming a final document.
16/16	Results of the Pensions Regulator's Survey of Public Survey Governance and Administration and Compliance with the Code of Practice	Jo Walton	Progress with plans for meeting the Pensions Regulator's Code of Practice would be provided to the Local Pensions Board at its meeting to be held in July 2016	Review of the Funds compliance with the Pension Regulators Code of Practice and the Public Service Pensions Act 2013 to be presented to the Board at the next meeting which will provide clear direction on areas to focus on and plans can be created to achieve full compliance unfortunately this has slipped for July due to work pressures.

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Agenda Item No: 6

NORTHAMPTONSHIRE PENSION FUND

LGSS

PENSION FUND BOARD

19 July 2016

Report by: THE HEAD OF PENSIONS

Subject:	**LGSS Pensions Service Administration Performance Report**
Purpose of the Report	To present the Administration Performance Report to the Pension Fund Board
Recommendations	**The Pension Fund Board are asked to note the Administration Performance Report**
Enquiries to:	Name – Joanne Walton – LGSS Pensions Governance and Regulations Manager Tel – 01604 367030 E-mail – jwalton@northamptonshire.gov.uk

1. Background

1.1 One of the core functions of the Pension Fund Board (the Local Pension Board) is to ensure the effective and efficient governance and administration of the Scheme. This report demonstrates a number of key areas of administration performance for consideration by the Pension Fund Board.

2. Administration Reporting

2.1 Receipt of Employee and Employer Contributions

2.1.1 The following table shows the percentage of employers in the Northamptonshire Pension Fund who paid their employee and employer contributions and/or submitted their schedules on time or late (after the 19th of the month following deduction) for the period 1 May 2015 to 30 April 2016.

Month/Year	% of Employers Paid on Time	% of Employers Paid Late	% of Employers that Submitted Schedule on Time	% of Employers that Submitted Schedule Late
May 2015	96.9	3.4	92.8	7.2
June 2015	96.4	3.6	89.5	10.5
July 2015	97.1	2.9	93.8	6.2
August 2015	97.4	2.6	90.3	9.7
September 2015	97.9	2.1	92.8	7.2
October 2015	97.9	2.1	93.9	6.1

November 2015	97.9	2.1	94.9	5.1
December 2015	98.6	1.4	93.1	6.9
January 2016	97.6	2.4	97.6	2.4
February 2016	98.0	2.0	95.3	4.7
March 2016	97.3	2.7	97.6	2.4
April 2016	96.3	3.7	94.5	5.5
Average for period	**97.4**	**2.6**	**93.8**	**6.2**

2.1.2 Persistent late payments and submission of accompanying payment schedules are monitored closely and officers work in close liaison with scheme employers and third party payroll providers to resolve issues. The Payment of Employee and Employer Contributions Policy came into force on 1 April 2016 to ensure scheme employers are aware of the consequences of not meeting their statutory obligations and are aware in advance of the ramifications of persistent non compliance.

2.1.3 There has been one employer in the Fund who has persistently paid late and most recently not paid and subsequently this employer has been reported to the Pensions Regulator on several occasions. The decision has been made by the Chairman and Vice Chairman of the Pensions Committee to now terminate this employer from the Fund due to a breach of its terms under clause 7.3.1 of the admission agreement. This is in line with clause 4.1.9 of the Fund's Admission Bodies, Scheme Employers and Bulk Transfer Policy. The deficit payment and outstanding contributions are being sought through the administrators. The three members have been notified of the termination and benefits are currently being calculated for them.

2.1.4 Two further employers have been persistently paying contributions late and this is as a result of the Fund no longer accepting cheque payments. The process is now to return all cheques to the relevant employers for a BACS payment to be made. These employers will continue to be monitored closely and if the late payments continue they have been advised that they will be reported to the Pensions Regulator.

2.2 Overpayments of Pension

2.2.1 The table below shows all the overpayments of pension that have occurred, split by categories of explanation, during the period 1 January 2016 to 31 May 2016.

Overpayment Type	Action	Amount	Total
Retirement	Written off	£0	£37,912.64
	Recovery	£37,912.64 (4 cases)	
Death of a Pensioner/Dependant	Written off	£5,146.41 (70 cases)	£13,209.06
	Recovery	£8,062.65 (10 cases)	

2.2.2 In this period £4,283.87 has been recovered across all overpayment types.

2.2.3 Overpayments upon retirement are infrequent and are usually linked to isolated administration errors. Three of the overpayments (one recovered) were due to administration errors; one case was due to the member receiving both a BACS payment and cheque payment and one case was due to a delay in ceasing a record a tier three Ill health pension at the end of its 3 year payment term.

2.3 Key Performance Indicators – LGSS Pensions Service

2.3.1 The Pension Committee has agreed a set of key performance indicators (KPIs) to assess the performance of LGSS Pensions Service.

2.3.2 The performance against the key performance indicators for the period 1 March 2016 to 31 May 2016 are detailed in the table below.

KPI	Target	March	April	May	Comment
Notify leavers of deferred benefit entitlement. (Notify leavers of deferred benefit entitlements or concurrent amalgamation within 15 working days of receiving all relevant information)	**90%**	79%	84%	86%	See 2.3.3
Payment of retirement benefits from active employment. (Payment of lump sum within 5 working days of payable date or date of receiving all necessary information if later. First pension paid in the month of leaving or in month of receiving all necessary information if later).	**95%**	100%	99%	98%	
Award dependant benefits. (Issue award within 5 working days of receiving all necessary information).	**95%**	100%	98%	100%	
Provide a maximum of one estimate of benefits to employees per year on request. (Estimate in agreed format provided within 10 working days from receipt of all information).	**90%**	91%	92%	84%	See 2.3.4
Provide transfer-in quote to scheme member. (Letter issued within 10 working days of receipt of all appropriate information).	**95%**	81%	100%	100%	

Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	**95%**	N/a	N/a	100%	
Notify the employer and scheme members of changes to the scheme rules. (Within one month of the LGSS Pensions Service being informed of the change).	**95%**	100%	100%	100%	
Issue annual benefit statements to active members as at 31 March each year. (By the following 31 August - pending timely receipt of satisfactory year end data from the scheme employer).	**100%**	N/a	N/a	N/a	

2.3.3 The performance on issuing deferred benefit entitlements is lower than desired due to volumes of checking of both current and backlog cases. There are legacy issues with employers notifying the section in bulk at year end. This is a red rating for the period as there is a statutory deadline attached; however, the performance has been steadily increasing.

2.3.4 The performance associated with issuing estimates requested by scheme members is lower than desired for May due to high volumes of redundancy estimates received by the service and increased levels of retirements during the month. The service is also running with a number of vacancies which is exacerbating the situation.

2.4 Key Performance Indicators – Scheme Employer Performance

2.4.1 The following key performance indicators, as agreed by the Pension Committee, are based on the performance of the scheme's employers for the period 1 March 2016 to 31 May 2016 are detailed in the table below.

KPI	Target	March	April	May	Comment
Arrange for the correct deduction of employee and employer contributions to Pension Fund in a timely manner, providing an associated monthly statement/schedule in a format acceptable to the Administering Authority. (Contributions to be received by individual employers by 19th calendar day of month after deduction and	**100%**	97.3%	96.3%	Unavailable – will be reported on the next update.	2.4.2

statement/schedule were received by the same date as payment).					
Provide LGSS Pensions Service with accurate year end information in the prescribed format. (Accurate year end information to be provided for all scheme members by 30 April following contribution year end).	**100%**	N/a	N/a	66.45%	2.4.3

2.4.2 Employer performance continues to be managed by officers of the Fund and progress continues to be made. Close liaison with employers in regards to the timely submission of both payments and schedules in order for them to meet statutory compliance.

2.4.3 A total of 66.45% of year end submissions were received on time and in the correct format. A further 29.64% were received after the 30 April deadline and 3.91% to date have not been received. The 3.91% represents 12 small employers with 10 employers out of the 12 having 3 members in the LGPS or less.

3. Relevant Pension Fund Objectives

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. *Objective 1*
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. *Objective 2*
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. *Objective 3*
Continually monitor and measure clearly articulated objectives through business planning *Objective 4*
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. *Objective 5*
Put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary. *Objective 8*
Administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration. *Objective 10*

4. Finance & Resources Implications

4.1 The financial and resource implications are set out in the Business Plan.

5. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There are no risks associated with managing the administration performance of the scheme.	Key areas of control to be reported to the Pension Committee and Pension Fund Board are highlighted in the Fund's Business Plan.	Green

b) Risk(s) associated with not undertaking the proposal

Risk	Risk Rating
If the Fund does not monitor and report administration standards the Fund will not demonstrate that it has appropriate control over the management of its core functions.	Amber

6. Communication Implications

Direct Communications	The Fund publishes its performance against the key performance indicators in the regular reports to the Pension Committee and Pension Fund Board and in the Fund's Annual Report.

7. Legal Implications

7.1 Not applicable

8. Consultation with Key Advisers

8.1 Consultation with the Fund's advisers was not required for this report.

9. Alternative Options Considered

9.1 Not applicable

10. Background Papers

Not applicable

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Chief Finance Officer/Section 151 Officer?	N/A
Has this report been cleared by Head of Pensions?	Mark Whitby – 8/7/2016

NORTHAMPTONSHIRE PENSION FUND

PENSION FUND BOARD

19 July 2016

Report by: THE HEAD OF PENSIONS

Subject:	**Northamptonshire Pension Fund - Draft Risk Register**
Purpose of the Report	To present the Draft Risk Register to the Pension Fund Board
Recommendations	**The Pension Fund Board are asked to make recommendations on the Draft Risk Register.**
Enquiries to:	Name – Joanne Walton – LGSS Pensions Governance and Regulations Manager Tel – 01604 367030 E-mail – jwalton@northamptonshire.gov.uk

1. Background

1.1 Good governance ensures that the Fund has an appropriate Risk Register which details the Fund's risks and mitigations. The purpose of a risk register is to record the details of all risks that have been identified along with their analysis and plans for how those risks will be treated.

1.2 The risk register database can be viewed by Committee and Board members as well as officers of the Fund as a management tool for monitoring the risk management processes of the Fund. The risk register is used to identify, assess, and manage risks to acceptable levels through a review and updating process.

2. The Pensions Regulator's Requirements

2.1 The Public Service Pensions Act 2013 added an additional provision to the Pensions Act 2004 relating to the requirements to have internal controls in public service pension schemes. The Pensions Regulator's code of practice guidance on internal controls requires schemes managers (administering authorities) to carry out a risk assessment and produce a risk register which should be reviewed regularly.

3. The Risk Strategy

3.1 In March 2016 a Risk Strategy was approved by the Pensions Committee and from this a risk register needed to be established. The strategy and risk register should be read in conjunction with each other as the strategy sets out the principles of risk management and how the risks are profiled and how these are incorporated into the risk heat model. This profiling is undertaken by using the impact and likeliness tables to determine the gross and residual likelihood and impact on the Fund once mitigations are in place.

3.2 The Risk Strategy as approved by the Pension Committee on 18 March 2016 can be found in appendix 4.

4. The Northamptonshire Pension Fund Draft Risk Register

4.1 The draft risk register can be found in appendix 1 of this report and consists of relevant risks in the areas of Governance, Funding and Investments and Administration and Communication. The register contains the whole range of risks to be considered by the Board for comment on whether the risks seem appropriate and that the gross and residual risks are set at a correct level.

4.2 The risk scoring has been determined using the Northamptonshire County Council corporate risk impact descriptors and the risk analysis table inline with the Risk Strategy. The risk scoring matrix is in appendix 2 and the impact descriptors are in appendix 3 of this report. A pragmatic approach has been taken over the investment scoring due to the amount of money invested on behalf of the Fund.

5. Role of the Pension Fund Board

5.1 The Pension Fund Board are asked to review the risks and the ratings associated with them and to make recommendations to the Pension Committee accordingly.

6. Next Steps

6.1 Once the risks and associated scores have been agreed only risks that score above 6 will be entered onto the risk register to ensure we are concentrating efforts of the Board and Committee on the risks that are most significant to the Fund. This consists of 21 amber risks which are likely to cause the Fund some difficulties and 2 red risks that are in excess of the Funds risk appetite and are not easily controlled.

6.2 The information will be populated through a heat pad analysis model and this will be presented to the Pension Committee and Pension Fund Board when available and subsequently on a yearly basis or as required if there is a significant change, this includes the risks with a scoring of less than 6 that move to amber or red category at a later date.

7. Relevant Pension Fund Objectives

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. *Objective 1*
Continually monitor and measure clearly articulated objectives through business planning *Objective 4*
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. *Objective 5*
Administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration. *Objective 10*

8. Finance & Resources Implications

8.1 There are no financial and resource implications associated with this draft risk register.

9. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
None	A risk register highlights areas of concern and allows for appropriate mitigations to be put in place.	Green

b) Risk(s) associated with not undertaking the proposal

Risk	Risk Rating
If the Fund does not monitor and report risks the Fund will not demonstrate that it has appropriate control over the management of the risks that the Fund faces.	Red

10. Communication Implications

Direct Communications	The Fund will keep the Pensions Committee and the Local Pensions Board updated with changes to the risks.

11. Legal Implications

11.1 Not applicable

12. Consultation with Key Advisers

12.1 Consultation with the Fund’s advisers was not required for this report.

13. Alternative Options Considered

13.1 Not applicable

14. Background Papers

14.1 Not applicable

15. Appendices

Appendix 1 – Draft Risk Register
Appendix 2 – Risk Scoring Matrix
Appendix 3 – Impact Descriptors
Appendix 4 – Risk Strategy

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Chief Finance Officer/Section 151 Officer?	N/A
Has this report been cleared by Head of Pensions?	Mark Whitby – 8/7/2016

Appendix 1 – Draft Risk Register (Governance Blue, Investment and Funding Green, Administration and Communications Purple)

Risk N0	Risk	Objective	Gross Impact	Gross Likelihood	Gross Total	Internal Controls	Residual Impact	Residual Likelihood	**Residual Total**
1	Failure to administer the scheme in line with regulations and policies	1, 2 & 3	5	3	15	Administration and Communication Policy, up to date knowledge through various sources such as SAB and DCLG. Up to date training and attendance at conferences. Receipt of professional bulletins and publications. Attendance at working groups such as EMPOG/SECSOG. Work with external governance advisors where appropriate.	4	1	**4**
2	Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively.	2 & 3	4	3	12	Knowledge Management Policy is in place which requires the Pensions Committee/Sub Committee and Board members to receive continuing training. New members receive induction training. The Fund subscribes to relevant professional bodies such as LAPFF & PALSA and sends representatives to major conferences.	4	2	**8**
3	Production of incorrect accounts, notices and publications	1 & 2	3	3	9	Robust sign off process in place dependant upon the document (AR/SOA/Communications)	3	1	**3**
4	Policies and Strategies not being in place and up to date	1 & 2	3	3	9	Policies and strategies in place and on the LGSS Pension website, new policies developed when appropriate and all policies and strategies are reviewed on at least a yearly basis.	2	2	**4**
5	Failure to recognise/manage conflicts of interest	2 & 10	4	3	12	Declaration of interests at the beginning of each meeting for non County Councillor members. County Councillor declaration register held by Democratic Services. Conflicts of interest Policy & training to ensure Committee and Board members are aware of potential conflicts and how to deal with them (Pension Regulator Tool Kit covers this)	2	2	**4**
6	Risk of manual changes when producing management reports leading to lack of audit trail	2 & 10	3	3	12	Automated extraction of data where viable and agreed procedures for reporting	2	2	**4**
7	Potential fraudulent activity by staff	2 & 10	5	3	15	Robust checking system in place, log in security, Altair multiple log in requirements, locked records for pension staff, pension staff not authorised to access family/friends records	5	2	**10**
Risk	Risk	Objective	Gross	Gross	Gross	Controls	Residual	Residual	**Residual**

N0			Impact	Likelihood	Total		Impact	Likelihood	**Total**
8	Potential fraudulent activity by scheme members	2 &10	3	3	6	National Fraud Initiative participation, investigation of returned payroll slips, sight of certificates before payments made, few cheque payments made.	3	2	6
9	Lack of knowledge amongst Committee and Board members due to high turnover	3	4	3	12	Knowledge Management Policy in operation which includes compliance with the CIPFA Knowledge and Skills Framework, attendance at internal/external training events and engagement with peer group.	4	2	8
10	Failure of succession planning for key roles on the Committee and Board leading to the inability to pick up work if a member is sick/leaves	3	4	3	12	Knowledge Management Policy in operation which includes compliance with the CIPFA Knowledge and Skills Framework, attendance at internal/external training events and engagement with peer group.	2	2	4
11	Failure of officers to maintain a sufficient level of competence to discharge their duties	3	4	2	8	Internal training upon appointment, ongoing internal and external training courses/seminars, professional qualifications.	2	2	4
12	Changes to the Local Government Pension Scheme and lack of expertise in the revised/new area	3	3	3	9	Knowledge Management Policy in operation, the use of advisors where deemed applicable to provide relevant information and recommendations on particular areas.	2	2	4
13	Failure to have formal monitoring of Key Performance Indicators in place leading to officers being unable to produce accurate performance management reports.	5	3	3	9	Automated extraction through Altair which is reported at monthly management meetings and at quarterly Committee meetings. Also reported to teams at 1:1 meetings to address any performance issues.	2	2	4
Risk N0	Risk	Objective	Gross Impact	Gross Likelihood	Gross Total	Controls	Residual Impact	Residual Likelihood	**Residual Total**

14	Pension Fund objectives are not defined and agreed	4	4	3	12	Objectives are agreed as part of the Annual Business Plan and Medium Term Strategy by the Pensions Committee. Relevant objectives are referenced on every committee report to demonstrate the relevance of the report against the Fund objectives. The objectives also run through all our Policy documents to ensure they remain focused to the Funds goals	2	2	**4**
15	Failure to understand and monitor risk and compliance	5	5	3	15	Business Continuity plan in place and regularly tested. Active risk register in place, the Committee and Board are updated if there are any risk movements between scheduled reporting timescales.	3	2	**6**
16	Failure by the Fund or Employers to meet requirements (including statutory) to ensure members are not disadvantaged.	8	4	3	12	Key Performance Indicators for both the Fund and Employers which are reported to management on a monthly basis and Committee on a quarterly basis. Service Level Agreements in place with some employers to ensure expectations are documented. LGSS website holds a wealth of information regarding responsibilities as do other websites such as the DCLG.	4	2	**8**
17	Failure to act professional when dealing with stakeholders leading to lack of confidence in the Fund	10	3	3	9	Knowledge Management Policy in force to ensure officers have a good level of knowledge and officers are encouraged to undertake a professional qualifications. The section is working towards Customer Excellence accreditation to ensure the core focus is the customer across the service.	2	2	**4**
18	Failure to provide adequate information to the Pension Committee/Pension Board	15	3	3	9	Committee Papers provided on a quarterly basis providing key information relating to the Fund. Yearly effectiveness reviews for Committee members are carried out to identify if any changes need to be made by officers when communicating information to the Committee.	2	2	**4**

Risk N0	Risk	Objective	Gross Impact	Gross Likelihood	Gross Total	Controls	Residual Impact	Residual Likelihood	**Residual Total**
19	Contributions to the Fund are not received on the correct date and for the correct amount.	1, 8 ,9 & 16	5	3	15	Employer contributions are set as stable as possible and the Fund works with employers closely to ensure pragmatic solutions if an employer is unable to pay monthly contributions .Cash Management Strategy is in place. A procedure is in place to identify non payment and late payment of contributions as defined in the Late Payment Policy. Internal Audit reviews take place on a regular basis and external audit review the accounts annually.	5	2	**10**
20	Custody arrangements may not be sufficient to safeguard Pension Fund assets	1, 2 & 3	5	2	10	Complete and authorised agreements are in place with external custodian. External custodian's compliance with ICAEW's Audit and Assurance Faculty's guidance on internal controls of service organisations. Officers of the Fund engage in quarterly monitoring of custodian performance with an annual report presented to the July Pensions Committee by an external monitoring professional. Monitoring of the custodian.	5	1	**5**
21	Investment decisions and portfolio management may not maximise returns or be performed in accordance with instructions provided.	1, 2, 3 & 19	5	3	12	The ISC receives quarterly performance reports provided by recognised industry professional, this considers both strategic and operational aspects of investment. In addition officers in partnership with Fund advisers manage a asset allocation review plan, reported to ISC in quarterly meetings.	4	2	**8**
22	Failure to invest surplus contributions	16, 17 & 19	3	3	9	Cash flow monitoring and rebalancing is undertaken with tolerances set on material variances on allocation, circa 5% with an annual perspective preferred to avoid short term volatility and unnecessary cost. Review of the policy is pending the approval of the Funds Investment Strategy Statement, now planned for March 2017, following government slippage in issuing the revised investment regulations. Cash Management Policy in place.	2	2	**4**

Risk N0	Risk	Objective	Gross Impact	Gross Likelihood	Gross Total	Controls	Residual Impact	Residual Likelihood	**Residual Total**
23	Fund assets are not sufficient to meet obligations and liabilities as they become payable.	2, 16, 17 & 19	5	3	15	Investments are regularly valued by Investment Managers and provided to the Fund. Quarterly updates are provided to the Investment Sub Committee. The ISC receives quarterly performance reports provided by recognised industry professional, this considers both strategic and operational aspects of investment. In addition officers in partnership with Fund advisers manage a asset allocation review plan, reported to ISC in quarterly meetings. Funding Strategy Statement reviewed every 3 years to ensure it remains relevant.	5	2	**10**
24	Pension Fund Investments may not be accurately valued	2, 10, 17 & 18	3	3	9	Investment strategy in accordance with LGPS investment regulations. The strategy is documented, reviewed and approved by the Pensions Committee. An external advisor provides specialist guidance to Officers on the investment strategy. Officers of the Fund engage in quarterly monitoring of custodian performance with an annual report presented to the July Pensions Committee by an external monitoring professional. Monitoring of the custodian, Where variances between custodian and manager valuations arise officers engage with both parties to investigate and agree variances. This is particularly important in the year end process where external audit review processes and values, reporting material variances where necessary.	1	1	**1**
25	Failure to react to major change in market/economic conditions	15 & 16	5	3	15	The ISC receives quarterly performance reports provided by recognised industry professional, this considers both strategic and operational aspects of investment. In addition officers in partnership with Fund advisers manage a asset allocation review plan, reported to ISC in quarterly meetings. Quarterly performance reports are provided to the Pensions Investment Sub Committee. Quarterly monitoring, setting appropriate mandates for managers, appointment of investment consultants and independent advisors	5	3	**15**

Risk N0	Risk	Objective	Gross Impact	Gross Likelihood	Gross Total	Controls	Residual Impact	Residual Likelihood	**Residual Total**
26	Pension Fund accounts are not accurately maintained	2 & 10	3	3	9	The Fund has a service wide engagement on ensuring the individual employer accounts are accurately reflected. Contributions are reconciled against employer monthly reports and the bank account, which is subject to both internal and external audit review as part of the year end process. In addition the Systems and Employers team conduct membership year end reconciliation in the late summer / autumn and investigate variations from the accounting valuations. In terms of pensioner payroll the service is implementing a new process to stream line and provide additional assurance over pensioner payments made. Management and administration are maintained in accordance with the SORP and the Financial Regulations. Reconciliations are carried out on a regular basis. There is an internal and external review of the accounts annually.	1	1	**1**
27	If liquidity is not managed correctly, assets may need to be sold at unattractive times or investment opportunities missed as cash is unavailable	17	4	3	12	Limit on illiquid assets and diversification of assets and asset risk is under regular review, currently alternative investments are being considered in particular the role they play to support Fund fiduciary objectives. Projections of expected cash flows through business planning. The Fund considers cash flow over a three year profile, currently indicating a cash flow positive position; officers are monitoring the impact of structural changes with employers in the Fund and will report in due course. In addition the triennial valuation considers the longer term perspective, the 2016 valuation is ongoing.	2	2	**4**
28	Illiquidity of certain markets and asset classes and difficulty in realising investments and paying benefits as they fall due.	16, 17 & 18	3	3	9	Limit on illiquid assets and diversification of assets and asset risk is under regular review, currently alternative investments are being considered in particular the role they play to support Fund fiduciary objectives. Projections of expected cash flows through business planning. The Fund considers cash flow over a three year profile, currently indicating a cash flow positive position; officers are monitoring the impact of structural changes with employers in the Fund and will report in due course. In addition the triennial valuation considers the longer term perspective, the 2016 valuation is ongoing.	2	2	**4**

Risk N0	Risk	Objective	Gross Impact	Gross Likelihood	Gross Total	Controls	Residual Impact	Residual Likelihood	**Residual Total**
29	Mismatch in asset returns and liability movements result in increased employer contributions.	18	3	5	15	The Fund undertakes a comprehensive asset allocation review following the completion of a valuation process to ensure matching of assets and liabilities is reviewed.	2	4	**8**
30	Frequency of early retirement's increases to levels in excess of the actuarial assumptions adopted, resulting in increases required in employers' contributions.	18	3	3	9	Regular monitoring of early retirement experience being exhibited by the actuary based on evidential analysis with regular communications with employers, including awareness of potential strain costs associated with early retirement decisions. In addition a survey with employers to seek future staff resource feedback to inform a review of funding implications and actions that could be considered to mitigate. Money received upfront for employers and Ill Health Insurance in place.	1	1	**1**
31	Mortality rates continue to increase, in excess of the allowances built into the evidence based actuarial assumptions, resulting in increased liabilities, reduced solvency levels and increased employer contributions.	18	3	3	9	Monitoring of mortality experience factors being exhibited by the fund members by fund actuary and consequent variation of the actuarial assumptions based on evidential analysis. Club Vita looks at local level mortality rates to gain a more accurate picture.	2	2	**4**
32	Unanticipated onset of cash flow negative position, potentially requiring as hoc repositioning of assets	19	3	2	6	See responses above, in particular employer survey and cash flow monitoring processes, including annual business plan and medium term strategy report. Regular monitoring and the ability to change Fund Investment Strategy when appropriate.	2	1	**2**
33	Failure to act upon expert advice or risk of poor advice	17, 18, 19 & 20	4	3	12	Investment consultants and independent advisors appointed. Committee decisions and oversight by the Local Pension Board.	2	2	**4**

Risk N0	Risk	Objective	Gross Impact	Gross Likelihood	Gross Total	Controls	Residual Impact	Residual Likelihood	**Residual Total**
34	Market yields move at variance with actuarial assumptions resulting in increases in liability, reduced solvency levels and increased employer contribution rates	18	4	4	16	The ISC receives quarterly performance reports provided by recognised industry professional, this considers both strategic and operational aspects of investment. In addition officers in partnership with Fund advisers manage an asset allocation review plan, reported to ISC in quarterly meetings. Quarterly performance reports are provided to the Pensions Investment Sub Committee.	4	4	**16**
35	Pay and consumer price inflation significantly different from actuarial assumptions resulting in increases required in employer's contributions.	9 & 17	3	3	9	Analyse assumptions and actual experience through triennial valuations, ensure assumptions are appropriate. Early engagement with employers.	2	2	**4**
36	Failure to protect the Fund if an Employer is unable to meet liabilities	6 & 7	5	3	15	Bond and guarantor arrangements in place for new admitted bodies. Admitted bodies, Scheme employer and bulk transfer policy detailing specific requirements of each type of employer in the Fund. Funding Strategy Statement.	2	2	**4**
37	Administering authority unaware of structural changes in an employer's membership, or not being advised of an employer closing to new entrants, meaning the contribution level becomes inappropriate requiring review and increase.	6	3	2	12	Employers are made aware of their responsibilities upon admission via the LGSS website and through direct employer communications. Risk assessments are carried out and open dialogue with the dedicated employer's team to ensure information is shared.	2	1	**2**

Risk N0	Risk	Objective	Gross Impact	Gross Likelihood	Gross Total	Controls	Residual Impact	Residual Likelihood	**Residual Total**
38	An employer ceasing to exist with insufficient funding, adequacy of bond or guarantee. Without the required cover the Fund will pick up the shortfall leading to increased contribution rates for other employers.	7	2	4	8	Assess the strength of individual employer covenant in conjunction with the actuary and look at what bond/guarantor arrangements are in place in regards to deficit recovery. Close liaison with Employers in managing exit strategy in line with the Admitted bodies, Scheme employers and transfer policy and FFS. Ensure individual employers are monitored closely to pre-empt when they are likely to cease and put in arrangements to recover as much deficit as possible over the period.	2	3	6
39	Lack of understanding of employer responsibilities which could result in a statutory deadline being missed.	8	4	4	16	Employers are made aware of their responsibilities upon admission via the LGSS website and through direct employer communication. The importance of a statutory deadline is stressed to the employer through these communications and via events such as the employer forums. Support is also available through the dedicated employers help line and templates issued where applicable (i.e. Year end template with supporting notes)	3	3	9
40	Failure to apply and demonstrate fairness in the differentiated treatment of different fund employers by reference to their own circumstances and covenant.	9	3	3	9	At each triennial actuarial valuation an analysis is carried out to access covenant and affordability on a proportional basis. Communication with employers at the earliest opportunity to address any pending issues. Funding Strategy Statement for which employers are consulted on. Administration Policy and Transfer, Scheme Employers and Bulk Transfer Policy in operation.	2	1	2
41	Failure to manage the resources associated with increasing volumes of employing bodies entering the Fund, leading to unachieved targets.	8	4	3	12	Continually monitor staffing position against new employers entering the Fund, multi skilled staff to help manage peak demands.	4	2	8
42	Employers unable to pay increased contribution rates, which could lead to employers defaulting on their contributions.	9	4	3	12	Review of employer covenant, looking at the terms of the admission agreement and bond/guarantor arrangements. Negotiate terms of deficit recovery whilst keeping employer contribution rates as stable and affordable as possible.	4	3	12

Risk N0	Risk	Objective	Gross Impact	Gross Likelihood	Gross Total	Controls	Residual Impact	Residual Likelihood	**Residual Total**
43	Failure to gain efficiencies through joint working arrangements leading to higher administration costs, leading to lack of value for money.	10	3	3	9	Working within LGSS where possible to achieve efficiencies. Working with the Communication group consisting of 6 other funds to gain efficiencies with items such as newsletters and statements. Comparisons are made with other Funds via CIPFA bench marking. Administration costs are monitored closely and reported to the pensions committee via business plan updates.	2	2	**4**
44	Unable to deliver pension services due to unavailability of staff leading to unachieved targets.	8	3	3	9	Business continuity plan in place which includes the ability for staff to work remotely to meet the demands of the service. Multi skilling across the service for flexibility.	2	2	**4**
45	Effective performance management is not in place for the administration of the Fund	1,2,3,8	3	3	9	Performance management reports are produced and shared with the management team on a monthly basis. Teams/individuals with performance issues are addressed via team leaders in 1:1s and PADP processes. A performance framework is in place and quarterly updates of performance are provided to the Pensions Committee and Local Pension Board for comment. Employer performance is also monitored and poor performance is addressed.	2	2	**4**
46	Inconsistencies in delivery due to failure to properly document processes and procedures	13	3	3	9	Task management ensures that processes are adhered to and officers are guided to ensure correct information is sent and messages are consistent. All calculations and corresponding letters are checked before they leave the office.	1	1	**1**
47	Failure to include all required information in documents issued to members under disclosure regulations	14	5	3	15	Legislation officers keep up to date with disclosure regulations and distribute knowledge to teams accordingly via relevant websites, seminars and working groups. Letters are generated through task management for consistency and are checked before being sent out.	5	2	**10**

Risk N0	Risk	Objective	Gross Impact	Gross Likelihood	Gross Total	Controls	Residual Impact	Residual Likelihood	**Residual Total**
48	Contributions are not processed and recorded appropriately in a timely manner.	2,10, 11 & 16	3	3	9	Sufficient resources in place and structured appropriately to carry out the necessary transaction processing. Internal Audit reviews take place on a regular basis and external audit reviewing processes annually	2	2	**4**
49	Failure to recognise the needs/requirements of our customers	15	2	2	4	Feedback requested from customers post training events, member customer satisfaction questionnaires and employer customer satisfaction questionnaires sent annually. Employer forum workshops. Effectiveness review of the Committee on a yearly basis.	2	1	**2**
50	Failure to attract and retain members in the LGPS	12	3	3	9	Engagement with stakeholders via the website, factsheets, forums, bulletins and road shows.	3	2	**6**
51	Failure to communicate adequately with scheme members and scheme employers	1,2,3,10,12,13,14 & 15	3	3	9	A communication Strategy is in place and reviewed at least annually. Website regularly updated. Newsletters are published annually. Regular employer forums. Annual Benefit Statements produced and distributed.	3	2	**6**
52	Events relating to Scheme members e.g. Joining the scheme, transfers in and out and retirements are not processed and recorded adequately.	10, 11 & 14	4	3	12	Procedure notes detailing all key processes are in place. Induction and training procedures are in place. Adequate staff resources are in post. An overview of pension administration is provided to the Pensions Committee.	3	2	**6**
53	Records are not accurate or do not reflect changes in circumstances.	10 & 11	4	3	12	Records are supported by appropriate documentation, input and output checks are undertaken. Regular reviews of data quality in line with the Public Service Pensions (Record keeping and misc amendments) Regulations 2014.	3	2	**6**
54	Pension Fund systems and data may not be secure and appropriately maintained.	10 & 11	5	3	15	System user controls are in place including regular password changes. Access rights are controlled. Data is backed up. Audit trails are in place. Pension system is protected against viruses and other system threats. The pensions administration system is regularly updated to ensure LGPS requirements are met.	5	2	**10**

RISK SCORING MATRIX

Potential impact if risk occurred	5 Catastrophic	5	10	15	20	25
	4 Major	4	8	12	16	20
	3 Moderate	3	6	9	12	15
	2 Minor	2	4	6	8	10
	1 Insignificant	1	2	3	4	5
		1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost certain
				Likelihood of risk occurring		

Red (risk scores 16 to 25): Excess of risk appetite

Yellow (risk scores 5 to 15): Likely to cause some difficulties

Green (risk scores 1 to 4) Monitor as necessary

Appendix 3 –

IMPACT DESCRIPTORS

The following descriptors are designed to assist the scoring of the impact of a risk:

	Negligible (1)	Low (2)	Medium (3)	High (4)	Very High (5)
Legal and Regulatory	Minor civil litigation or regulatory criticism	Minor regulator)y enforcement	Major civil litigation and/or local public enquiry	Major civil litigation setting precedent and/or national public enquiry	Section 151 or government intervention or criminal charges
Financial	<£0.5m	<£1m	<£5m	<£10m	>£10m
Service provision	Insignificant disruption to service delivery	Minor disruption to service delivery	Moderate direct effect on service delivery	Major disruption to service delivery	Critical long term disruption to service delivery
Reputation	No reputational impact	Minimal negative local media reporting	Significant negative front page reports/editorial comment in the local media	Sustained negative coverage in local media or negative reporting in the national media	Significant and sustained local opposition to policies and/or sustained negative media reporting in national media

Appendix 4 -

Risk Strategy
2016

LGSS

Contents

1. Introduction

1.1 This is the Risk Strategy of the Northamptonshire Pension Fund ("the Fund"), part of the Local Government Pension Scheme ("LGPS") managed and administered by Northamptonshire County Council ("the Administering Authority"). The Risk Strategy details the Fund's approach to managing risk including:

- the risk philosophy for the management of the Fund, and in particular attitudes to, and appetite for, risk
- how risk management is implemented
- risk management responsibilities
- the procedures that are adopted in the Fund's risk management process
- the key internal controls operated by the Administering Authority and other parties responsible for the management of the Fund

2. Strategy objectives

2.1 In relation to understanding and monitoring risk, the Administering Authority aims to:

- integrate risk management into the culture and day-to-day activities of the Fund
- raise awareness of the need for risk management by all those connected with the management of the Fund (including advisers, employers and other partners)
- anticipate and respond positively to change
- minimise the probability of negative outcomes for the Fund and its stakeholders
- establish and maintain a robust framework and procedures for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice
- ensure consistent application of the risk management methodology across all Fund activities, including projects and partnerships.

2.2 To assist in achieving these objectives in the management of the Fund, the Administering Authority will aim to comply with:

- the CIPFA Managing Risk publication and
- the Pensions Act 2004 and the Pensions Regulator's Code of Practice for Public Service Pension Schemes as they relate to managing risk.

3. Purpose of the strategy

3.1 The Administering Authority recognises that effective risk management is an essential element of good governance in the LGPS. By identifying and managing risks through an effective policy and risk management strategy, the Administering Authority can:

- demonstrate best practice in governance
- improve financial management
- minimise the risk and effect of adverse conditions
- identify and maximise opportunities that might arise
- minimise threats

3.2 The Administering Authority adopts best practice risk management, which supports a structured and focused approach to managing risks, and ensures risk management is an integral part in the governance of the Fund at a strategic and operational level.

4. Effective date

4.1 This policy was approved by the Pension Committee on 18 March 2016 and is effective from 19 March 2016.

5. Review

5.1 It will be formally reviewed and updated at least every three years or sooner if the risk management arrangements or other matters included within it merit reconsideration.

6. Scope

6.1 This Risk Strategy applies to all members of the Pension Committee, the Investment Sub-Committee and the Pension Fund Board, including scheme member and employer representatives. It also applies to officers involved in the management of the Fund including the Director of Finance (Section 151 Officer) and the Head of Pensions.

6.2 Advisers and suppliers to the Fund are also expected to be aware of this Policy, and assist officers, Committee and Sub-Committee members and Board members as required, in meeting the objectives of this Policy.

7. Risk Management Philosophy

7.1 The Administering Authority recognises that it is not possible or even desirable to eliminate all risks. Accepting and actively managing risk is therefore a key part of the risk management strategy for the Fund. A key determinant in selecting the action to be taken in relation to any risk will be its potential impact on the Fund's objectives in the light of the Administering Authority's risk appetite, particularly in relation to investment matters. Equally important is striking a balance between the cost of risk control actions against the possible effect of the risk occurring.

7.2 In managing risk, the Administering Authority will:

- ensure that there is a proper balance between risk taking and the opportunities to be gained
- adopt a system that will enable the Fund to anticipate and respond positively to change
- minimise loss and damage to the Fund and to other stakeholders who are dependent on the benefits and services provided
- make sure that any new areas of activity (new investment strategies, further joint-working, framework agreements etc.), are only undertaken if the risks they present are fully understood and taken into account in making decisions.

7.3 The Administering Authority also recognises that risk management is not an end in itself; nor will it remove risk from the Fund or the Administering Authority. However it is a sound management technique that is an essential part of the Administering Authority's stewardship of the Fund. The benefits of a sound risk management approach include better decision-making, improved performance and delivery of services, more effective use of resources and the protection of reputation.

8. CIPFA and the Pensions Regulator's Requirements

8.1 CIPFA Managing Risk Publication

CIPFA has published technical guidance on managing risk in the LGPS. The publication explores how risk manifests itself across the broad spectrum of activity that constitutes LGPS financial management and administration, and how, by using established risk management techniques, those risks can be identified, analysed and managed effectively.
The publication also considers how to approach risk in the LGPS in the context of the role of the administering authority as part of a wider local authority and how the approach to risk might be communicated to other stakeholders.

8.2 The Pension Regulator's Code of Practice

The Public Service Pensions Act 2013 added the following provision to the Pensions Act 2004 relating to the requirement to have internal controls in public service pension schemes.
"249B Requirement for internal controls: public service pension schemes

3.

(1) The scheme manager of a public service pension scheme must establish and operate internal controls which are adequate for the purpose of securing that the scheme is administered and managed—

(a) in accordance with the scheme rules, and

(b) in accordance with the requirements of the law.

(2) Nothing in this section affects any other obligations of the scheme manager to establish or operate internal controls, whether imposed by or by virtue of any enactment, the scheme rules or otherwise.

(3) In this section, "enactment" and "internal controls" have the same meanings as in section 249A."

Section 90A of the Pensions Act 2004 requires the Pensions Regulator to issue a code of practice relating to internal controls. The Pensions Regulator has issued such a code in which he encourages scheme managers (i.e. administering authorities in the LGPS) to employ a risk based approach to assessing the adequacy of their internal controls and to ensure that sufficient time and attention is spent on identifying, evaluating and managing risks and developing and monitoring appropriate controls.

The Pensions Regulator's code of practice guidance on internal controls requires scheme managers to carry out a risk assessment and produce a risk register which should be reviewed regularly. The risk assessment should begin by:

- setting the objectives of the scheme
- determining the various functions and activities carried out in the running of the scheme, and
- identifying the main risks associated with those objectives, functions and activities.

The code of practice goes on to say that schemes should consider the likelihood of risks arising and the effect if they do arise when determining the order of priority for managing risks, and focus on those areas where the impact and likelihood of a risk materialising is high. Schemes should then consider what internal controls are appropriate to mitigate the main risks they have identified and how best to monitor them. The code of practice includes the following examples as issues which schemes should consider when designing internal controls to manage risks:

- how the control is to be implemented and the skills of the person performing the control
- the level of reliance that can be placed on information technology solutions where processes are automated

- whether a control is capable of preventing future recurrence or merely detecting an event that has already happened
- the frequency and timeliness of a control process
- how the control will ensure that data are managed securely, and
- the process for flagging errors or control failures, and approval and authorisation controls.

The code states that risk assessment is a continual process and should take account of a changing environment and new and emerging risks. It further states that an effective risk assessment process will provide a mechanism to detect weaknesses at an early stage and that schemes should periodically review the adequacy of internal controls in:

- mitigating risks
- supporting longer-term strategic aims, for example relating to investments
- identifying success (or otherwise) in achieving agreed objectives, and
- providing a framework against which compliance with the scheme regulations and legislation can be monitored.

Under section 13 of the Pensions Act 2004, the Pensions Regulator can issue an improvement notice (i.e. a notice requiring steps to be taken to rectify a situation) where it is considered that the requirements relating to internal controls are not being adhered to.

8.3 The Administering Authority adopts the principles contained in CIPFA's Managing Risk in the LGPS document and the Pension Regulator's code of practice in relation to the Fund. This Risk Strategy highlights how the Administering Authority strives to achieve those principles through use of risk management processes and internal controls incorporating regular monitoring and reporting.

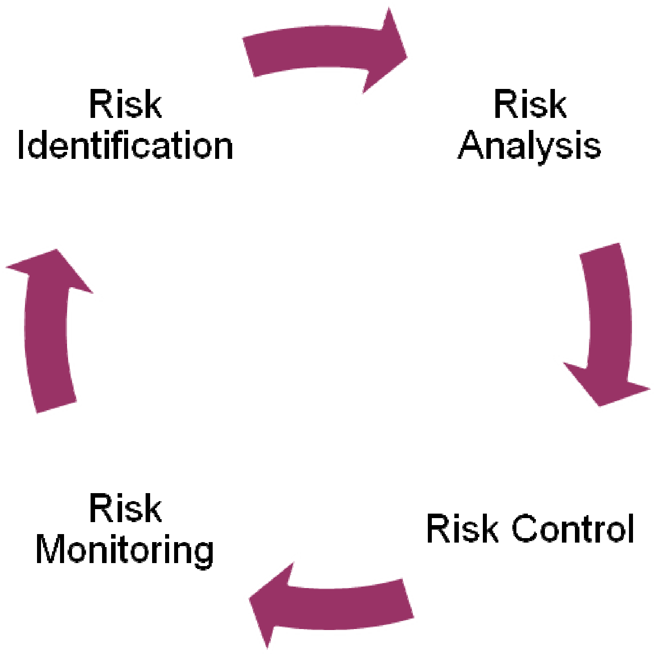
9. Responsibility

9.1 The Administering Authority must be satisfied that risks are appropriately managed. For this purpose, the officers are responsible for ensuring the process outlined below is carried out, subject to the oversight of the Pension Committee and Pension Fund Board.

However, it is the responsibility of each individual covered by this Strategy to identify any potential risks for the Fund and ensure that they are fed into the risk management process.

10. The Northamptonshire Pension Fund Risk Management Process

10.1 The Administering Authority's risk management process is in line with that recommended by CIPFA and is a continuous approach which systematically looks at risks surrounding the Fund's past, present and future activities. The main processes involved in risk management are identified in the figure below and detailed in the following sections.



10.2 Risk identification

The risk identification process is both a proactive and reactive one: looking forward i.e. horizon scanning for potential risks, and looking back, by learning lessons from reviewing how previous decisions and existing processes have manifested in risks to the organisation.

Risks are identified by a number of means including, but not limited to:

- formal risk assessment exercises overseen by the Pension Committee and Pension Fund Board
- performance measurement against agreed objectives
- monitoring against the Fund's business plan
- findings of internal and external audit and other adviser reports
- feedback from the local Pension Board, employers and other stakeholders
- informal meetings of senior officers or other staff involved in the management of the Fund
- liaison with other organisations, regional and national associations, professional groups, etc.

6.

Once identified, risks will be documented on the Fund's risk register, which is the primary control document for the subsequent analysis, control and monitoring of those risks.

10.3 Risk analysis

Once potential risks have been identified, the next stage of the process is to analyse and profile each risk. Risks will be assessed by considering the likelihood of the risk occurring and the effect if it does occur, with the score for likelihood multiplied by the score for impact to determine the current overall risk rating, as illustrated in the table below.

Potential impact if risk occurred	5 Catastrophic	5	10	15	20	25
	4 Major	4	8	12	16	20
	3 Moderate	3	6	9	12	15
	2 Minor	2	4	6	8	10
	1 Insignificant	1	2	3	4	5
		1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost certain

Likelihood of risk occurring

When considering the risk rating, the Administering Authority will have regard to the existing controls in place and these will be summarised on the risk register.

10.4 Risk control

The Governance and Regulations Manager will review the extent to which the identified risks are covered by existing internal controls and determine whether any further action is required to control the risk, including reducing the likelihood of a risk event occurring or reducing the severity of the consequences should it occur. Before any such action can be taken, Pension Committee approval may be required where appropriate officer delegations are not in place. The result of any change to the internal controls could result in any of the following:

- Risk elimination – for example, ceasing an activity or course of action that would give rise to the risk.
- Risk reduction – for example, choosing a course of action that has a lower probability of risk or putting in place procedures to manage risk when it arises.
- Risk transfer – for example, transferring the risk to another party either by insurance or through a contractual arrangement.

The Fund's risk register details all further action in relation to a risk and the owner for that action. Where necessary the Administering Authority will update the Fund's business plan in relation to any agreed action as a result of an identified risk.

10.5 Risk monitoring

Risk monitoring is the final part of the risk management cycle and will be the responsibility of the Pension Committee. In monitoring risk management activity, the Committee will consider whether:

- the risk controls taken achieved the desired outcomes
- the procedures adopted and information gathered for undertaking the risk assessment were appropriate
- greater knowledge of the risk and potential outcomes would have improved the decision-making process in relation to that risk
- there are any lessons to be learned for the future assessment and management of risks.

11. Reporting and monitoring

11.1 Progress in managing risks will be monitored and recorded on the risk register. The risk register, including any changes to the internal controls, will be provided on an annual basis to the Pension Committee.

The Pension Committee will be provided with updates on an ongoing basis in relation to any significant changes to risks (for example where a risk has changed by a score of 3 or more) or new major risks (for example, scored 15 or more).

As a matter of course, the Pension Fund Board will be provided with the same information as is provided to the Pension Committee (or Investment Sub-Committee as appropriate) and they will be able to provide comment and input to the management of risks.

In order to identify whether the objectives of this policy are being met, the Administering Authority will review the delivery of the requirements of this Strategy on an annual basis taking into consideration any feedback from the Pension Fund Board.

12. Key risks to the effective delivery

12.1 The key risks to the delivery of this Strategy are outlined below. The Pension Committee will monitor these and other key risks and consider how to respond to them following updates and recommendations from officers.

- Risk management becomes mechanistic, is not embodied into the day to day management of the Fund and consequently the objectives of the Policy are not delivered
- Changes in Pension Committee and/or Pension Fund Board membership and/or senior officers mean key risks are not identified due to lack of knowledge
- Insufficient resources are available to satisfactorily assess or take appropriate action in relation to identified risks
- Risks are incorrectly assessed due to a lack of knowledge or understanding, leading to inappropriate levels of risk being taken without proper controls
- Lack of engagement or awareness of external factors means key risks are not identified
- Conflicts of interest or other factors lead to a failure to identify or assess risks appropriately

13. Costs

13.1 All costs related to this Risk Strategy are met directly by the Fund.

14. Further information

14.1 For further information about anything in or related to this Risk Strategy, please contact:

Jo Walton
Governance and Regulations Manager
LGSS Pensions Service
E-mail jwalton@northamptonshire.gov.uk
Telephone 01604 367030

14.2 Further information on the Northamptonshire Pension Fund can be found on the LGSS Pensions Service website;

http://pensions.Northamptonshire.gov.uk

NORTHAMPTONSHIRE PENSION FUND

PENSION FUND BOARD

19 July 2016

Report by: THE HEAD OF PENSIONS

Subject:	**Valuation of the Pension Fund**
Purpose of the Report	To provide the Local Pension Board with a brief outline of the Pension Fund valuation plan.
Recommendations	**The Board are asked to note the valuation plan.**
Enquiries to:	Name – Cory Blose Tel – 01604 367264 E-mail – cblose@northamptonshire.gov.uk

1. Background

1.1 The Local Pension Board previously asked to be kept up to date with progress on the triennial valuation of the Pension Fund. This report provides a brief overview of the timeline of key valuation activities and progress made to date.

2. Valuation Timeline

2.1 The following is a summary of the timeline for key valuation activities, broken down by the nature of the activity.

2.2 Employer Engagement

2.2.1 Employer engagement began in December with an article in our Winter Bulletin about the valuation and the importance of clean data. The article also provided advance notice that we would be asking all employers to carry out a data cleansing activity during January and February.

2.2.2 In January we contacted employers to provide them with information about the data cleanse activity and instructions for how this should be carried out using Employer Self Service. Each employer was then issued with a data cut of their membership, in February and asked to review the data and make any required amendments via Employer Self Service. The response rate was 63% which effectively doubled activity on Employer Self Service for the year from 1,153 log in requests, from April to December, to 2,170 by the end of February.

2.2.3 We also carried out more direct engagement with employers, dedicating our spring employer's forum to the valuation which included a presentation and surgery sessions with the Scheme Actuary Hymans Robertson. A dedicated valuation briefing for Chief Financial Officers of each of the District Council's the County Council and the Police and Fire Services, to whom we offer stabilised contribution rates, was also held to discuss arrangements for those particular employers.

2.2.4 Further engagement activities will be carried out throughout the process, including a further employer's forum and another valuation briefing session for the Chief Financial Officers, both of which will be focussed on the outcomes of the valuation. There will also be pension bulletins, providing information about the valuation and discussions with employers about risk management, and individual employer results, once they are available.

2.3 Funding Strategy Statement

2.3.1 The Funding Strategy Statement is a summary of the Fund's approach to funding its liabilities and sets out the Funds position on how liabilities are valued, the pace at which these liabilities are funded and how employers pay for their own liabilities. It also describes how employer contributions are calculated for different employers with a particular focus on how the Fund will balance the conflicting aims of affordability, stability and prudence when setting these rates.

2.3.2 The Funding Strategy Statement is reviewed at each triennial valuation and employers are consulted before this is finalised. The Draft Funding Strategy Statement will be put before the Pension Fund Committee in October before being released to employers for consultation. The consultation will close at the end of November and it is expected that the final funding goals will be finalised in December and the final Funding Strategy Statement will be released in February.

2.4 Data Provision

2.4.1 Year end data returns were collected from employers during April. The vast majority of employers returned these on time and the remainder have since been received with only one return has not been received from an employer who ceased during the year. The Fund has been working through these submissions to cleanse data as necessary. This work is almost complete.

2.4.2 Data regarding the cash flow for each employer was submitted to the Scheme Actuary on 8 July and membership data will be submitted during the week beginning 25 July 2016.

2.4.3 The Fund has also been collecting information from employers regarding risk management and this data will be provided to the Scheme Actuary in the week beginning 15 August. This information will be used by the Fund and Scheme Actuary to agree draft funding goals for each employer.

2.5 Valuation Results

2.5.1 The results of the valuation will be available in different stages. The draft results for the "Whole Fund" are expected to be available during the week beginning 5 September. The Whole Fund Results will be sent to the Scheme Advisory Board by

30 August for comparison against other Pension Funds.

2.5.2 Draft employer results are to be issued in the week beginning 12 October following which discussions will start with employers to finalise their contribution rates. It is expected that these discussions will come to a conclusion and the results finalised during the week beginning 12 December. Any employers who do not wish to discuss their contribution rate will have their contribution rate set according to the draft results.

2.5.3 The final valuation report will be published in March 2017 and the new contribution rates will apply from 1 April 2017.

2.6 Key Decisions

2.6.1 A number of key decisions will be required from the Pension Fund Committee at the October, December and March committee meetings. This includes agreeing the draft Funding Strategy Statement which includes how different types of employers will be treated, key assumptions to be used by the Scheme Actuary in valuing the Fund, the funding goals and the final valuation report.

3 Relevant Pension Fund Objectives –

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. *Objective 1*
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. *Objective 2*
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. *Objective 3*
Continually monitor and measure clearly articulated objectives through business planning. *Objective 4*
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. *Objective 5*
Ensure regular monitoring of employer covenants, putting in place mitigations of adequate strength to protect the Fund. *Objective 6*
Ensure appropriate exit strategies are put in place both in the lead up to and termination of a scheme employer. *Objective 7*
Ensure employer contributions are as stable as possible, recognising the characteristics, circumstances and affordability constraints of each employer. *Objective 9*
Administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration. *Objective 10*
Maintain accurate records and ensure data is protected and used for authorised purposes only. *Objective 11*
Promote the Scheme as a valuable benefit. *Objective 12*
Deliver consistent plain English communications to Stakeholders. *Objective 13*
Ensure the long-term solvency of the Fund, taking a prudent long term view, so that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment. *Objective 17*

Put in place a Strategic Asset Allocation ensuring it is appropriately maintained taking into account the Funding Strategy. *Objective 18*

4. Finance & Resources Implications

4.1 Not applicable

5. Risk Implications

5.1 There are no risk implications. This report is to note only.

6. Communication Implications

6.1 There are no communication implications. This report is to note only.

7. Legal Implications

7.1 Not applicable

8 Consultation with Key Advisers

8.1 We worked with our Scheme Actuary Hymans Robertson to produce the valuation timetable.

9. Alternative Options Considered

9.1 Not applicable

10. Background Papers

10.1 Not applicable

11. Appendices

Not applicable

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Chief Finance Officer/Section 151 Officer?	N/A
Has this report been cleared by Head of Pensions?	Mark Whitby – 8/7/2016

NORTHAMPTONSHIRE PENSION FUND

LGSS

LOCAL PENSION BOARD

19 July 2016

Report by: THE HEAD OF PENSIONS

Subject:	**Pension Ombudsman – Case Study – Payment of Death Grant**
Purpose of the Report	To present members with information on a Local Government Pension Scheme Ombudsman case study as part of building skills and knowledge.
Recommendations	**That the Local Pension Board notes the content.**
Enquiries to:	Name: Jo Walton – Governance and Regulations Manager Tel: 01604 367030 E-mail: jwalton@northamptonshire.gov.uk

1. Introduction

1.1 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 Local Pension Board to maintain the necessary skills and knowledge to undertake their role effectively.

1.2 In order to facilitate the acquisition of skills and knowledge, the following Pensions Ombudsman determination which is attached in appendix 1 and summarised below is presented to inform the Local Pension Board of the appropriate action that should be taken concerning payment of death grants to avoid both unauthorised payments and complaints of maladministration.

2. Complaint Summary

2.1 The Pensions Ombudsman determination detailed in this report concerns a complaint of maladministration put forward by Ms P Lettman, mother of the late Mr K Lettman, a deferred member of the London Borough of Hammersmith and Fulham Pension Fund (LBHF). Mr Lettman passed away on 21 November 2008, aged 44, leaving 3 children but no eligible adult survivor. The benefits payable from the scheme were a death grant of £21,095.52 payable on production of Grant of Probate of Letters of Administration as the member has died intestate.

2.2 The basis of the complaint was that the late member's mother complained about the death benefits payable from the LGPS in respect of her late son, being subject to a 40% tax charge as an unauthorised payment, due to not settling the death benefit within two years.

2.3 The late member's mother wrote to London Pensions Fund Authority (LPFA) informing them of the death, and enclosed his death certificate. She requested LPFA to close/cancel any outstanding agreement and return any monies due to or belonging to her late son. She also asked if he owed any monies.

2.4 In its reply to the letter LPFA told her that a death grant was payable to the members estate. It said, in due course it would give details on receipt of letters of administration or grant of probate.

2.5 Letters of administration was applied for and was granted on 15 September 2010. The Grant was hand delivered on 9 November 2010 and the date stamp confirms this.

2.6 On 6 December 2010, LPFA wrote to confirm that the death grant would be payable to her. In that letter, LPFA told her that the death grant would be an unauthorised payment because it had not been paid within two years of when it knew of the death, and, as a result of the Finance Act 2004; the lump sum death benefit would be subject to a 40% tax charge. LPFA said, in this case, it was not possible for them to make the payment within the statutory period for reasons beyond their control.

2.7 The late member's mother contested this with based on the prior information she had been provided with and the fact that there was time to make payment within the statutory timescale.

3. Conclusion of the case

3.1 This complaint is primarily concerned with the non-payment of the death grant before the expiry of the two-year time limit, which has resulted in it becoming an unauthorised payment.

3.2 The LPFA's records demonstrate that it knew of the death from 25 November 2008. This is the date of the letter to them, which was received on 28 November 2008. Based on this evidence, LPFA became aware from 28 November 2008 of the death, and so payment would have needed to have been made before 28 November 2010 in order to be regarded as an authorised payment.

3.3 The information about the two-year limit and the result that any payment after two years became unauthorised is factual information rather than advice. It is therefore pertinent. Even though the information is not Scheme specific information, and there is no duty to disclose it, either LPFA or LBHF should have volunteered it. In the circumstances, the failure to do so amounts to maladministration.

3.4 The last working day to make the payment of the death grant before the two-year time limit expired was Friday, 26 November 2010. There were 18 actual days and, more importantly, 13 working business days between Tuesday 9 November 2010 (the date grant was received) and Friday 26 November 2010.

4. Directions

4.1 The Pensions Ombudsman directs that within 28 days the balance of the death grant of £8,438.34 is paid from the Fund, plus simple interest at the average rate payable by the reference banks for the time being, from 26 November 2010 to the date of payment.

4.2 Within 28 days of the date of the Determination, LBHF and LPFA shall each pay £250 in recognition of the significant distress and inconvenience caused.

5. Processes in place within Northamptonshire Pension Fund

5.1 In light of the lessons learnt from this case, LGSS Pensions will add information on documentation sent to executors of estates to inform them of the time limit by which a death grant can be paid before an unauthorised tax charge is applied. Although, there is no legal requirement for Funds to take advise executors of this information, it is good practice to be transparent.

6. The role of the Local Pension Board

6.1 The Local Pension Board should use the key principles and determinants of the Pension Ombudsman's findings to enhance their own knowledge and understanding of the Local Government Pension Scheme and to apply this knowledge where relevant to question the efficiency of administration processes.

6.2 The aim is to provide the Local Pension Board with relevant case studies as they become available to cover a range of topics that the Fund may face in the future and to have insight of potential flaws in processes and procedures that may be avoided.

7. Finance & Resources Implications

7.1 Personal development time and resources for Local Pension Board members to comply with legislation concerning accrual of appropriate skills and knowledge.

8. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
No risk, enhancing knowledge to assist with potential cases that may arise.		Green

b) Risk(s) associated with not undertaking the proposal

Risk	Risk Rating
Failure to recognise outcomes that could impact future processes and decisions in the future.	Red

9. Communication Implications

Direct communications	This case study will be used as a reference tool for learning and development if/when similar cases arise.

10. Legal Implications

10.1 There are no legal implications as a result of this to note report.

11. Consultation with Key Advisers

11.1 Not applicable for this report.

12. Alternative Options Considered

12.1 There are no alternative options to be considered.

13. Background Papers

13.1 Not applicable

14. Appendices

Appendix 1 - The Pension Ombudsman case study.

Checklist of Key Approvals	
Is this decision included in the Business Plan?	N/A
Will further decisions be required? If so, please outline the timetable here	N/A
Is this report proposing an amendment to the budget and/or policy framework?	N/A
Has this report been cleared by Director of Finance/Section 151 Officer?	N/A
Has this report been cleared by Head of Pensions?	Mark Whitby – 8/7/2016
Has the Chairman of the Local Pension Board been consulted?	N/A
Has this report been cleared by Legal Services?	N/A

Ombudsman's Determination

Applicant	Ms Pearlena Lettman
Scheme	Government Pension Scheme (**LGPS**)
Respondents	London Borough of Hammersmith and Fulham (**LBHF**), London Pension Fund Authority (**LPFA**), and Capita Employee Benefits Limited (**Capita**).

Complaint Summary

Ms P Lettman has complained about the death benefits payable from the LGPS in respect of her late son, Mr K R Lettman, being subject to a 40% tax charge as an unauthorised payment, due to not settling the death benefit within two years.

Summary of the Ombudsman's Determination and reasons

The complaint should be upheld against LBHF and to a lesser extent LPFA because:

- LBHF and LPFA ought to have been aware of the two-year time limit for making the payment of the death grant;
- LPFA should have informed Ms P Lettman of the two-year time limit and the tax consequences if the death grant was not paid within this timescale;
- although the papers were provided at the 11th hour, there was still 13 working days to settle the death grant, and this should have been sufficient time to process the papers and arrange for the payment by cheque.

Detailed Determination

Statutory Provisions and Scheme Regulations

1. The Finance Act 2004, and the regulations which govern LGPS, are not in dispute. Relevant extracts are included in the Appendix for completeness.

Material facts

2. Mr Lettman was employed by LBHF from 18 August 1997 to 30 June 2008; firstly as a Chief Technician and then as a Senior Laboratory Technician. There was no break in service between the first and second position.
3. Mr Lettman was a member of the London Borough of Hammersmith and Fulham Pension Fund (**the Fund**), which is part of the LGPS.
4. On 30 June 2008, Mr Lettman resigned from employment and left the LGPS.
5. Mr Lettman passed away on 21 November 2008, aged 44.
6. At that time, LPFA carried out the day-to-day administration of the Fund on behalf of the Administering Authority, LBHF.
7. On 25 November 2008, Ms P Lettman wrote to LPFA informing them of Mr Lettman's death, and enclosed his death certificate. Ms P Lettman requested LPFA to close/cancel any outstanding agreement and return any monies due to or belonging to Mr Lettman. She also asked if he owed any monies. Ms P Lettman's letter was received on 28 November 2008.
8. In its reply to Ms P Lettman of 9 December 2008, LPFA told her that a death grant was payable to Mr Lettman's estate. It said, in due course it would give details on receipt of letters of administration or grant of probate.
9. Ms P Lettman approached the Fulham Legal Advice Centre (**the Centre**), for help with obtaining the grant of letters of administration (**Grant of LoA**). On 23 February 2009, the Centre wrote to LPFA asking about the monies payable to the estate in respect of Mr Lettman's pension.
10. LPFA replied to the Centre on 27 February 2009, confirming that the death grant payable was £21,095.52.
11. Ms P Lettman sent another letter to LPFA on 10 April 2009, referring to LPFA's letter to the Centre. She queried the amount of £21,095.52 because her son had told her in 2004 that the lump sum on death would be in the region of £71,000. Ms Lettman also said,

    > "Please provide a statement with a breakdown of K… Lettman's pension. In addition to this, please can you confirm if there is a nominated beneficiary, under the terms of the pension, & name that person.
    >
    > K… Lettman had paid into the pension scheme for 12 years & unfortunately he passed away leaving three children & no will. His estate will now go to probate for which I require, in writing, the confirmation of the above. Please view this as a matter of urgency. …".

12. In its response to Ms P Lettman of 21 April 2009, LPFA said:

> "I have to advise you that death grants are calculated depending on whether the member who had died was an active, deferred or pensioner member and the relevant regulations. Mr Lettman has sadly died as [a] deferred member and calculation of his death grant has changed from (2 x final pay) that would have been in 2004 while being as an active member to 3 x annual pension in respect of [his] duty [as a Chief Technician which] ceased on 31/08/2004 (£13,563.62) and to 5 x annual pension in respect of [his] duty [as a Senior Laboratory Technician which] ceased on 30/06/2008 (£7,531.90) amounting to £21,095.52.
>
> To enable me to establish any entitlement to benefits, I would be grateful if you could confirm whether Mr Lettman has left a widow and any children who may be eligible. The deceased's legitimate or adopted child is [an] eligible child if … wholly or partly dependent on the deceased at the time of death and is less tha[n] 18, or a child who has reached age 23 and is in full time education.
>
> I confirm that there is not a death nomination on the file. London Borough of Hammersmith and Fulham has absolute discretion as to who the death grant is paid to."

13. Ms P Lettman replied to LPFA on 27 April 2009, saying:

> "Further to your letter dated 21/04/09, I can confirm that my son left three children under the age of 18 years. The[ir] names & date of birth follows:-
>
> [BKL] …
>
> [TDL] …
>
> [CCL] …
>
> Unfortunately, my son was divorced.

14. On 6 May 2009, LPFA sent a letter to Ms P Lettman which said:

> "… Please find the enclosed application for children's pensions and payment forms. Please arrange for the forms to be completed …
>
> …
>
> As the Death Grant is in excess of £5,000, before we can pay this, we must see either a Grant of Probate of your late son's will or, if he did not leave a will, Grant of Letters of Administration. The appropriate documents can be obtained from your nearest District Probate Registry, the address of which can be obtained from your local post office. If you are dealing with this matter through a solicitor, please show this letter to them".

15. Ms P Lettman says the Centre subsequently assisted her with attaining the Grant of LoA. The exact date of applying for the Grant of LoA is not known, though Ms P Lettman believes from correspondence the date for this was late 2009, when the three mothers of the three children agreed for her and her daughter (Ms J M Lettman) to act as their power of attorney, by letter received on 7 February 2010.

16. On 1 July 2009, LPFA completed a 'child's pension' form for BKL, with KDT's bank details on it, and sent it to LBHF instructing them to pay an annual pension of £1,328.07 to the child's mother (KDT).

17. On 9 October 2009, LPFA wrote to Ms P Lettman referring to its letter of "06/06/2009" (which may have been its letter of 6 May 2009). It repeated the contents of its letter of 6 May 2009 about the death grant.

18. In its letter of 16 December 2009 to Ms P Lettman, LPFA asked for confirmation about whether or not she was in receipt of the Grant of LoA for the late Mr Lettman's estate. It said it required sight of the original document before the money could be released to the appropriate beneficiary.

19. LPFA chased Ms P Lettman again on 28 January 2010, enclosing copies of its earlier correspondence, and asked if she was in a position to respond. It said her "assistance in this matter will be appreciated".

20. LPFA wrote once more on 15 April 2010. It referred to its numerous letters dating back to 6 May 2009, and enclosed copies. It repeated what it had said in earlier letters about its requirements in order to settle the death grant. It also said "Please note that if I do not hear from you, I shall be closing my files pending your response".

21. On 15 September 2010, the High Court (Family Division) issued the appropriate Grant. It said:

> "BE IT KNOWN that KENNETH ROGER LETTMAN
>
> of …
>
> died on the 21st day of November 2008
>
> domiciled in England and Wales INTESTATE
>
> AND BE IT FURTHER KNOWN that the Administration of all the estate which by law devolves to and vests in the personal representative of the said deceased was granted by the High Court of Justice on this date to
>
> PEARLENA LUDEVICA LETTMAN of …
>
> and JULIETTE MARSHA LETTMAN of …
>
> for the use and benefit of [BKL], [TDL] and [CCL] limited until one of them shall attain the age of 18 years and for the use and benefit of [KDT], [SL] and [HCC] until further representation be granted.
>
> It is hereby certified that it appears from information supplied on the application for this grant that the gross value of the said estate in the United Kingdom does not exceed £312,000 and the net value of such estate does not exceed £9,000".
>
> [KDT, SL and HCC are the respective mothers of the three children]

22. Ms J M Lettman wrote a letter on Sunday 24 October 2010, which is marked for both LBHF's and LPFA's attention (albeit with only LPFA's address). It is date stamped as being received by LPFA on Friday, 12 November 2010. It said:

"To whom it may concern

I am writing to you to confirm my mother and I are both administrators of My Brother['s] – The late Kenneth Lettman's – estate. In doing so I will also advise to bring a close to this pension payment; I have absolutely no objections to the cheque being written out to my mother P. Lettman of the monies owed being placed directly into an account bearing her name only.

Do not hesitate to call me on [mobile number] if there are any queries but I would hope this letter is enough to bring this matter to a close and for this situation to not be any more prolonged than necessary".

23. The Grant of LoA was hand delivered by Ms P Lettman to the offices of LBHF. The copy of the Grant is date stamped by LBHF as being received on Tuesday, 9 November 2010.

24. Ms J M Lettman's letter of 24 October 2010 and a copy of the Grant of LoA were passed to LPFA.

25. LPFA completed a form headed "Death Grant Payment – Decision by Administering Authority" on Wednesday, 17 November 2010. The top of the form notes personal information about Mr Lettman (e.g. his date of birth, date of death, Scheme membership, amount payable and marital status). It is also noted that he died without a will, and he had not nominated any beneficiaries under the Scheme. The form also said:

"Names of other known family Members who should be considered	Mother Pearl Lettman Sister Juliette Lettman Children:	 BKL TDK CCL
LPFA comments	Please see the attached letter from J Lettman and the grant probate. We have already establish[ed] that there is no spouse and children's pensions are already implemented".	

26. LPFA's form was sent to LBHF asking for a decision to be made. It was date stamped as being received on 26 November 2010 – though it is unclear if this is the date it was received or returned. The name on the date stamp is unclear (though the date is clear) on the copy provided. However, given the sequence of events it is more likely that it is the date returned.

27. A separate form, dated 23 November 2010, also headed "Death Grant Payment – Decision by Administering Authority", said:

"<u>DECISION BY LONDON BOROUGH OF HAMMERSMITH AND FULHAM</u>

Please pay death grant to Mrs Pearlena Ludevica Lettman.

28. LBHF's form was signed by the Pensions Liaison Manager (LG) for LBHF.

29. A photocopy of the Grant of LoA has been provided with a handwritten annotation which said:

> "Over 2 yrs
> unauthorised payment.
> we knew of death
> f 25/11/2008"

30. On 6 December 2010, LPFA wrote to Ms P Lettman confirming that the death grant would be payable to her. In that letter, LPFA told her that the death grant would be an unauthorised payment because it had not been paid within two years of when it knew of Mr Lettman's death and, as a result of the Finance Act 2004, the lump sum death benefit would be subject to a 40% tax charge. LPFA said, in this case, it was not possible for them to make the payment within the statutory period for reasons beyond their control [although in practice, it is LBHF who physically makes the payment].

31. Ms J M Lettman wrote to the Operations Manager at LPFA on 9 January 2011 and said:

> "On 24th October 2010 the probate information and a letter from me stating that the death grant could be paid directly to my mother Ms P Lettman was handed to you. This was delivered by hand directly to your representative and the letter was signed for by this gentleman. In handing the information over questions were asked at this point if the payment would be subject to tax as the payment was going to 3 sons under the age of 18. This gentleman checked with his superiors and came back to clearly stating that no tax will be taken as the paperwork was handed over within the appropriate timescale.
>
> Your letter DD 6-12-10 contradicts this information. I am obviously very concerned that the sum is being cut by 40% which is totally unacceptable. Why was it not possible for you to make the payment within the statutory period?? The "reasons beyond your control" stated in your letter were also outside of our control and therefore we should not be penalised for this. We have done all [in] our power to ensure the information is handed over and checked within reasonable timescales. Mr Lettman and his 3 sons should not have to bear the brunt of administrative issues at your end which were beyond our control. Therefore please see fit to inform HMRC of the circumstances of this situation as this should not fall into the category of an unauthorised payment. The 40% tax liability should be lifted and the death grant of £21,095.52 should be paid in full".

32. LPFA replied to Ms J M Lettman on 17 January 2011, reiterating HMRC's requirements. LPFA also said,

> "However, I can see that you did hand the paperwork into the Hammersmith and Fulham Town Hall on the 9 November which was still within the 2 year period (…). The forms were then received on the 12 November with not enough time to arrange for payment to be made within the 2 year 'window'.

I have enclosed a letter for the tax office which might be useful for you to claim a refund of the tax deduction that has been made.

I am sorry that you were assured that there would be no tax deduction and can understand that the legal technicalities must seem very frustrating to you at this difficult time".

33. On 12 April 2011, the Centre wrote to LPFA and said:

"… they propose deducting 40% tax from the payment due, on basis that the claim was not processed within two years of death.

Please note the deceased died on 21st November 2008 and the executors lodged the Grant (copy here within) in person with the Council on the 9th November 2010 within the two year period. You will see the Council's receipt when confirmation was given by the Council that the tax would not be deducted.

You should further note that the executors were dealing with the grant application in person, they are not professionals, they were grieving and inevitably the application takes longer.

It seems inequitable that the beneficiaries are now being penalised by having tax deducted at 40% when the total value of the estate was below threshold. Finally treat this letter as formal complaint …"

34. LPFA contacted LBHF asking them to decide who they wished to consider Ms Lettman's complaint.

35. The Pensions Liaison Manager at LBHF replied by email to LPFA on 26 April 2011, saying the normal stage one decision maker at LPFA should deal with any complaint. He noted the personal representatives did supply 'the Probate' just within two years, and said "we should have paid as a matter of urgency to comply with 2y deadline. Do you know why we did not pay in time and still have not paid?"

36. There was a further exchange of emails between LPFA and LBHF on that day. LPFA said "no payment has been made yet as it would have been outside the 2 year window if authorised when received". It was proposed that they would write to HMRC to obtain a concession, and also clarify who had liability for any tax charge. LBHF agreed with taking that action.

37. LPFA wrote to HMRC on 26 April 2011, informing them that the probate was received just inside the two year limit but it was not possible to make the payment within the two year deadline. It asked if the Scheme or executors (personal administrators) could lodge a claim for easement.

38. LPFA also wrote to the Centre, saying it would make arrangements for the balance of the death grant to be paid to Ms P and Ms J M Lettman but it required the details of the bank accounts for the credit to be paid into.

39. HMRC replied to LPFA on 20 May 2011, stating that the requirement to make the death benefit lump sum payment within two years was a statutory requirement, and HMRC had no discretion to make easements.

40. In its letter, HMRC also thought it would be helpful to clarify what it meant by the lump sum having to be ‘paid’ within two years. It explained the reason for the two year time limit was to place a time limit on allowing the underlying fund to be continuing to be held within the tax-privileged environment. But it was not necessary for a payment to be made to the ultimate beneficiary by that time. The circumstances in many cases may be that the process of establishing entitlement may still be ongoing. So the payment made from the registered pension scheme within two years might be in the form of a payment to the personal representatives of the deceased member, or to a separate trust. So if the Scheme rules provide that the amount in question is held upon trust within the two year point, and is so held, then it may be that a ‘payment’ had been made at that point for the purpose of the tax rules. Further, HMRC said this was essentially a matter for schemes to look at their own situation to see whether a payment may be said to have been made within the two year time limit.

41. The administrator for the Fund changed on 30 September / 1 October 2011, from LPFA to Capita.

42. HMRC contacted LBHF on 10 August 2012, saying it understood the LGPS had made unauthorised payments of £10,547 to both Ms J M and Ms P Lettman on 23 February 2012.

43. LBHF’s Pensions Liaison Manager replied to HMRC on 18 September 2012, and said:

> “Grant of Probate was received by Hammersmith and Fulham Council on 9 November 2010 but it was not possible to make payment within two years of the date of death … as we were not supplied with bank details and the Council’s normal procedure is to make payment by BACS.
>
> A delay occurred while we sought the beneficiaries banking details which meant the two year time limit was exceeded and a further delay occurred as we asked for an easement as the Grant was supplied within the two year time limit but we were unable to make the payment in time.
>
> Payment of the death grant was made in equal shares on 8 March 2012
>
> Payment made to Juliette Marsha Lettman …

Death Grant	10,547.92
Interest	237.66
40% unauthorised payment charge	- 4,219.17
Net payment	6,566.41

Payment made to Pearlena Ludevica Lettman …

Death Grant	10,547.92
Interest	237.66
40% unauthorised payment charge	- 4,219.17
Net payment	6,566.41

I confirm that these payments were made to the above named people, as executors of the estate of Mr Kenneth Roger Lettman, for the use and benefit of [the three children] limited until one of them shall reach attain age 18 years and for the use and benefit of [the three mothers] until further presentation be granted".

44. In April 2013, LBHF noticed that the cheques had not been presented, and so cancelled the payments on their system (Cedar).

45. Capita subsequently asked the personal representatives for their bank account details.

46. In an internal email within LBHF, the Pensions Liaison Manager noted that HMRC had sent a Notice of Assessment for the £8,438 unauthorised payment charge but LBHF had paid this in January 2013. He also queried when the £3,164.25 scheme sanction charge had been paid.

47. On the subject of tax owed to HMRC, the Finance & Corporate Services section of LBHF confirmed that both payments were paid by BACS on 8 February 2013.

48. Ms Lettman's complaint was initially dealt with by Capita under the first stage of the Scheme's internal dispute resolution procedure (**IDRP**), which gave its decision on 17 February 2014. Though Capita thought administrative process could have been more robust, it concluded that LBHF had to comply with the Finance Act 2004. The complaint was not upheld.

49. LBHF's Director of HR dealt with Ms Lettman's complaint under the second stage of the Scheme's IDRP, and gave her decision on 28 March 2014. LBHF noted Capita's comments, but it had not ruled that overall LBHF had acted in an inappropriate way or supported Ms P Lettman's claim that lax internal bureaucracy had caused late payment. LBHF therefore agreed with the first stage decision for the appeal not to be upheld.

50. Towards the end of this investigation, Ms P Lettman has submitted a letter dated 7 October 2014 which she and her daughter (Ms J M Lettman) wrote to LBHF. That letter was made on a 'without prejudice' basis to accept LBHF's offer of payment for £12,657.50, being part of the death grant due, but without renouncing their claim for the balance amount of £8,438.24 and any other remedies they might have. That letter acknowledged the fact that Ms P Lettman (and her daughter) wished to continue pursuing a complaint to this service, and the Council should not disclose it to any other party including the Pensions Ombudsman Service.

Summary of Ms Lettman's position

51. She applied within two years of her late son's death, whilst the scheme administrator's case is that she did not. This is her (and the beneficiaries') case in a nutshell (i.e. that she was in time).

52. In December 2008, she was informed that a death grant was payable to her son's estate. LPFA's letter does not mention a time limit in which to apply for the payment out, or of a possible tax. As such, it is defective and unfair.

53. Additionally, her complaint concerns not being informed that the payment was discretionary.

54. LBHF appear to blame her for not obtaining the Grant of LoA earlier, and that she actually provided it two months after it was issued. This is irrelevant and spurious. She was within two years and therefore within the rules.

55. She (and her daughter) accept that the probate process took some time. There were many family reasons why she got the Grant of LoA when she did. There were three mothers of three children to deal with, and they did not get on. In one case, one mother was unaware of another mother's and child's existence. Each mother had a potential claim on the estate, and had to be pacified and harmonised so that the children could benefit and the estate could be brought in.

56. She relied heavily on her daughter, who at the time was travelling a lot as part of her job and could not assist as much as she wanted. She was unwell, depressed and continues to suffer from grief, as supported in a letter submitted from her GP. From her perspective, had she known about the two year time limit, then she could have reacted more quickly by having a third party take over.

57. LPFA's letter of 6 December 2010 says a 40% tax charge would be imposed because she failed to notify LPFA and LBHF of her son's death within two years of the death. This position is unsustainable in light of the above records and the position that LBHF has adopted.

58. She applied for the death grant on 9 November 2010. This was the earliest that she could get the Probate.

59. It would appear that LBHF's and LPFA's position on non-payment is they could not process the application on 9 November 2010, or soon thereafter, as the period of expiry was upon them on 22 November 2010. If this is LBHF's position, it seems unfathomable and illogical. More so, given that the internal memo of 17 November 2010 makes no reference to the 40% tax.

60. The heart of the matter is whether there was unnecessary delay. It is conceivable that both these institutions (LBHF and LPFA) could have made payment in the 13 days if they had reacted within the service level agreement time lines.

61. LBHF knew the bank account details of all beneficiaries (i.e. the children). Also, it may well be true that there were other beneficiaries, but this is not that relevant. The reason it is pertinent is that LBHF claimed, in its letter of 26 April 2011, that it did not know where to make the payment. This clearly cannot be the case.

62. A pension payment was made on 29 May 2009 to SL, mother of TDL. Also, SL wrote to LBHF on 12 August 2009 regarding her child's pension. Ms Lettman says this letter becomes relevant because LBHF claim they did not have information about where to make payment. Clearly, from this letter they did have the information, and this is obtained from their files.

63. Also, the internal memo of 1 July 2009 concerns a child's pension (for BKL). Again, and throughout, LBHF knew where payment needed to be made, and later protestations by LBHF, that purport to show Ms P Lettman as being late with her documents for payment out of the death grant, rings hollow.

64. She accepts that LBHF did not have her (or her daughter's) bank details, though it would not have been hard to discover, or pay the amount by cheque, or put in a trust (outside of the LGPS) until a final decision was made. Once Ms P Lettman and Ms J M Lettman were appointed to deal with the estate then surely a duty fell on LBHF to make payment to them.

65. On 24 October 2010 the probate was obtained and delivered by hand to LBHF requesting payment for the benefit of beneficiaries/dependents to her (as supported by her daughter's letter of 24 October 2010). There is no other written evidence of the events surrounding 24 October 2010.

66. Further, it appears that on 24 October 2010 (based on the letter of 9 January 2011) there was a positive assertion made about there being no tax.

67. Ms P Lettman says she recalls visiting LBHF a few times. She attended the office of LBHF on 9 November 2010 (which is now not disputed) where she handed in the probate forms. She spoke to a man who reassured her that she had nothing to worry about, and the payment of the death grant would be processed, as her application was on time. This was not documented by LBHF.

68. The fact that the copy Grant of LoA is marked and received on 9 November 2010 shows that LBHF knew of the application on that date, and yet chose to do nothing about it. The deadline to process this payment was 21 November 2010, the payment was processed after this date as the internal bureaucracy was lax. This is reflected in an internal email of 26 April 2011 where the Pension Liaison Manager of LBHF clearly questions why the payment was not made within the deadline.

69. It is possibly understandable why LBHF could not make the full grant payment given that they had 13 days to make payment before the cut-off point when the 40% tax would be imposed. What is not understandable is that, if the Lettman family had been told of the duration of the internal process to issue a cheque; or that they had two years before tax is deducted at 40%; or that the service agreement between LBHF and LPFA of five days to pay the death grant was unrealistic, then they may have reacted more quickly enabling LBHF to make the payment.

70. LBHF and LPFA could have made payment of part of the death grant, say the proportion that was due and held -40% on trust for the beneficiaries, or paid the whole amount and warned her that she may have to pay the 40% tax at some future date soon after 9 November 2010 (date of application for death grant). This would not have compromised their position with HMRC, and avoided a penalty.

71. Indeed, HMRC has confirmed that the death grant need not be paid to the ultimate beneficiary within the two year time limit. It could have been held in trust, or paid to a personal representative of the deceased. LBHF had the details of a number of representatives, and as such LBHF's reasons seem thin.

72. In February 2012, LBHF asked again for an easement of payment from HMRC, which was refused. This is surely an admission of some fault.

73. The 40% deduction should not penalise her son's children. The deduction was made due to LBHF's late filing in respect of the pension. Therefore, LBHF are responsible to pay the tax, not her three grandchildren.

74. There are numerous inconsistencies and contradictions in the rejections which resulted in her son's death grant having a 40% tax imposed, which are unsustainable, unlawful and need resolution.

75. When Capita sent cheques on 6 June 2012, its letter said "there was over a 2 year delay in the London Borough of Hammersmith and Fulham being advised of the death". This is untrue. LBHF were advised during the 2 year-period.

76. Ms P Lettman (and the other personal representative) originally said she had not encashed the two cheques for £6,329.66, or given their bank details, as she was concerned this would amount to tacit consent. Her letter of 7 October 2014 was subject to legal privilege. Her acceptance on a without prejudice basis of LBHF's offer was accepted by them via a remittance advice. In order to put matters right, Ms P Lettman would now like the balance of £8,438.34 to be paid in order for the three children to be awarded the full pre-tax sum.

77. Ms P Lettman considers that interest should also be applied to the outstanding amount given that it should have been paid out from November 2010.

78. Given it has been a seven year 'struggle' with the various parties, she considers that the compensation for non-financial injustice should be more to reflect what she (and her family) has been through.

79. Ms P Lettman would also welcome an apology.

Summary of LBHF's position

80. Based on the timeline of events, the Council's view is that it, and its administrators, made strenuous efforts on many occasions from November 2008 to contact Ms P Lettman to ask her to provide the necessary paperwork so that the death grant could be paid in a timely and efficient manner.

81. There is no requirement under the regulations governing the LGPS for LBHF to disclose the two year time limit.

82. Though the High Court's decision to issue the Grant of LoA was made on 15 September 2010, the Council was not provided with this information by Ms P Lettman until almost two months later, which in its opinion is an unnecessary delay that could have been avoided.

83. It disagrees with Ms P Lettman's claim that lax internal bureaucracy caused late payment.

84. Bank details could not be requested without knowing who the recipients of the death grant were.

85. It is also its view that it was therefore unreasonable to expect it to pay monies due to the beneficiaries within five working days of the receipt of the information by the Pensions Team on 9 November 2010.

86. It had acted in accordance with the Finance Act 2004 and overall LBHF did not act in an inappropriate way.

87. Once the tax charge was disputed by the Lettman family, LPFA rightly contacted HMRC to seek easement but in light of HMRC's reply the Council was clearly under an obligation to comply with the law in this respect.

Summary of LPFA's position

88. Following LBHF's decision to change administrators, all records and paperwork has been passed to the new provider (Capita), and LPFA has not retained any details relating to members' records. Accordingly, it cannot submit any evidence. Further, its comments are based on the information the other parties have submitted for this complaint, and which has been shared with it.

Conclusions

89. This complaint is primarily concerned with the non-payment of the death grant before the expiry of the two-year time limit, which has resulted in it becoming an unauthorised payment. Ms P Lettman accepts that Capita did not play any part until after 30 September 2011, but she has cited them as a respondent on the basis that Capita has refused to make payment for the whole of the death grant.

90. Capita was not involved with the administration of the Fund prior to 1 October 2011. This post-dates the events being complained about. Neither is it for Capita to make the payment, since payments seem to be made by LBHF. Further, Capita has to comply with the Finance Act 2004. For these reasons, I do not uphold the complaint against them.

91. I will now consider the complaint against the other two respondents.

92. LPFA's note records that it knew of the death from 25 November 2008. This is the date of Ms P Lettman's letter to them, which was received on 28 November 2008. Based on this evidence, LPFA became aware (and LBHF ought to have known) from 28 November 2008 of Mr Lettman's death, and so payment would have needed to have been made before 28 November 2010 in order to be regarded as an authorised payment.

93. Ms P Lettman says although her complaint is about a delay in making the payment, she also complains of not being informed about either the crucial two-year time limit, or that the payment was discretionary.

94. Both LBHF, as Administering Authority of the Fund, and LPFA, as the pension administrator, ought to have been aware of the two-year deadline in order to pay the death grant as an authorised payment. Clearly LPFA did, as it noted the death grant was an unauthorised payment once the time limit had passed.

95. It is evident that prior to November 2010, Ms P Lettman was never told by LPFA or LBHF about the two-year time limit, and the tax consequences if the payment was made after two years and became an unauthorised payment.

96. Neither LBHF nor LPFA were advising Ms P Lettman. Nevertheless, the information about the two-year limit and the result that any payment after two years became unauthorised is factual information rather than advice. It is therefore pertinent, and I note that LBHF has changed its practice in this regard. Even though the information is not Scheme specific information, and there is no duty to disclose it, either LPFA or LBHF should have volunteered it. In the circumstances, the failure to do so amounts to maladministration.

97. Ms P Lettman asserts that had she been forewarned about the two year time limit, she may have acted sooner than she did. Ms P Lettman has, however, already said she could not have obtained the Grant of LoA from the court any quicker. Whether the Grant of LoA would have been submitted at an earlier time between 15 September 2010 and 9 November 2010 is difficult to say. Although it is logical that a person would probably have acted more quickly if they knew of the time limit, there would, in any event, be no reason not to act as soon as Ms P Lettman was able to do so.

98. Ms P Lettman has also said that nobody told her the payment was discretionary. The payment of the death grant was not, itself, discretionary. It was payable following Mr Lettman's death. The discretionary aspect was to whom the death grant would be paid (i.e. the beneficiary(ies) who could receive the death grant).

99. LPFA's letter of 9 December 2008 to Ms P Lettman told her a death grant was payable (which was correct), but it also said it was payable to the late Mr Lettman's estate. That was misleading, and amounts to maladministration. The death grant was payable, at LBHF's discretion, to one or more suitable beneficiaries, which may have included Mr Lettman's estate. But the estate was only one of a number of beneficiaries which may have been paid the death grant.

100. But, in its later letter of 21 April 2009, LPFA corrected the position. It made it clear that LBHF had absolute discretion as to whom the death grant was paid. Ms P Lettman received that letter since she made reference to it in her reply of 27 April 2009. Based on that evidence, I cannot conclude that Ms P Lettman was not told the death grant was discretionary.

101. Mr Lettman died intestate. Accordingly, personal representatives had to be chosen to administer his estate.

102. As the death grant could potentially be paid to the late Mr Lettman's estate, LBHF needed to know who had officially been appointed as the personal representatives of his estate.

103. Both LBHF and LPFA have highlighted that LPFA told Ms P Lettman, on 6 May 2009, that it needed her to send the Grant of LoA before payment could be made. Further, LPFA chased for this document on four occasions between October 2009 and April 2010.

104. Mr Lettman's affairs were not straightforward, and Ms P Lettman has explained why it took time for the Grant of LoA to be obtained. Before going further, I believe one aspect needs clarifying. Representatives, formerly from the Centre and more latterly from Nucleus Community Action Limited, have made submissions for Ms P Lettman which suggest that Ms J M Lettman's letter of 24 October 2010 was handed in on 24 October 2010, along with the Grant of LoA. I believe those submissions have been made, based on the way Ms J M Lettman's letter of 9 January 2011 is phrased. But given the 24 October 2010 was a Sunday when the Council's offices would be closed, and there is no evidence of such a meeting, I am not convinced that that happened on that particular day. The letter may, though, have been posted to LPFA, although there is no evidence LPFA received it in October 2010.

105. From the evidence, it is my belief that Ms J M Lettman's letter of 24 October 2010 was, in fact, handed in on 9 November 2010 along with the Grant of LoA.

106. Ms P Lettman has stressed that she applied in time. However, the triggering or not of the tax charge is dependent on when the payment is made, and not when she applied. It seems Ms P Lettman's argument is that it is irrelevant how long it took her to obtain and send the Grant of LoA, if there was still sufficient time for the death grant to be paid without incurring the tax charge. So, an issue for me is whether there was any unnecessary delay after 9 November 2010, and whether LPFA and LBHF took appropriate action.

107. The last working day for LBHF to make the payment of the death grant before the two-year time limit expired, was Friday, 26 November 2010. Both LPFA and LBHF would need to complete their procedures prior to this date. This would include making a decision as to whom the death grant should be paid, following any accounting procedures, and then physically make the payment.

108. There were 18 actual days and, more importantly, 13 working business days between Tuesday 9 November 2010 and Friday 26 November 2010.

109. Early correspondence was between Ms P Lettman and LPFA, rather than LBHF. Indeed, prior to Ms P Lettman attending the office of LBHF on 9 November 2010, it is unclear from the evidence that Ms P Lettman had been in direct contact with LBHF. That is not to say that LBHF unaware of the death of Mr Lettman. It is apparent that the children's pensions had been put into payment by LBHF to the children's mothers around May and July 2009 following correspondence with LPFA.

110. Ms P Lettman says that she discussed the payment of the death grant with LBHF on her visit on 9 December 2010, and specifically asked if any tax would be payable if it was paid to the three children. There is, however, no record of the context of how such a question was asked, and what response was given. At that time, it had not been decided to whom the death grant would be paid. Nevertheless, the Grant of LoA gave the date of death, and so LBHF ought to have realised the urgency.

111. The procedures appear to be that the pensions administrator (LPFA) sets out all the potential beneficiaries who might receive the death grant for LBHF's consideration. I observe that there has been some criticism of the thoroughness of those investigations, but the complaint before me is not one concerning an allegation where a beneficiary was not properly considered (i.e. it was paid to an incorrect beneficiary).

112. The documents handed to LBHF were sent to LPFA, which were received by them on Friday, 12 November 2009. Comments have been made about the five working day service agreement that LBHF requires of LPFA. LPFA responded to LBHF within four working days, on Wednesday, 17 November 2010. That was within LBHF's service agreement for LPFA.

113. LPFA prepared a form listing five potential beneficiaries other than the estate. The date of death was written on that form. In spite of the imminent two year deadline for making an authorised payment, this was not flagged at that time. It is unclear how that form was sent to LBHF, e.g. by email, fax or post.

114. LBHF took the decision, on 23 November 2010, to pay the death grant to Ms P Lettman. It is not entirely clear whether LBHF decided to pay Ms P Lettman in her capacity as an eligible beneficiary in her own right (i.e. as the mother of the late Mr Lettman), or to the estate, and to her as a personal representative (since the other personal representative had said payment could be made solely to Ms P Lettman). Since the written record of the decision by LBHF stated it had decided to pay Ms P Lettman, and does not explicitly say the estate, it would seem to me that LBHF made the decision to pay her personally (and not the estate).

115. Having made its decision, LBHF says the payment would be subject to its accounting procedures. There were still three or four days to complete this. Its normal payment method is to make a payment using the Bankers Automated Credit System (BACS). However, it did not hold Ms P Lettman's bank details, which Ms P Lettman accepts. Though Ms P Lettman says it would not have been difficult to obtain her bank details, I observe her correspondence does not include her phone number. Besides, her letters had been sent to LPFA as opposed to LBHF. If the respondents had written to her, it would most probably have been too late to make the payment. Although, Ms J M Lettman's mobile phone number was included in her letter of 24 October 2010 and so was available.

116. Although, Ms P Lettman believes that LBHF could have made alternative payments since it held bank details belonging to the children's mothers, as they were each receiving a child's pension, its decision appears to have been that the death grant should be paid to her rather than the estate.

117. Ms P Lettman contends that LBHF could have issued a cheque to her. There is merit to this argument. When LBHF realised it did not hold Ms P Lettman's bank details, it could have made a payment by cheque, which was subsequently done. I note the Pension Liaison Manager at LBHF questioned LPFA in April 2011 why the payment was not made urgently. It was LBHF which issued the payments, however.

118. LBHF should have taken urgent action, and its failure to do so amounts to maladministration. Had a cheque been arranged within three days, a payment could have been issued prior to 26 November 2010. The lack of action has caused a financial loss to Ms P Lettman.

119. The directions below reflect the fact that the death grant was payable to Ms P Lettman rather than the estate. It is entirely a matter for Ms P Lettman as to whether or not she subsequently passes on the death grant to her grandchildren.

120. Ms P Lettman has requested that interest is paid on any outstanding sum. I observe that LBHF previously paid interest when it settled the part-payment – see paragraph 43 above. Since the death grant, which is a benefit, has been paid late, I consider it is appropriate for the balance of the death grant to also attract interest. A suitable direction is made below.

121. Ms P Lettman would like the parties to apologise to her. The compensation payment for non-financial injustice is made to recognise that she has been caused distress and inconvenience. I will leave the matter of whether or not LBHF wishes to apologise to them, since any apology should be freely given.

122. I have considered Ms P Lettman's request for a higher award for the non-financial injustice. Taking into account all of the circumstances of this case, I am satisfied that the award of £500, split between LBHF and LPFA, is adequate.

123. Ms P Lettman has referred to HMRC's comments. This is not material, but my comments follow. LBHF (and LPFA) has to act in accordance with LGPS's Regulations. The LGPS's Regulations do not permit LBHF to pay the death grant to a trust pending an ultimate decision. That option was therefore not possible. Whilst LGPS's Regulations do permit LBHF to pay the personal representatives, this must be a conscious decision. I cannot see how LBHF could pay the personal representatives in the interim period, and then subsequently ensure that the death grant went to the ultimate beneficiary of its choosing if such ultimate beneficiary did not stand to gain from the intestate rules. Once the payment had gone to the personal representatives, they would be obliged to distribute it as part of the estate rather than how LBHF might subsequently decide.

124. Neither do I consider that LPFA's or LBHF's request of an easement by the HMRC is necessarily an admission of fault. In her letter of 9 January 2011, Ms J M Lettman asked for HMRC to be informed of the circumstances, so I do not consider that Ms P Lettman can say that by them doing so that that suggests LBHF (or LPFA) were admitting fault.

Directions

125. I direct that within 28 days LBHF pays Ms P Lettman the balance of the death grant of £8,438.34 from the Fund, plus simple interest at the average rate payable by the reference banks for the time being, from 26 November 2010 to the date of payment.

126. Within 28 days of the date of this Determination, LBHF and LPFA shall each arrange to pay Ms Lettman £250 in recognition of the significant distress and inconvenience caused.

Anthony Arter

Pensions Ombudsman
30 March 2016

Appendix

127. Section 168 (Lump sum death benefit rule) of Chapter 3 (Payments by Registered Pension Schemes) in Part 4 (Pension Schemes) of the Finance Act 2004 says:

> “(1) This is the rule relating to the payment of lump sum death benefits by a registered pension scheme in respect of a member of the pension scheme ("the lump sum death benefit rule").
>
> Lump sum death benefit rule
>
> No lump sum death benefit may be paid other than –
>
> (a) a defined benefits lump sum death benefit,
>
> …”

128. Section 13 (D*efined benefits lump sum death benefit*) of Part 2 (*Lump Sum Death Benefit Rule - Defined benefits arrangements*) in Schedule 29 (*Registered Pension Schemes: Authorised Lump Sums – Supplementary*) says:

> (1) For the purposes of this Part a lump sum death benefit is a defined benefits lump sum death benefit if –
>
> (a) the member had not reached the age of 75 at the date of the member's death,
>
> (b) it is paid in respect of a defined benefits arrangement,
>
> (c) it is paid before the end of the period of two years beginning with the earlier of the day on which the scheme administrator first knew of the member's death and the day on which the scheme administrator could first reasonably be expected to have known of it, and
>
> (d) it is not a pension protection lump sum death benefit, trivial commutation lump sum death benefit or winding-up lump sum death benefit.

129. Mr Lettman’s first period of Scheme membership (from 18 August 1997 to 31 August 2004) was governed by ‘The Local Government Pension Scheme Regulations 1997’ (**the 1997 Regulations**). Regulation 38 (Death grants) of the 1997 Regulations say:

> “(1) If a member dies before his 75th birthday, the administering authority at their absolute discretion may make payments to or for the benefit of the member's nominee or personal representatives, or any person appearing to the authority to have been his relative or dependant at any time.
>
> …
>
> (4) The multiplier for a deferred member's death grant is the same as for his retirement grant.
>
> …

(6) If the administering authority have not made payments under paragraph (1) equalling in aggregate the member's death grant before the expiry of two years –

(a) beginning with his death or

(b) beginning with the date on which the administering authority could reasonably be expected to have become aware of the member's death,

they must pay an amount equal to the shortfall to the member's personal representatives”.

130. Mr Lettman’s second period of Scheme membership (from 1 September 2004 to 30 June 2008) was governed by ‘The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (**the 2007 Regulations**). Regulation 32 (Death grants: deferred members) of the 2007 Regulations says:

“(1) If –

(a) a deferred member, or

(b) a pensioner member with deferred benefits under regulation 20(9) dies,

a death grant is payable.

(2) The administering authority at their absolute discretion may make payments in respect of the death grant to or for the benefit of the member's nominee or personal representatives, or any person appearing to the authority to have been his relative or dependant at any time.

(3) The death grant is –

(a) in the case of a deferred member, the member's retirement pension multiplied by 5; or

…

(4) If the administering authority have not made payments under paragraph (1) equalling in aggregate the member's death grant before the expiry of two years –

(a) beginning with his death: or

(b) beginning with the date on which the administering authority could reasonably be expected to have become aware of the member's death,

they must pay an amount equal to the shortfall to the member's personal representatives”.

NORTHAMPTONSHIRE LOCAL PENSION BOARD

LOCAL PENSION BOARD

19 July 2016

Report by: THE DEMOCRATIC SERVICES MANAGER

Subject:	Northamptonshire Local Pension Board Communication Policy
Purpose of the Report	To present the draft Northamptonshire Local Pension Board Communication Policy to the Local Pension Board.
Recommendations	The Board are asked to: 1. Comment on the Pension Fund Communication Strategy and Communication Plan; and 2. Comment on and adopt the Local Pension Board Communication Policy.
Enquiries to:	Name: Paul Hanson, Democratic Services Manager Tel: 01604 366813 E-mail: phanson@northamptonshire.gov.uk

1. Background

1.1 The Local Government Pension Scheme Regulations 2013 requires the Pension Fund to prepare, maintain and publish a written statement setting out its policy concerning communications with members and scheme employers.

1.2 Separately, the Northamptonshire Local Pension Board (LPB), through its membership, has a duty to represent a significant range of members and employers. The capacity of board members to undertake this function was one of the requirements tested as part of the recruitment of Board members undertaken when the Board was established in spring/summer 2015.

1.3 In both cases, a communication policy/plan allows stakeholders to have a structured outline of proposed communication activity for the year, demonstrating customer focus and planned compliance to meet statutory deadlines.

2. Legal Requirements

2.1 Regulation 61(1) of the aforementioned regulations requires an Administering Authority to prepare maintain and publish a written statement setting out its policy concerning communications with members, representatives of members, prospective members and scheme employers.

2.2 Section 61 (2) states that in particular the statement must set out its policy on the following –

a) the provision if information and publicity about the Scheme to members, representatives of members and Scheme employers;
b) the format, frequency and method of distributing such information or publicity; and
c) the promotion of the Scheme to prospective members and their employers.

2.3 Section 61 (3) states that the statement must be revised and published by the administering authority following a material change in their policy on any of the matters referred to above.

2.4 Pursuant to these requirements, the Fund has adopted a Communication Strategy and Communication Plan. These are attached to this report as appendices 2 and 3.

2.5 There are no specific legal requirements relating to communications by the LPB. However, at its last meeting, the Board agreed that a communications plan should be developed in order that it can demonstrate that it is communicating effectively with members and employers. The draft plan is attached at appendix 1.

3. Scheme Communication Strategy Objectives

3.1 The Communications Policy put in place by the Administering Authority sets out the following key objectives:
a) To provide clear information about the Scheme, including changes to the Scheme, to educate and engage with scheme members so that they can make informed decisions about their membership, contributions and benefits;
b) To deliver a clear and consistent message, that is engaging, factual and presented in plain language;
c) To promote the Scheme as a valuable benefit;
d) To seek and review regular feedback from all stakeholders about communications and shape future communications appropriately; and
e) To look for efficiencies in delivering communications, including through greater use of technology and partnership working.

3.2 Measurements are in place to determine if these objectives are being met. Full details are set out in the Scheme Communication Strategy at appendix 2. The LPB is asked to consider and comment on the adequacy of the Scheme Communication Strategy set out at appendix 2.

4. Scheme Communication Plan

4.1 The Communications Plan details the written and web based communications, reports and training that is planned to be delivered to provide to the Fund's stakeholders who include active scheme members; deferred scheme members; prospective scheme members; retired scheme members; dependant scheme members; scheme employers; and Fund staff.

4.2 The plan sets clear deadlines for these communications to ensure that statutory deadlines are met for key communications such as Annual Benefit Statements, amendments to Fund policy, Scheme changes, and publishing our annual reports and accounts.

4.3 The plan also provides a schedule of planned engagement activities such as member and employer newsletters and employer training sessions to ensure our stakeholders are provided with the information they need to stay informed about the Local Government Pension Scheme and engaged with the Fund.

5. Progress against the Scheme Communication Plan to date

5.1 All activities scheduled for April have been delivered and have had a positive impact on the service. For example, in response to a direct communication promoting the use of Member Self Service and informing members, for the second time, that annual benefit statements will be issued electronically this year, the average number of weekly e-mails received regarding Member Self Service, was more than double each of the previous two months, increasing from 26.9 and 23.5 emails per week, in February and March respectively, to 58.7 in April.

5.2 A positive response to our Employer Forums was received with 57 employers in attendance and feedback about the day was overwhelmingly positive. Employers particularly liked that increased time was dedicated to training workshops and this feedback will be taken into consideration for future events.

5.3 The LPB is asked to consider and comment on the delivery of the Scheme Communication Strategy set out at appendix 3.

6. The LPB Communications Policy

6.1 Aside from assisting the Administering Authority in its management of the fund, the LPB, through its membership, has a duty to represent a wide range of members and employers and ensure that information about the scheme is communicated in an effective way.

6.2 This objective can be achieved partly through scrutinising the Communication Strategy and Plan of the fund itself to ensure it complies with statutory requirements, and also by developing and delivering its own communications plan. Together, this will enable the Board to demonstrate that it represents employers and members effectively.

6.3 Additionally, the report on the Pensions Regulator's survey of compliance with their Code of Practice, which was discussed at the last Board meeting, identified that the Board need to put in place procedures for publishing information about itself. It should be noted that although this information is published, it is not governed by a procedure. It is suggested that the Board's Communications Policy be used to secure compliance with the Code of Practice in this respect.

6.4 A Communications Policy has been developed and is attached at Appendix 1. The objectives set out in the plan are broadly comparable to those adopted by the fund, but more accurately reflect the aims and objectives of the Board. The LPB is asked to consider and comment on the delivery of the Scheme Communication Strategy set out at appendix 3.

7. Finance & Resources Implications

7.1 Not applicable

8. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There are no risks associated with this proposal.	-	-

b) Risk(s) associated with not undertaking the proposal

Risk	Risk Rating
Failure to comply with statutory obligations set out in Regulation 61 of the Regulations to provide members and scheme employers with certain key communications throughout the scheme year	Red

9. Communication Implications

Website	The approved communication plan will be published on the LGSS Pensions website as an appendix to the Communication Policy and a "latest news" article will be published to inform stakeholders that the plan has been updated.

10. Legal Implications

10.1 Not applicable

11. Alternative Options Considered

11.1 Not applicable

12. Background Papers

12.1 Not applicable

13. Appendices

Appendix 1 – LPB Communications Policy
Appendix 2 – Pension Fund Communications Strategy
Appendix 3 – Pension Fund Communication Plan

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Chief Finance Officer/Section 151 Officer?	No
Has this report been cleared by Head of Pensions?	

Appendix 1

Northamptonshire Local Pension Board – Communications Policy

1. Introduction

This document sets out the communications policy of the Northamptonshire Local Pension Board. It aims to demonstrate the Board's compliance with the Pensions Regulator's Code of Practice, which requires the Board to put in place a policy for publishing information about the Board and its activities. It also sets out how the Board will assist the Administering Authority in the delivery of its own Communications Strategy and Plan.

2. Objectives

This Board will have the following objectives:

a) The Board will assist the Administering Authority assist the Administering Authority by ensuring it provides clear information about the Scheme through the delivery of the Communications Strategy and Communications Plan objectives. Specifically to:

- Provide clear information about the Scheme, including changes to the Scheme, to educate and engage with scheme members so that they can make informed decisions about their membership, contributions and benefits;
- Deliver a clear and consistent message, that is engaging, factual and presented in plain language;
- Promote the Scheme as a valuable benefit;
- Seek and review regular feedback from all stakeholders about communications and shape future communications appropriately; and
- Look for efficiencies in delivering communications, including through greater use of technology and partnership working.

b) The Board will ensure that information about the work of the Board is easily accessible to employers and members;

c) The Board will put in place proactive measures to enable all employers and members to contact the members of the Local Pension Board with any queries or concerns;

d) The Board will seek and review regular feedback from all stakeholders about the work of the Board.

3. Publication of Information about the Board's Activities

General information about the Board, including:

- Membership;
- Contact details;
- Register of interests;
- Terms of reference; and
- Supporting policy documents

shall be published on the LGSS Pensions website:

http://pensions.cambridgeshire.gov.uk/

Documents relating to the activities of the Board, including:

- Agendas;
- Minutes; and
- Reports

Shall be published on the committees section of the Council's website:

https://cmis.northamptonshire.gov.uk/cmis5live/Committees.aspx

4. Confidentiality

The fund is registered under the Data Protection Act 1998 Northamptonshire County Council. Information will be shared between the fund and the Local Pension Board for the purposes of pensions administration. Information regarding scheme members and organisations is treated with respect by all our staff.

5. Disclosure

The fund may pass certain details to the Local Pension Board in pursuance of its statutory obligations. Similarly, the Board may request such information from the fund. Requests will normally be made to the Head of Pensions or his or her deputy.

6. Equality

Communications shall be tailored to the individual needs of stakeholders and every effort will be made to provide communications to our stakeholders in their preferred language or format on request.

7. Freedom of information

Anyone has a right under the Freedom of Information Act to request any information held by the Board which is not already made available. Requests should be made in writing to the Democratic Services Manager. A fee may be charged and the Council reserves the right to refuse a request if the cost of providing the information is disproportionately high; if following prompting the request is unclear; and when the requests are vexatious or repeated.

Cambridgeshire Pension Fund Northamptonshire Pension Fund

CAMBRIDGESHIRE PENSION FUND & NORTHAMPTONSHIRE PENSION FUND

JOINT COMMUNICATION STRATEGY

LGSS

Contents

1. Introduction

This is the joint Communications Strategy for the Cambridgeshire Local Government Pension Fund and the Northamptonshire Local Government Pension Fund managed by Cambridgeshire County Council and Northamptonshire County Council respectively (the Administering Authorities). The administration of these Funds is carried out by the LGSS Pensions Service, which incorporates administration for both the Cambridgeshire Pension Fund and the Northamptonshire Pension Fund.

Together the Funds have around 400 employers with contributing members and a total membership of over 119,000 scheme members. These members are split into the following categories and with the following approximate numbers of members in each category:

Category	Cambridgeshire Pension Fund	Northamptonshire Pension Fund
Active scheme members	24,854	18,334
Deferred scheme members	25,793	20,887
Pensioner members	14,991	14,155

This document outlines our strategic approach to communications and is effective from 1 November 2014. It will be reviewed annually to ensure the key objectives remain relevant.

2. Communication Strategy

Regulatory framework

This Statement has been produced in accordance with Regulation 61 of the Local Government Pension Scheme Regulations 2013. The Regulation requires Administering Authorities to:

- Prepare, maintain and publish a written Statement setting out their policy concerning communications with:
  - Scheme members (active, deferred, retired and dependant)
  - representatives of scheme members
  - prospective scheme members
  - scheme employers
- Set out their policy on:
  - the provision of information and publicity about the Scheme
  - the format, frequency and method of distributing such information or publicity
  - the promotion of the Scheme to prospective scheme members and their employers.

- Keep the Statement under review and make such revisions as are appropriate following a material change in the policy on any of the matters included. If revisions are made, a revised statement must be published.

Key objectives

The communications of Cambridgeshire Pension Fund and Northamptonshire Pension Fund will be delivered in line with these objectives. We aim to:

1. Provide clear information about the Scheme, including changes to the Scheme, to educate and engage with scheme members so that they can make informed decisions about their membership, contributions and benefits

2. Deliver a clear and consistent message, that is engaging, factual and presented in plain language

3. Promote the Scheme as a valuable benefit

4. Seek and review regular feedback from all stakeholders about communications and shape future communications appropriately

5. Look for efficiencies in delivering communications including through greater use of technology and partnership working

Measurements are in place to determine if these objectives are being met – see ‘Implementation of Communication Key Objectives’.

Stakeholders of the Fund

There are several categories of stakeholder as detailed below.

- Active Scheme members
- Prospective Scheme members
- Deferred Scheme members
- Retired and Dependant Scheme members
- Scheme Employers
- Fund staff
- Pension Fund Committee
- External bodies
    - Trades Unions
    - Her Majesty’s Revenue & Customs (HMRC)
    - Department for Communities and Local Government (DCLG)

- The Pensions Regulator
- National Fraud Initiative
- Audit Commission

Brand Identity

The Funds recognise that our visual identification is one of our most powerful assets. It tells people who we are and influences how they remember and relate to us. Our branding increases our reputation whilst uniting us visually. When branding our communications it is important that:

- We have individual Fund identities that are distinct from each other and the County Council/LGSS identities.
- The look and feel of a communication should be identical where possible, but with separate Fund branding – e.g. newsletters should be identical where possible but would clearly display separate Fund branding on the front cover and only refer to the relevant Fund throughout the text.
- If it is unreasonable to produce different materials (e.g. cost difference, logistical challenges, etc) a joint brand is to be considered.
- Both Pension Fund Boards will be required to sign off high-level branding decisions.
- The brand will need to be adaptable to other funds that may become part of LGSS in the future

Confidentiality

The fund is registered under the Data Protection Act 1998 as part of Cambridgeshire County Council and Northamptonshire County Council. Information will be shared between Cambridgeshire County Council and Northamptonshire County Council for the purposes of pensions administration. Information regarding scheme members and organisations is treated with respect by all our staff.

Disclosure

Each Fund may, if it chooses, pass certain details to a third party, if the third party is carrying out an administrative function of the Fund, for example, the Fund's AVC providers.

Equality

Our communications are tailored to the individual needs of our stakeholders. We will make every effort to provide communications to our stakeholders in their preferred language or format on request.

Freedom of information

This Communications Strategy identifies the classes of information that each Fund publishes or intends to publish in compliance with the Freedom of Information Act. Anyone has a right under the Freedom of Information Act to request any information held by the Fund which is not already made available. Requests should be made in writing to the Head of Pensions at the address at the end of this document.

A fee may be charged and the Funds reserves the right to refuse a request if the cost of providing the information is disproportionately high; if following prompting the request is unclear; and when the requests are vexatious or repeated.

Implementation of Communication Key Objectives

This table sets out the implementation of the delivery of the Funds key communication objectives.

The agreed objectives with measures for success that form the ‘Communication Strategy’ are:

Objective	**Measures of success**	**Review process**
Provide clear information about the Scheme, including changes to the Scheme, to educate and engage with scheme members so that they can make informed decisions about their benefits	Communication includes information and changes to the scheme that supports all stakeholder understanding Communication is delivered via the most appropriate media to the audience Effective promotion of new media or change of processes to all stakeholders Feedback from all stakeholders that they have understood the communication enough to make an informed decision	Surveys and polls (on websites and by post). Focus groups. Surveys and polls on websites. Focus groups. Monitor hits on website. Use appropriate media to convey relevant messages. Surveys and polls on websites. Focus groups. Monitor incoming telephone call and email volumes.
Deliver a clear and consistent message, that is engaging, factual and presented in plain language	An effective implementation of the Communications Timetable to all audiences that is understood and timely. Feedback from all audiences on the quality and language used in the communication sent.	Monitor enquiries from Stakeholders as to when events will take place. (Reduced enquiries mean effective delivery). Surveys and polls on websites. Focus groups.

	Feedback on the simplicity, relevance and impact of the communication sent.	Surveys and polls on websites. Focus groups.
Promote the Scheme as a valuable benefit	Identify trends in opt outs. Communication to opt outs includes positive messaging and invites feedback. Positive feedback from all stakeholders All communications promote the scheme as a valuable benefit in a way that it understood by the audience	Monitor opt out rates and reasons, to identify trends. Surveys and polls on websites. Review scheme communications for effectiveness. Online rating of document usefulness.
Seek and review regular feedback from all stakeholders about communication and shape future communications appropriately	The Communications Strategy is reviewed and adapted where appropriate, as a result of feedback from stakeholders	Regular feedback is actively sought by the most appropriate media Processes are reviewed and adapted where appropriate to ensure the effective delivery of communication to all stakeholders
Look for efficiencies in delivering communications through greater use of technology and partnership working	Appropriate media is used for all stakeholders while balancing cost efficiency Reduction in costs on printing through larger print runs covering both authorities Reduction in postage costs All processes that support the	Compare previous communication costs (postage, print and design) with new costs and seek continual improvements. Year on year comparisons. Continual review of processes and communications.

	communication delivery are efficient More efficient communications through sharing of knowledge, resources and practice through regional communication working parties	 Year or year comparisons of cost and quality

Methods of Communication and Key Messages/Objectives for Stakeholders

The Funds aim to use the most appropriate method of communication when dealing with stakeholders. This may involve more than one communication method. We have recently obtained two new and improved ways of communicating with our stakeholders:

The Pensions Website

In 2012 the LGSS Pensions Service implemented a new website:

- http://pensions.cambridgeshire.gov.uk
- http://pensions.northamptonshire.gov.uk

Both domain names lead to the same site, which has joint Fund branding ensuring the identity of each Fund is respected.

Whilst the Funds aim to use the most appropriate communication medium for the audience receiving the information we hope that our website will be the first port of call for all stakeholders where appropriate. For the immediate future the Funds will continue to use paper based communications as our main means of communicating with our stakeholders, for example by sending letters and paper copies of Newsletters and Annual Benefit Statements. However, we are committed to using technology to enhance our service and reduce costs, where appropriate, and will therefore continue to explore and develop the use of electronic communications through our website, emails and Self Service.

Self Service

Member and Employer Self Service is an internet based application that allows the individual access to information held by the Pensions Service.

Employer Self Service has been implemented and employers are now able to update their member's records and carry out benefit calculations.

Access to Member Self Service has been offered to the active membership of each Fund. It gives the individual controlled access to their own details, allowing them to update their personal information and carry out benefit calculations.

One of the many benefits of self service for both scheme employers and scheme members is the increased communication and engagement it allows – whilst in its infancy now this is an avenue we will be exploring more thoroughly in the future.

Table Showing our Methods of Communication and Key Message/Objective for Stakeholders

The table below shows the Funds main methods of communicating with the different stakeholder groups, other than the 'usual' day to day communications, plus the key messages and objectives we hope to achieve:

Stakeholder	Communication	Key message/Objective
Active Scheme members	Annual Newsletter Annual Benefit Statements Calculations and costings (e.g. estimates) 'Short guide to LGPS'	Key Messages: • Your pension is a valuable benefit • You need to make sure you're saving enough for retirement Objectives:

	'Full guide to LGPS' Website (in particular 'Latest News' page) Member Self Service External training sessions as requested by employer LGSS Welcome Events LGSS training events Roadshows	• To improve understanding of how the LGPS works • To inform scheme members of their rights and benefits • For queries and complaints to be reduced • To make pensions information more readily available
Scheme employers	Pension Bulletins Ad hoc email alerts Biannual forums Website (in particular 'Latest News' page) Seminars/workshops Bespoke ad hoc training sessions Welcome/Joiner information	Key Messages: • You need to be aware of your responsibilities regarding the LGPS • The Fund is a valuable benefit for scheme members and is a good tool for retention of staff Objectives: • To increase understanding of how the Fund works and the effects on scheme members of any legislation changes • To improve relationships • Continue to improve the accuracy of data being provided to us • To make pensions information more readily available
Prospective Scheme members	Information on website	Key Messages:

And Opt-Outs	Scheme Information Leaflets LGSS Welcome Event LGSS training events	• The pension benefits are a valuable part of your reward package • The LGPS is still one of the best pension arrangements available Objectives: • To improve take up of the LGPS • To decrease opt out rate and increase understanding of contribution flexibility i.e. 50/50 option • To increase understanding of how the Scheme works and what benefits are provided • To make pensions information more readily available
Deferred Scheme members	Annual Benefit Statements Calculations and costings (e.g. estimates) Scheme Information Leaflets Retirement Packs Website	Key Messages: • It is important to keep in touch with the LGSS Pensions Service e.g. provide us with address changes • The LGPS is still a valuable part of your retirement package Objective: • To improve understanding of how the LGPS works • To make pensions information more readily available
Retired/Dependant	Annual Newsletter	Key Messages:

Scheme members	Payslips (when criteria is met) P60 Lifetime Allowance Calculations and costings (e.g. estimates)	• It is important to keep in touch with the LGSS Pensions Service e.g. provide us with address changes • The LGPS is still a valuable part of your retirement package Objectives: • To improve understanding of how the LGPS works • To make pensions information more readily available
Fund staff	Monthly service meetings Team meetings Ad hoc meetings Consultations 1:1 / Appraisals Training & Development	Objectives: • To ensure staff are kept up to date with important information regarding the Service, the Employing Authority and the wider world of pensions as a whole • For staff to feel a fully integrated member of the team • For management to feedback to staff regarding their individual progress • To give staff a chance to feedback their views and suggestions
Pension Fund Boards and Investment Sub Committees	Committee Papers Presentations Consultations Agendas Minutes	Objectives: • To update on the implementation of a policy • To monitor success against the agreed measures

External authorities • **Trade Unions** • **Her Majesty's Revenue & Customs (HMRC)** • **Department for Communities and Local Government (DCLG)** • **Pensions Regulator** • **Audit Commission**	Response to enquiries and consultations. Response to changes in legislation.	Objectives: • To response to enquiries/statutory requirements.

Communication Timetable

MONTH	ACTIVITY							
	Active Scheme members	**Scheme employers**	**Prospective Scheme members**	**Opt - outs**	**Deferred Scheme members**	**Retired Scheme members**	**Dependant Scheme members**	**Fund staff**
JAN								Monthly team meeting Service meeting
FEB								Monthly team meeting Service meeting
MAR						Newsletter incorporating Pensions Increase notification, plus pay dates and other relevant information to be sent out with payslip.	Newsletter incorporating Pensions Increase notification, plus pay dates and other relevant information to be sent out with payslip.	Monthly team meeting Service meeting
APR						Payslip	Payslip	Monthly team meeting

								Service meeting
MAY					Annual Benefit Statements - LGPS & Councillors	LTA% on payslip.	LTA% on payslip.	Monthly team meeting Service meeting
JUN	Fire Annual Benefit Statements*							Monthly team meeting Service meeting
JUL	Police Annual Benefit Statements*							Monthly team meeting Service meeting
AUG	Annual Benefit Statements - LGPS and Councillors							Monthly team meeting Service meeting
SEPT	Newsletters							Monthly team meeting Service meeting
OCT								Monthly team meeting Service meeting

NOV								Monthly team meeting Service meeting
DEC	Annual reports & accounts	Annual reports & accounts	Annual reports & accounts	Annual reports & accounts	Annual reports & accounts	Annual reports & accounts	Annual reports & accounts	Annual reports & accounts Monthly team meeting Service meeting
Ad hoc Comms	LGSS Training Days Website	Procedures training – road shows. Pension Bulletins Website Valuation Report (every 3 yrs)	LGSS Welcome Events Posters Website	Website	Website	Website	Annual review of entitlement – May/June. Website	Regional Pension Officer Groups Website Pension Managers Annual Conference Pension Committee Valuation Report (every 3 yrs) CLASS User Group/AGM

* Must be an active scheme member as at 31st March in the financial year that the statement relates.

3. Further information

If you have any enquiries in relation to this Communications Strategy please do not hesitate to contact us.

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Northamptonshire County Council
PO Box 202
John Dryden House
8-10 The Lakes
Northampton
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pensions@northamptonshire.gov.uk

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Communication Timetable 2016/2017							
Month	**Activity**						
	Active Scheme Members	**Scheme employers**	**Prospective Scheme members**	**Deferred Scheme members**	**Retired Scheme members**	**Dependant Scheme members**	**Fund staff**
April	Direct letter on - End of Contracting out Electronic Annual Benefit Statements Member Self Service	Spring Employer Forums Employer Training Workshops Importance of clean data bulletin			Payslip	Payslip	Monthly team meeting Service Meeting Joint Communication Group
May				Annual Benefit Statements Newsletter	Payslip including life time allowance % Newsletter	Payslip including life time allowance %	Monthly team meeting Service Meeting LGA Communications Working Group
June		Employer Covenant Questionnaire Valuation briefing for Council CFOs					Monthly team meeting Service Meeting

		Summer Update Bulletin					
July		Funding Strategy Statement Consultation Employer Satisfaction Survey					Monthly team meeting Service Meeting
August	Annual Benefit Statements Newsletter						Monthly team meeting Service Meeting
September		Autumn Update Bulletin Employer Training Workshops	Scheme Promotion Newsletter	Second communication regarding electronic Annual Benefit Statements			Monthly team meeting Service Meeting
October	Member Survey		Member Survey	Member Survey	Member Survey	Member Survey	Monthly team meeting Service Meeting
November	Annual Report and Statement of Accounts	Annual Report and Statement of Accounts Provision of individual employer	Annual Report and Statement of Accounts	Annual Report and Statement of Accounts	Annual Report and Statement of Accounts	Annual Report and Statement of Accounts	Annual Report and Statement of Accounts Monthly team meeting

		valuation results					Service Meeting
December		Winter Employer Forum Winter Update Bulletin					
January		Employer Training Workshops					Monthly team meeting Service Meeting
February			Scheme Promotion Newsletter				Monthly team meeting Service Meeting
March					Newsletter		Monthly team meeting Service Meeting
Ad Hoc Communications	LGSS Pensions Website	LGSS Pensions Website Training Workshops Pension Bulletins	LGSS Pensions Website LGSS Welcome Events Posters	LGSS Pensions Website	LGSS Pensions Website	LGSS Pensions Website Annual review of entitlement	LGSS Pensions Website Regional Pensions Officer Groups Pension Managers Annual Conference Pensions

							Committee Valuation Report CLASS User Group/AGM

*Must be an active scheme member as at 31 March in the financial year that the statement relates.