



2017

Pensions

Governance Policy & Compliance Statement

Your Local Government
Pension Scheme Guide

Your Guide to the London Borough of Croydon Governance Policy & Compliance Statement

As the Administering Authority we have prepared this guide to help you understand the Governance Compliance strategies that Croydon Council (as the Administering Authority) has in place:

Governance Policy & Compliance Statement

Administering Authority

Croydon Council is the Administering Authority of the Croydon Council Pension Fund and administers the Local Government Pension Scheme (LGPS) on behalf of participating employers.

The Local Government Pension Scheme Regulations, 2013, talk about the governance of the scheme. Regulation 55 requires the local authority to publish this statement. In it, as set out below, you can read how the authority complies with the Government's guidance and how some functions of the council are delegated. These regulations also require the Authority to keep the statement under review and to make revisions as appropriate. Where such revisions are made we will publish a revised statement.

Aims and Objectives

Croydon Council recognises the significance of its role as Administering Authority to the Pension Fund on behalf of its stakeholders which include:

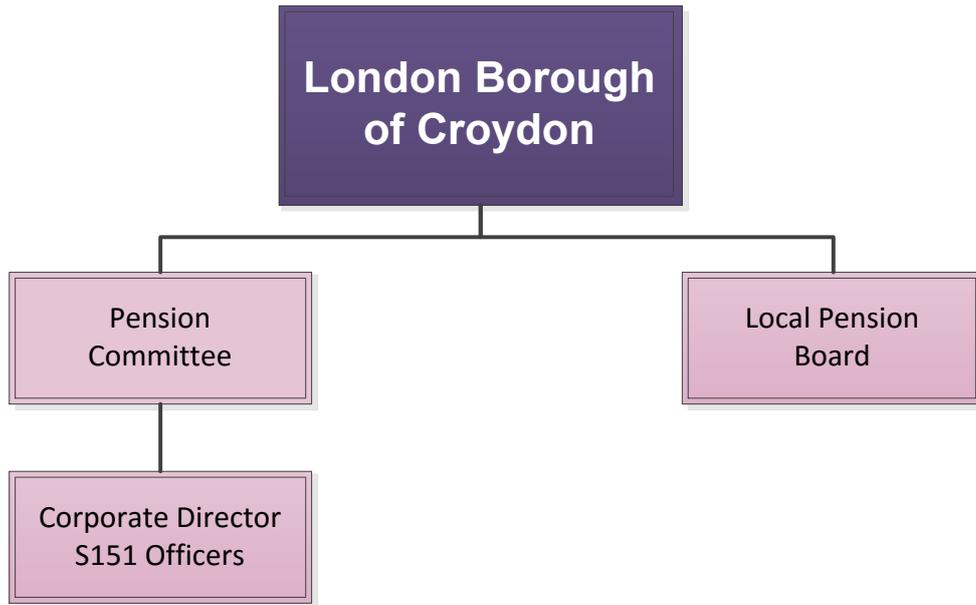
- ▶ Around 21,000 current and former members of the Fund, and their dependants;
- ▶ Over 100 employers with the Croydon Council area or with close links to Croydon Council;
- ▶ The local taxpayers within the Borough of Croydon; and
- ▶ Central Government.

In relation to the governance of the Fund, our objectives are to ensure that:

- ▶ All officers and Pensions Committee Members charged with the financial administration and decision-making with regard to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.
- ▶ The Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties.
- ▶ Appropriate measures are in place to manage the risks associated with the investment of the Fund, to understand those risks and to evaluate them.
- ▶ All relevant legislation is understood and complied with.
- ▶ The Fund aims to be at the forefront of best practice for LGPS funds.
- ▶ The Fund manages conflicts of interest appropriately.

Structure

The Constitution of the Council sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and that those who made the decisions are accountable to local people. The Constitution sets out the framework under which the Pension Fund is to be administered as shown in the diagram overleaf.



Terms of Reference for the Pensions Committee

| Pension Committee Member | Voting Member | Non-Voting Member |
|--|----------------------|--------------------------|
| Councillor Andrew Pelling, Chairman | ✓ | |
| Councillor Simon Hall, Vice-Chairman | ✓ | |
| Councillor Patricia Hay-Justice | ✓ | |
| Councillor Maddie Henson | ✓ | |
| Councillor John Wentworth | ✓ | |
| Councillor Simon Brew | ✓ | |
| Councillor Yvette Hopley | ✓ | |
| Councillor Dudley Mead | ✓ | |
| Reserve Panel: Councillors: Badsha Quadir, Donald Speakman, Jamie Audsley, Jason Cummings, Mike Selva, Pat Clouder, Robert Canning | ✓ | |
| Ms Gilli Driver, Pensioners Representative | | ✓ |
| Mr Peter Howard, Pensioners Representative | | ✓ |
| Mr Isa Makumbi, Staff Representative | | ✓ |

The Constitution allows for the appointment of a Pensions Committee which has responsibility for the discharge of all executive functions assigned to it.

See Appendix A for the Terms of Reference for the Pensions Committee.

Membership of the Pensions Committee

The Council decides the composition and makes appointments to the Pensions Committee.

Currently the membership of the Pensions Committee is 8 elected Members from Croydon Council on a politically proportionate basis. All Croydon Council Members have voting rights on the Committee and three voting members of the Committee are required to be able to deem the meeting quorate.

In addition there are two elected members and one Union Representative non-voting members representing Pensioner and Scheme member interests. Although the representatives do not have voting rights they are treated as equal members of the Committee, they have access to all Committee Advisers, officers, meetings and training as if they were Council Members and have the opportunity to contribute to the decision making process. Voting rights are restricted to elected Members as they are deemed to be fulfilling the role of Trustees as the Pension Fund with all the legal responsibilities that this entails, it was not felt appropriate to apply the same legal definition to the lay members of the Committee and hence their role is non-voting members.

The Pensions Committee may co-opt non-voting members as is appropriate.

All Members of the Pensions Committee including non-voting members are required to declare any interest that they have in relation to the Pension Fund or items on the agenda at the commencement of the meeting.

The Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties; meetings are open to members of the public who are welcome to attend. However, there may be occasions when members of the public are excluded from meetings when it is likely in view of the nature of the business to be transacted of the nature of the proceedings that confidential information would be disclosed.

Meetings

The Pensions Committee shall meet at least four times a year in the ordinary course of business and additional meetings may be arranged as required to facilitate its work. Work for the year will be agreed with the Committee to include dedicated training sessions for Committee members.

Agendas for meetings will be agreed with the Chair and will be circulated electronically with supporting papers to all members of the Committee, officers of the Council as appropriate and the Fund's Advisors.

The Council will give at least five clear working days' notice of any meetings by posting details of the meeting on the Council's website.

There may occasionally be items which may be exempt from the agenda, reports and minutes of the meetings when it is likely that confidential information would be disclosed. Items which are likely to be excluded include issues where to disclose information would contravene an individual's privacy or where there are financial interests which may be compromised as a result of disclosure for example surrounding contracts. Oral updates and presentations are also given at these meetings.

The Council will make available copies of the minutes of the meeting and records of decisions; these are stored indefinitely. Minutes of meetings and records of decisions are available for inspection on the Council's website <https://www.croydon.gov.uk/democracy/dande/>.

Other Delegations of Powers

The Pensions Committee act as quasi trustees and oversee the management of the Pension Fund. As quasi trustees the Committee has a clear fiduciary duty in the performance of their functions: they have to ensure that the Fund is managed in accordance with the regulations and to do so prudently and impartially and to ensure the best possible outcomes for the Pension Fund, its participating employers, to local taxpayers and Scheme members. Whilst trustees can delegate some of their powers, they cannot delegate their responsibilities as trustees.

Pension Board

With effect from 1 April 2015, each Administering Authority was required to establish a Local Pensions Board to assist them with:

- ▶ Securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme, and requirements imposed in relation to the LGPS by the Pensions Regulator;
- ▶ Ensuring the effective and efficient governance and administration of the Pension Fund.

Such Pensions Boards are not local authority committees but are reflected in the Council's Constitution. The Croydon Pension Board established by Croydon Council and the full terms of reference of the Board can be found within the Council's Constitution.

www.croydon.gov.uk/democracy/dande/councilconstitution.

Role of the Local Pensions Board

The Council has charged the Pensions Board with providing oversight of the matters outlined above. The Pensions Board, however, is not a decision making body in relation to the management of the Pension Fund.

Membership of the Board

The Pension Board consist of 7 members as follows:

- ▶ An Independent Chair;
- ▶ Three Employer Representatives, one of which is from Croydon Council; and
- ▶ Three Scheme Member Representatives, two of which are nominated by the Trade Unions.

Pension Board members, (excluding the Chair), have individual voting rights but it is expected the Pension Board will as far as possible reach a consensus.

A meeting of the Pension Board is only quorate when three of the six Employer and Scheme Member Representatives are present.

Members of the Pension Board are required to declare any interests that they have in relation to the Pension Fund or items in the agenda at the commencement of the meeting.

Meetings

The Pensions Board meets at least 4 times a year in the ordinary course of business and additional meetings may be arranged as required to facilitate its work.

The Pensions Board will be treated in the same way as a Committee of Croydon Council and, as such, members of the public may attend and papers will be made public in the same way as described above for the Pensions Committee.

Policy Documents

In addition to the foregoing, there are a number of other documents which are relevant to the Governance and management of the Pension Fund. Brief details of these are listed below and full copies of all documents can be found on the Pension Fund Website: www.croydonpensionscheme.org.

Funding Strategy Statement

The Funding Strategy Statement forms part of the framework for the funding and management of the Pension Fund. It sets out how the Fund will approach its liabilities and contains a schedule of the minimum contribution rates that are required of individual employers within the Fund. The Funding Strategy Statement (FSS) is drawn up by the Administering Authority in collaboration with the Fund's Actuary and after consultation with the Fund's employers. The FSS forms part of a broader framework which covers the Pension Fund and applies to all employers participating in the Fund. The FSS represents a summary of the Fund's approach to funding the liabilities of the Pension Fund.

Investment Strategy Statement

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require pension fund administering authorities to prepare, maintain and publish a statement of the principles governing their decisions on the investment of the pension Fund.

The areas covered in the statement of investment principles are as follows:

- ▶ A requirement to invest in a wide variety of investments;
- ▶ An assessment of the suitability of particular investments;
- ▶ The authority's approach to risk, including measurement and management of risk;
- ▶ The authority's approach to pooling;
- ▶ The authority's policy on how social, ethical and environmental considerations are taken into account;
- ▶ The authority's policy on the exercise of rights attached to investments.

Governance Best Practice—Compliance Statement

This sets out the Pension Fund's compliance with the Secretary of State's Statutory Guidance on Governance in the LGPS. This is attached as Appendix B and shows where the Fund is compliant or not compliant with best practice and the reasons why it may not be compliant.

Training Policy

Croydon Council has a Training Policy which has been put into place to assist the Fund in achieving its governance objectives. Pension Committee members and senior officers are expected to continually demonstrate their own personal commitment to training and to ensure that the governance objectives are met.

To assist in achieving these objectives, Croydon Council aims to comply with:

- ▶ The CIPFA Knowledge and Skills Framework; and
- ▶ The knowledge and skills elements of the Public Service Pensions Act 2013 and the Pensions Regulator's (TPR) Code of Practice for Public Service Schemes.

Any other LGPS specific guidance relating to the knowledge and skills of Pensions Committee members, or pension Fund officers which may be issued from time to time will also be considered.

Members of the Pensions Committee, and officers involved in the management of the Fund will receive training to ensure that they meet the aims of the Policy with schedules drawn up and reviewed on an annual basis.

Annual Report and Accounts

As part of the Council's Constitution it is the duty of the Executive Director of Resources (Section 151) to ensure that record keeping and accounts are maintained by the Pension Fund. The Pension Fund accounts are produced in accordance with the accounting recommendations of the Financial Reports of Pensions Schemes - Statement of Recommended Practice. The financial statements summarise the transactions of the Scheme and deal with the net assets of the Scheme. The statement of accounts is reviewed by both the Pensions Committee and the General Purposes and Audit Committee and incorporated in the Statement of Accounts for the Council. Full copies of the Report and Accounts are placed on the Council's website www.croydon.gov.uk/democracy/budgets/financial-accounts.

Communication Policy

This document sets out the communication policy of the Administering Authority which is the strategy for ensuring that all interested parties are kept informed of developments in the Pension Fund. This helps to ensure transparency and an effective communication process for all interested parties. A copy of the policy can be found on the Pensions website www.croydonpensionscheme.org.

Discretions Policy

Under the Local Government Pension Scheme regulation, the Administering Authority has a level of discretion in relation to a number of areas. The Administering Authority reviews the policy relating to the exercise of those discretions as appropriate and will notify interested parties of any significant changes. Employing Authorities are also required to set out their discretions policies in respect of areas under the Regulations where they have a discretionary power. Copies of the Administering Authority policy can be found on the Pensions website www.croydonpensionscheme.org.

Pension Administration Strategy

In order to assist with the management and efficient running of the Pension Fund, there is a Pension Administration Strategy. This encompasses administrative procedures and responsibilities for the Pension Fund for both the Administering Authority and Employing Authorities. It has been distributed to employers within the Fund following consultation and can be found on the Pensions website. This represents part of the process for ensuring the ongoing efficient management of the Fund and maintenance of accurate data and forms part of the overall governance procedures for the Fund.

Approval, Review and Consultation

The Governance Policy and Compliance Statement will be approved at Croydon Council Pension Committee meeting on the 7th March 2017. It will be formally reviewed and updated annually or sooner if the governance arrangements or other matters including with it merit consideration.

Appendix A

Terms of Reference for Croydon Council Pension Committee December 2016

Appendix B

Governance Best Practice - Compliance Statement

Further Information

This document is available in large sight and Braille upon request.

If you need more information about the Scheme you should contact the following:

Pensions Section

5A, Bernard Weatherill House
8 Mint Walk
Croydon
CR0 1EA

Tele: 020 8760 5768 x 62892

Email: pensions@croydon.gov.uk

Website: www.croydonpensionscheme.org



CROYDON
www.croydon.gov.uk

Terms of Reference for Croydon Council Pension Committee Dec 2016

1. Introduction

- 1.1 Without prejudice to the Non-Executive Committee Procedure Rules, Part 4.F of the Constitution, the purpose of this document is to set out the terms of reference for the Pension Committee (“the Committee”), to discharge the responsibilities for Croydon Council in its role as lead authority for the administration of the Croydon Pension Fund (“the Fund”).

2. Role of the Committee

- 2.1 To ensure that the Fund is properly operated in accordance with the Local Government Pensions Scheme Regulations (“the Regulations”) all other relevant legislation and best practice as advised by the Pensions Regulator, including financial, governance and administrative matters.
- 2.2 To adopt Fund specific policies concerning the administration of the Fund, investing of Fund monies and the management of the Fund’s solvency level. In addition, the Committee is responsible for compliance with all financial and regulatory requirements of the Fund.
- 2.3 To discharge its fiduciary responsibility in the best interest of the Fund, in particular:
- a. To set the investment policy and review the performance of the Fund’s investment managers, scheme administration, and external advisors;
 - b. To make arrangements for the triennial actuarial valuation;
 - c. To determine the Pension Administration Strategy;
 - d. To approve and monitor compliance of statutory statements and policies required under the Regulations;
 - e. To approve the Fund’s Statements of Accounts and annual report;
 - f. To ensure that the Council discharges its obligation, as administrating authority for the local government pension scheme, to other scheme employers;
 - g. To make representations to government as appropriate concerning any proposed changes to the Local Government Pension Scheme; and
 - h. To keep these terms of reference under review.

3. Delegations

- 3.1 Unless otherwise reserved for this Committee or Full Council by law or the Constitution, this Committee hereby delegates all Fund matters to the Executive Director of Resources (and Section 151 Officer). As appropriate the Executive Director of Resources (and Section 151 Officer) will delegate aspects of the role to other officers of the Council including the Head of Pensions and Treasury, and to professional advisors within the scope of the Regulations.

4. Structure

- 4.1 In accordance with those recommendations made by Chartered Institute of Public Finance and Accountancy (CIPFA) and the Myners Principles and notwithstanding resignations etc. the Committee will comprise the following voting members:
- a. 8 elected members (plus 6 substitutes) at a ratio of 5 majority Members to three minority Members;
 - b. Two representatives of Pensioners of the Fund elected by ballot of Pensioners of the Fund; and
 - c. One Trade Union Representative nominated by the three Trade Unions.
- 4.2 There will be a minimum of three meetings in public a year of the Committee. Informal meetings will be arranged as required. The outcomes of informal meetings will be reported at formal Committee meetings.

5. Quorum

- 5.1 Three voting members.

6. Local Pensions Board

- 6.1 As part of good governance of the scheme, the Committee will work with, receive and consider reports from the Local Pensions Board. The Board is not a decision making body and it will be for the Committee to ensure that the appropriate actions are undertaken as required.

7. Knowledge and Understanding

- 7.1 Members of the Committee are expected to continually demonstrate their own personal commitment to training and to ensure that governance objectives are met. To assist in achieving these objectives training sessions will be organised to ensure Committee members are familiar with the rules of the Fund with relevant legislation.

8. Review of Terms of Reference Policy

- 8.1 This policy document will be reviewed annually and updated as required.

Governance Best Practice - Compliance Statement

Regulation 55 of the local Government Pension Scheme Regulations 2013 requires Local Government Pension Schemes (LGPS) Administering Authorities to measure their governance arrangements against the standards set out in the Statutory Guidance issued by the Secretary of state for Communities and Local Government.

The following compliance statement will be approved by the Pensions Committee. This sets out where the Pension fund is compliant with the guidance and where it is not compliant provides an explanation for non-compliance.

Structure

- a.** The management of the administration of benefits and strategic management of fund assets clearly rests with the Pension committee established by the appointing council. *Fully compliant-Council Constitution delegates responsibility for the Pension Fund to the Pension Committee in respect of these matters*
- b.** That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioners and deferred members) are members of either the Pension committee of the Local Pensions Board *Fully compliant-Pensioner and Union representatives are appointed to the Pensions Committee, the admitted bodies, Academies and scheme member representatives are appointed to the Local Pension Board.*
- c.** The Local Pension Board was established in April 2015 it is non-decision making Board. The Board comprise in equal number of Employer and scheme member representatives. *Fully Compliant*

| | Not Compliant* | | | Fully Compliant |
|----|----------------|--|--|-----------------|
| a) | | | | ✓ |
| b) | | | | ✓ |
| c) | | | | ✓ |

*Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)1997 Regulations/regulation 31 (3)(c)/2008 Regulations)

*Please use this space if you wish to add anything to explain or expand on the ratings given above:

Meetings (frequency/quorum)

- a) That an administering authority Pension Committee meets at least quarterly *Fully Compliant*
- b) That an administering authority's Local Pensions Board meets at least quarterly and is synchronised with the dates of the Pensions Committee sits. *Fully Compliant.*
- c) That an administering authority that does not include lay members in their formal governance arrangements must provide a forum outside of those arrangements by which the interest of key stakeholders can be represented. *Fully Compliant- Employer and scheme member interest are represented at the Pensions committee and Local Pensions Board.*

| | Not Complaint* | | | Fully Compliant |
|----|----------------|--|--|-----------------|
| a) | | | | ✓ |
| b) | | | | ✓ |
| c) | | | | ✓ |

*Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)1997 Regulations/regulation 31 (3)(c)/2008 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above:

Access

- a) That subject to any rules in the Council's Constitution, all members of the Pensions committee and the Local Pensions Board have equal access to committee papers, documents and advice that falls to be considered at meetings of the Pensions committee. *Fully compliant- Committee papers are dispatched 5 clear working days prior to a Committee meeting.*

| | Not Complaint* | | | Fully Compliant |
|----|----------------|--|--|-----------------|
| a) | | | | ✓ |

*Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)1997 Regulations/regulation 31 (3)(c)/2008 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above:

While the Pensioner and Union member representatives do not have voting rights, they are encouraged to fully participate in the meetings and decision making process.

Training/Expenses

- a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, and reimbursement of expenses in respect of members involved in the decision-making process *Fully Compliant*.
- b) That where such a policy exists, it applies equally to all members of committees.
- c) That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken. *Fully Compliant*

| | Not compliant* | | | Fully Compliant |
|----|----------------|--|--|-----------------|
| a) | | | | ✓ |
| b) | | | | ✓ |
| c) | | | | ✓ |

*Please use this space to explain the reason for non-compliance (regulation 73A (1)(c) 1997 Regulations/regulation 31 (3)(c) 2008 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above:

Please see the Fund's Training Policy

Selection and role of lay members

- a) That committee members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee. *Fully Compliant-see Governance Policy*
- b) That at the start of any meeting committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda. *Fully Compliant- Members of the Committee declare interests at the start of each meeting.*

| | Not Compliant* | | | Fully Compliant |
|----|----------------|--|--|-----------------|
| a) | | | | ✓ |
| b) | | | | ✓ |

*Please use this space to explain the reason for non-compliance (regulation 73A (1)(c) 1997 Regulations/regulation 31 (3)(c)/ 2008 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above:

Voting

- a) The policy of individual administering authority on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on the Pensions Committee. *Fully Compliant-See Governance Statement*

| | Not Compliant* | | | Fully Compliant |
|----|----------------|--|--|-----------------|
| a) | | | | ✓ |

*Please use this space to explain the reason for non-compliance (regulation 73A (1)(c) 1997 Regulations/regulation 31 (3)(c)/ 2008 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above:

Whilst the pension's representative and Union member representative do not have voting rights, they are encouraged to fully participate in the meetings and decision making process.

Representation

- a) That a number of stakeholders are afforded the opportunity to be represented within the Pensions committee structure. These include:-
 - i) Scheme members (including actives, deferred and pension scheme members);
 - ii) Where appropriate, independent professional expert advisers (on an ad-hoc basis).

Fully compliant- (i) Scheme members (active and deferreds)are represented by a staff side Union representative, the Pensioners are represented by 2 representatives(ii)Expert advisers- investment consultant participates at all meetings of the Committee and other experts advisors are invited to attend as and when required.

- b) That where lay members sit on the Pensions Committee, they are treated equally in terms of access to advisers and meetings, training and are given opportunity to contribute to the decision making process, with or without voting rights. *Fully Compliant- All members are sent Committee papers ahead of meetings, are invited to training and are to fully contribute to the decision making process.*

| | Not Compliant* | | | Fully Compliant |
|----|----------------|--|--|-----------------|
| a) | | | | ✓ |
| b) | | | | ✓ |

*Please use this space to explain the reason for non-compliance (regulation 73A (1)(c) 1997 Regulations/regulation 31 (3)(c)/ 2008 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above:

Scope

- a) That administering authority has taken steps to bring wider scheme issues within the scope of their governance arrangements. *Fully Compliance-The Committee reviews all aspects of the Pension Fund management.*

| | Not Compliant* | | | Fully Compliant |
|----|----------------|--|--|-----------------|
| a) | | | | ✓ |
| b) | | | | ✓ |

*Please use this space to explain the reason for non-compliance (regulation 73A (1)(c) 1997 Regulations/regulation 31 (3)(c)/ 2008 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above:

Publicity

- a) That administering authority have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements. Fully Compliant - Governance Policy and Compliance statement published in full on the Pensions website <http://www.croydonpensionscheme.org/>

*Please use this space to explain the reason for non-compliance (regulation 73A (1)(c) 1997 Regulations/regulation 31 (3)(c)/ 2008 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above:

March 2017

To be reviewed in March 2018