

Pension Committee Supplementary Agenda



5. **Budget Review** (Pages 3 - 10)
(Report attached)
12. **Progress Report for Quarter Ended 31 March 2021** (Pages 11 - 60)
(Appendix to report attached)

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REPORT TO:	Pension Committee 25 May 2021
SUBJECT:	Pension Fund Budget Review
LEAD OFFICER:	Nigel Cook Head of Pensions and Treasury
1. RECOMMENDATION 1.1 The Committee are asked to note the contents of this report.	

2. EXECUTIVE SUMMARY

- 2.1 This report asks the Committee to note the Pension Fund revenue budget for 2021/22 and the two subsequent years together with the draft accounts for 2019/20 and the forecast accounts for 2020/21.

3 DETAIL

- 3.1 To comply with best governance practice the Committee should consider the revenue budgets of the Fund for the current and subsequent three years. Since the Committee are meeting early in financial year 2021/22 they are being asked to consider budgets for the three years ended 2023/24. The Committee are asked to note the budget; the component elements are set by regulations and the Council's policies as determined as administrator of the Local Government Pension Scheme.
- 3.2 Table 1 summarises the items of income and expenditure for the Pension Fund with the categories as laid out in the Fund Annual Accounts. The move from deficit to surplus between 2019/20 and 2020/21 is due to a lump sum of £32.2m being received in 2016/17 in lieu of three annual payments of £11.8m in the subsequent three years and the amount in 2020/21 reverting to a more normal level.

Table 1: Income and Expenditure Relating to the Pension Fund

	2019/20 Actual	2020/21 Forecast Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
	£'000	£'000	£'000	£'000	£'000
Contributions receivable - employees	13,965	14,714	15,000	15,000	15,000
Contributions receivable - employers	38,243	54,659	55,000	56,000	56,000
Individual transfers in from other funds*	14,179	6,770	7,000	7,000	7,000
Benefits payable	-46,540	-46,500	-47,000	-47,500	-48,000
Individual transfers out to other funds*	-10,641	-6,840	-7,000	-7,000	-7,000
Commutations, refunds and lump sum retirement and death benefits	-10,438	-9,550	-10,000	-10,000	-10,000
Investment income	9,425	8,000	8,000	8000	8000
Management expenses**	-11,425	-13,500	-14,030	-14,680	-15,090
Net surplus / deficit (-)	-3,232	7,753	6,970	6,820	5,910

*Assumed to be equal over 3 years of estimates

**Details in Table 2 below

Table 2 details management expenses and is below.

Table 2: Management Expenses

	2019/20 Actual	2020/21 Forecast Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
	£'000	£'000	£'000	£'000	£'000
Administration					
System fees	357	360	370	380	390
Staff costs	820	830	840	850	860
Payroll administration	499	510	510	510	510
Total	1,676	1,700	1,720	1,740	1,760
Oversight and Governance					
Staff costs	575	545	555	565	575
Actuarial costs (net)	238	80	80	200	80
External audit fees	25	25	25	25	25
Memberships	10	10	10	10	10
Investment and governance advice	147	100	100	100	100
Other (net)	46	40	40	40	40
Total	1,041	800	810	940	830
Investment Management					
Management fees	8,607	10,900	11,400	11,900	12,400
Custodian fees	101	100	100	100	100
Total	8,708	11,000	11,500	12,000	12,500
TOTAL	11,425	13,500	14,030	14,680	15,090

Fund management fees for 2019/20 were as follows:

Table 3: Fund Management Fees 2019/2020

Fund Manager	Direct fees	Indirect fees (incl transaction costs)	Performance fees	TOTAL
	£'000	£'000	£'000	£'000
Equities				
LGIM (Counts towards CIV allocation)	343	450		793
Janus Henderson (CIV)		642		642
CIV	52			52
Total	395	1,092		1,487
Fixed Interest				
Aberdeen Standard	-56	507		451
Wellington	-10	511		501
PIMCO (CIV)		264		264
Total	-66	1,282		1,216
Property				
Schroders	322	-1		321
M & G	-62	559		497
Total	260	558		818
Private Equity				
Pantheon	-21	804		783
Knightsbridge		262	200	462
Access		222		222
North Sea Capital		110		110
Total	-21	1,398	200	1,577
Infrastructure				
Equitix		662	375	1,037
Temporis		872		872
GIGM		199	11	210
Access		109	64	173
I Squared		1,126		1,126
Total		2,968	450	3,418
CIV shared costs	90			90

Custody	102			102
TOTAL	760	7,298	650	8,708

- 3.3. The cash balance on the Pension Fund Account as at 31 March 2021 was £16.50m. The balances for each month of the year 2020/2021 were as follows:

Table 4: Cash Balances 2020/2021

Month	End of month balance £m
April	31.02
May	29.70
June	34.80
July	40.80
August	43.40
September	45.40
October	30.60
November	30.60
December	18.50
January	18.50
February	18.50
March	16.50

4 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 4.1 There are no financial or risk assessment considerations arising from this report.

Approved by: Chris Buss, Interim Director of Finance, Investment and Risk, S151 Officer

5 LEGAL CONSIDERATIONS

- 5.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that the Committees Terms of Reference (as amended in March 2020) is contained in Part 4.N of the Constitution:

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, pooling arrangements, 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 administering 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.

Part 4.N Rule 7 should also be noted: 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.

- 5.2 **Approved by:** Sandra Herbert, Head of Litigation and Corporate Law and Deputy Monitoring Officer on behalf of the Interim Director of Law and Governance.

6 HUMAN RESOURCES IMPACT

- 6.1 There are no direct workforce implications arising from the recommendations within this report.

Approved by: Sue Moorman, Director of Human Resources

7. EQUALITIES IMPACT

- 7.1 There are no Equalities, Environmental, Crime and Disorder Reduction considerations arising from this report

8. ENVIRONMENTAL IMPACT

- 8.1 There are no environmental impacts arising from this report.

9. CRIME AND DISORDER REDUCTION IMPACT

- 9.1 There are no crime and disorder impacts arising from this report.

10 DATA PROTECTION IMPLICATIONS

10.1 Will the subject of the report involve the processing of 'personal data'?

No.

Has a data protection impact assessment (DPIA) been completed?

No. This report relates to matters relating to the administration of the LGPS and the Croydon Pension Fund.

Approved by: Chris Buss, Interim Director of Finance, Investment and Risk, S151 Officer

11.1 **WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?**

NO

The Director of Human Resources comments that this report relates to matters relating to the administration of the LGPS and the Croydon Pension Fund.

Approved by: Sue Moorman, Director of Human Resources

CONTACT OFFICER:

Nigel Cook, Head of Pensions and Treasury,
Resources Department, ext. 62552.

BACKGROUND DOCUMENTS:

None.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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