

Pension Committee Agenda



To: Councillor Andrew Pelling (Chair)
Councillor Simon Hall (Vice-Chair)
Councillors Simon Brew, Robert Canning, Luke Clancy, Clive Fraser,
Patricia Hay-Justice, Yvette Hopley and Robert Ward

Co-opted Members: Ms Gilli Driver, Mr Peter Howard and Charles Quaye

Reserve Members: Jamie Audsley, Sherwan Chowdhury, Pat Clouder,
Patsy Cummings, Steve Hollands and Vidhi Mohan

A meeting of the **Pension Committee** which you are hereby summoned to attend, will be held on **Tuesday, 11 February 2020** at **10.00 am** in **Council Chamber, Town Hall, Katharine Street, Croydon CR0 1NX**

JACQUELINE HARRIS BAKER
Council Solicitor and Monitoring Officer
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www.croydon.gov.uk/meetings
Monday, 3 February 2020

Members of the public are welcome to attend this meeting.
If you require any assistance, please contact the person detailed above, on the righthand side.

N.B This meeting will be paperless. The agenda can be accessed online at

www.croydon.gov.uk/meetings

AGENDA – PART A

1. Apologies for Absence

To receive any apologies for absence from any members of the Committee.

2. Minutes of the Previous Meeting (Pages 5 - 8)

To approve the minutes of the meeting held on 7 January 2020 as an accurate record.

3. Disclosure of Interests

In accordance with the Council's Code of Conduct and the statutory provisions of the Localism Act, Members and co-opted Members of the Council are reminded that it is a requirement to register disclosable pecuniary interests (DPIs) and gifts and hospitality to the value of which exceeds £50 or multiple gifts and/or instances of hospitality with a cumulative value of £50 or more when received from a single donor within a rolling twelve month period. In addition, Members and co-opted Members are reminded that unless their disclosable pecuniary interest is registered on the register of interests or is the subject of a pending notification to the Monitoring Officer, they are required to disclose those disclosable pecuniary interests at the meeting. This should be done by completing the Disclosure of Interest form and handing it to the Democratic Services representative at the start of the meeting. The Chair will then invite Members to make their disclosure orally at the commencement of Agenda item 3. Completed disclosure forms will be provided to the Monitoring Officer for inclusion on the Register of Members' Interests.

4. Urgent Business (if any)

To receive notice of any business not on the agenda which in the opinion of the Chair, by reason of special circumstances, be considered as a matter of urgency.

5. Governance Review - London Borough of Croydon Pension Fund Action Plan (Pages 9 - 84)

For Members to receive and agree on the implementation of the Action Plan responding to the London Borough of Croydon Pension Fund Governance Review report.

6. Update on Triennial Actuarial Valuation (Pages 85 - 142)

For Members to receive an update on the progress towards concluding the triennial actuarial valuation and revising the Funding Strategy Statement.

7. Exclusion of the Press and Public

The following motion is to be moved and seconded where it is proposed to exclude the press and public from the remainder of a meeting:

“That, under Section 100A(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following items of business on the grounds that it involves the likely disclosure of exempt information falling within those paragraphs indicated in Part 1 of Schedule 12A of the Local Government Act 1972, as amended.”

PART B

8. Minutes of the Previous Meeting (Part B) (Pages 143 - 144)

To approve the minutes of (Part B) the meeting held on 7 January 2020 as an accurate record.

Pension Committee

Meeting held on Tuesday, 7 January 2020 at 10.00 am in Council Chamber, Town Hall, Katharine Street, Croydon CR0 1NX

MINUTES

Present: Councillor Andrew Pelling (Chair);
Councillor Simon Hall (Vice-Chair);
Councillors Simon Brew, Pat Clouder, Clive Fraser, Patricia Hay-Justice, Vidhi Mohan and Robert Ward.

Co-opted Members: Ms Gilli Driver, Mr Peter Howard and Mr Charles Quaye.

Also Present: Lisa Taylor (Director of Finance, Investment & Risk and s151 Officer), Nigel Cook (Head of Pensions & Treasury), Victoria Richardson (Head of HR & Finance Service Centre) and Michael Ellsmore (Independent Chair of the Pension Board).

Apologies: Councillors Robert Canning, Luke Clancy & Yvette Hopley.

PART A

1/20 Minutes of the Previous Meeting

The minutes of the meeting held on 5 November were agreed as an accurate record subject to the following amendments:

- i) That minute number 56/19 be amended to read "...there were no declarations of interests made *in addition to those already declared in the Council's Register of Interests*";
- ii) That the first paragraph of minute number 58/19 be amended to read "seeking *broad* guidance";
- iii) That the resolution detailed in minute number 58/19 be amended to read "...in consultation with the Chair *and Vice-Chair* of the Committee";
- iv) That the sentence "It was proposed that officers develop a process to be reviewed by the Committee at its next meeting" be deleted from minute number 59/19; and
- v) That the final bullet point of minute number 60/19 be amended to read "The Independent Chair of the Pension Board had suggested that a *remuneration strategy for Board Members be considered*. This was to reflect...".

2/20 Disclosure of Interests

There were no additional declarations made at the meeting in addition to those already declared in the Council's Register of Interests.

3/20 Urgent Business (if any)

There were no items of urgent business.

4/20 Progress Report for Quarter Ended 30 September 2019

The Committee considered a report of the Head of Pensions and Treasury that updated Members on the performance of the Pension Fund for the quarter to 30 September 2019.

Members noted that the fund had grown by 3.17% over to the quarter to £1.332billion and that this growth was in keeping with the target for the fund. The Committee also heard that an independent valuation was being made in relation to the property transfer project and this would be reflected in future iterations of the Investment Strategy.

In response to Member questions, the Committee noted that the current foreign currency hedge was being managed.

The Committee also heard that overnight cash investments were made in keeping with Asset Allocation Strategy. These were overnight investments that typically yielded a return of 0.7%. Such investments were spread across a number of AAA rated funds and there had only been one incidence of a negative return in the past six years.

The Committee also heard that auto-enrolment into the fund had continued in 2019 and circa 95% of eligible employees were now enrolled in the Pension Fund. Assumptions on the life expectancy of retired staff were based on socio-economic profiling of the postcodes and these would be detailed in full in the next iteration of the Pensions Funding Strategy.

In response to questions regarding the property transfer project, the Committee heard that an update report would be submitted in March that included progress on the independent valuation.

The Committee also heard that a further update report would be submitted in March that updated Members on the impact of recent judgements made by the Courts regarding the implementation of the Government's 2015 Pension reforms in relation to age discrimination, known as the 'McCloud case'..

During discussion of infrastructure investments, the Committee agreed that the Chair and Vice-Chair be appraised of suggested investment in new funds, including rollover with an asset manager from one fund to another, before they are entered into.

RESOLVED: That performance of the Pension Fund for the quarter ended 30 September 2019 be noted.

5/20 Key Performance Indicators for the Period Ended 31 October 2019

The Committee considered a report of the Head of HR & Finance Service Centre that updated the committee on the key performance indicators for the administration of the Local Government Pension Scheme for the period up to the end of October 2019.

Members heard that a procurement exercise was planned to commission a specialist provider to process and manage the backlog of deferred benefit cases. The Committee noted that as the backlog was a time limited issue and that specialist skills were required, commissioning a specialist provider was a more efficient and appropriate option than recruiting permanent staff for this purpose.

RESOLVED: That the Key Performance Indicators detailed in the report be noted.

6/20 Pension Committee Forward Plan

The Committee considered a report of the Head of Pensions and Treasury that detailed the business plan for the Committee for the remainder of the 2019/20 municipal year and for the 2020/21 municipal year.

In considering the draft programme, the Committee noted that an additional meeting had been scheduled for 11 February 2020 to consider reports on the governance and valuation of the Fund.

Members also heard that as the timetable would mean that the formal process of consulting with other Scheme Employers would begin before valuation results were presented to a meeting of the Committee, information shared with other employers would be sent to Committee Members at the same time.

RESOLVED: That the forward plan for the remainder of 2019/20 and for the 2020/21 municipal year be AGREED.

7/20 Exclusion of the Press and Public

The following motion was moved by Councillor Pelling and seconded by Councillor Hall to exclude the press and public:

“That, under Section 100A(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following items of business on the grounds that it involves the likely disclosure of exempt information falling within those paragraphs indicated in Part 1 of Schedule 12A of the Local Government Act 1972, as amended.”

The motion was put and it was agreed by the Committee to exclude the press and public for the remainder of the meeting.

8/20 Minutes (part B) of the Previous Meeting

The Minutes (Part B) of the meeting held on 5 November 2019 were agreed as an accurate record.

9/20 Progress Report for Quarter Ended 30 September 2019

The Committee considered a report of the Head of Pensions and Treasury that detailed the commercially sensitive context of the performance of the Pension Fund over the quarter to 30 September 2019.

RESOLVED: That the report be noted.

10/20 Scenario Analysis

The Committee received a training session looking at the potential impact on investments of a range of geo-political factors. A detailed presentation was provided by Peter Gent, Senior Investment Consultant, Mercer.

The meeting ended at 11.57 am

Signed:

Date:

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.....

Croydon Council

REPORT TO:	Pension Committee 11 February 2020
SUBJECT:	Governance Review – London Borough of Croydon Pension Fund Action Plan.
LEAD OFFICER:	Nigel Cook Head of Pensions and Treasury
CABINET MEMBER	Councillor Simon Hall Cabinet Member for Finance and Resources
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT:	
Sound Financial Management: This report forms a component of the governance arrangements for the stewardship of the Pension Fund.	
FINANCIAL SUMMARY:	
There are no direct financial consequences arising from the report but it does form a component of the governance arrangements for the stewardship of the Pension Fund.	

1. RECOMMENDATION

- 1.1 The Committee are invited to comment on the draft governance action plan and agree to its implementation.
- 1.2 The Committee are invited to review progress on delivering this action plan in 12 months' time.

2. EXECUTIVE SUMMARY

- 2.1 This report advises the Committee of a draft action plan which addresses the issues raised by Aon Hewitt's recent Governance Review. It recommends actions which the Committee are invited to endorse.

3. DETAIL

- 3.1 At their meeting on 17 October 2019 the Pension Board were asked to note the review of the Fund's governance arrangements prepared by Aon Hewitt. This report is appended for information (Appendix A, Governance Review, London Borough of Croydon Pension Fund, prepared by Mary Lambe, Senior Public Sector Benefits & Governance Consultant, Aon Hewitt, 30 May 2019). Members of the Board were also asked to note that an action plan to deliver the findings would be developed and presented to the Pension Committee in December 2019

and, subsequently, to the Croydon Local Pension Board. Resourcing issues have resulted in this timetable slipping.

3.2 The Board agreed:

“... to fully endorse the findings of the Governance Review and to invite the Pension Committee to develop and, importantly, fully resource an action plan to comply with the Regulator’s Code of Practice.”

3.3 An action plan has now been drafted and is attached as Appendix B. This plan specifies the practical steps required to address the findings of the review including relevant officers and plotting against the business plans of both the Board and this Committee.

3.4 The Aon report recommends that an action plan is developed in relation to implementing these recommendations, in order that progress can be monitored on an ongoing basis. A clear plan of action is needed in relation to the areas that are not compliant or partially compliant to ensure the Fund can demonstrate its compliance with the requirements of the Regulator’s Code of Practice.

3.5 In summary, the Regulator’s Code of Practice has a checklist comprising eleven areas:

- Reporting Duties
- Knowledge and Understanding
- Conflicts of Interest
- Publishing Information
- Risk and Internal Controls
- Maintaining Accurate Member Data
- Maintaining Contributions
- Providing Information to Members and Others
- Internal Dispute Resolution
- Reporting Breaches
- Scheme Advisory Board Requirements

The Aon report has noted partial compliance in each of these areas barring ‘Reporting Duties’. There are red flags for non-compliance in seven areas and these are discussed in more detail below.

Reporting Duties

3.6 Note the requirements in this section are not included in the Pensions Regulator’s Code of Practice (the TPR Code) but they are a fundamental to the relationship with TPR. All public service pension schemes have to be registered with TPR. In addition, all schemes must provide a regular scheme return to TPR, containing prescribed information. A return is required when the scheme receives a scheme return notice from the regulator. The scheme manager must also keep the regulator informed of any changes to registrable scheme details. The requirements in this section are not included in the TPR Code but are a requirement for all schemes. The authority’s response is to ensure that a response is in future provided to TPR annual survey request - normally November each year.

Knowledge and Understanding

- 3.7 A member of the pension board must be conversant with the rules of the scheme, and any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme. Also the law relating to pensions, and any other matters which are prescribed in regulations. The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the pension board. The review looked for an up-to-date list of the Fund specific documents with which pension board members need to be conversant. This is to be added to the training policy document.

Conflicts of Interest

- 3.8 The Public Service Pensions Act 2013 sets out the legal requirements for scheme managers and pension boards for conflicts of interest. In relation to the pension board, scheme regulations must include provision requiring the scheme manager to be satisfied that a person to be appointed as a member of the pension board does not have a conflict of interest and from time to time, that none of the members of the pension board has a conflict of interest. Scheme regulations must require each member or proposed member of a pension board to provide the scheme manager with such information as the scheme manager reasonably requires for the purposes of meeting the requirements referred to above. The Review suggests that the Pension Board Conflict Policy be revised and then expanded to cover all of those involved with the management of the Fund (i.e. Pension Committee and senior officers) in a Fund wide Conflicts of Interest Policy. It should also have regard to the work with the London CIV.

Risk and Internal Controls

- 3.9 The scheme manager must establish and operate internal controls which adequately ensure the scheme is administered and managed in accordance with the scheme rules and the requirements of the law. The risk register should be updated regularly and be a standing item at the Pensions Committee and Local Pension Board meetings. TPR guidance states that a scheme manager "must establish and operate internal controls". LB of Croydon should ensure it full meets the requirements of this guidance. The Fund has a Forward Plan for both the Pension Committee and Pension Board which sets out their respective annual business plan. Progress against this is reported regularly to the Board and Committee. Croydon Pension Fund use the Altair task management system - everyday tasks on task list are allocated, and it can monitor all tasks on the team to prioritise and allocate to other members on team if task overdue. Note that the Fund directly pays pensioners.

Internal Dispute Resolution

- 3.10 The Pensions Act 1995 requires scheme managers to set up and implement an Internal Dispute Resolution Procedure (IDRP) to help resolve disputes between the scheme manager and people with an interest in the scheme. The Act states that a person has an interest in the scheme if they are a member or beneficiary; are a prospective member; have ceased to be a member, beneficiary or prospective member or claim to be any of the above and the dispute relates to this claim. The Act also states that the procedure must include how an application is to be made, what must be included in an application, how decisions are to be reached and notified and a specified period (which is reasonable) within which applications must be made. The procedure may require people with an

interest in the scheme to first refer matters in dispute to a 'specified person' in order for that person to consider and give their decision on those matters. This decision may then be confirmed or replaced by the decision taken by the scheme manager after reconsideration of the matters. However, legislation provides flexibility for scheme managers to decide the details of these. The review identified that it was not clear whether the Administering Authority's process highlight or consider whether a dispute is exempt.

Reporting Breaches

- 3.11 Certain people are required to report breaches of the law to the regulator where they have reasonable cause to believe that: a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with; and the failure to comply is likely to be of material significance to the regulator in the exercise of any of its functions. People who are subject to the reporting requirement ('reporters') for public service pension schemes are scheme managers; members of pension boards; any person who is otherwise involved in the administration of a public service pension scheme; any participating employer who becomes aware of a breach. The report must be made in writing as soon as reasonably practicable. The review was concerned as to whether breaches were being recorded in accordance with the agreed procedures.

Scheme Advisory Board Requirements

- 3.12 Clause 7 of the Public Service Pensions Act provides that the national Scheme Advisory Board (SAB) may provide advice to scheme managers or pension boards in relation to the effective and efficient administration and management of the scheme. Issues flagged as matters of concern include: members of a Local Pension Board should undertake a personal training needs analysis and put in place a personalised training plan; the Local Pension Board should understand the Administering Authority's requirements, controls and policies for FOIA compliance so that the Local Pension Board is aware of them and can comply with them; and a Local Pension Board should consider (with its Administering Authority) the need to publish an annual report of its activities.

Governance Action Plan Recommendations

- 3.13 The review recommended that it was not appropriate for reports to go out in the name of a Cabinet Member as the Pension Committee is a non-Executive Committee. This finding is not accepted as this practice is Council policy. Other responses are detailed in the action plan attached as Appendix B and this includes a timetable for addressing each specific finding.

4 FINANCIAL CONSIDERATIONS

- 4.1 There are no further financial considerations arising from this report.

5 OTHER CONSIDERATIONS

- 5.1 Other than the considerations referred to above, there are no Customer Focus, Equalities, Environment and Design, Crime and Disorder or Human Rights considerations arising from this report

6. COMMENTS OF THE SOLICITOR TO THE COUNCIL

- 6.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that GDPR will be further considered and that other than this, there are no additional legal implications from this report.

Approved by: Sandra Herbert, Head of Litigation and Corporate Law on behalf of Sean Murphy Director of Law and Monitoring Officer.

CONTACT OFFICER:

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

BACKGROUND DOCUMENTS:

None.

APPENDICES

Appendix A – Governance Review, London Borough of Croydon Pension Fund,
prepared by Mary Lambe, Senior Public Sector Benefits & Governance Consultant,
Aon Hewitt, 30 May 2019

Appendix B - London Borough of Croydon – Governance Action Plan

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Governance Review

London Borough of Croydon Pension Fund

Prepared for	London Borough of Croydon, Local Pension Board
Copy to	Nigel Cook, Head of Pensions & Treasury
Prepared by	Mary Lambe, Senior Public Sector Benefits & Governance Consultant Karen McWilliam, Partner & Head of Public Sector Benefits & Governance Consultancy
Date	30 May 2019

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Executive Summary

We have been asked by the London Borough of Croydon Local Pension Board to carry out a governance review in relation to the London Borough of Croydon Pension Fund ("the Fund"). The Fund is one of the 88 Funds who are part of the national Local Government Pension Scheme ("LGPS") in England and Wales.

The purpose of this review is to check the progress that the London Borough of Croydon the Administering Authority for the Fund has made since the original governance review which we carried out in early 2016. We have focussed the review on the areas previously highlighted as amber or red as well as undertaking a full assessment of any existing policies which have been updated and new policies in place since 2016. In addition, we also consider the fund's governance arrangements in relation to the evolution to asset pooling through the London CIV.

We will cover areas such as:

- is the reporting in relation to the Fund evolving effectively and does it provide the necessary information
- does the risk management reflect the move to the London CIV
- has the administering authority's governance structure been updated as necessary and
- how effective is the process for making decisions relating to the CIV.

The review highlights areas of good practice in relation to the governance of the Fund and also recommends any potential areas for improvement. The approach taken when carrying out both the review in 2016 and this review has been to compare the Administering Authority's current practices (at a high level) against the Aon governance framework. The framework considers the following key areas:

Direction – What is the Fund trying to achieve?

- Legislation
- Strategies and Policies

Delivery – How does the Fund meet its aims?

- Business Planning
- Performance Monitoring
- Risk Management

Decisions – Does the Fund have effective decision making?

- Governance Structure
- Behaviour
- Pensions Skills and Knowledge

Our overall conclusion is that the governance of the Fund is of a good level in many areas, meets legal requirements on the whole, with a number of improvements since the 2016 report. These include:

- Introduction of a new Risk Management Policy and Strategy which was recommended in the previous review
- Undertaking an independent check of its compliance with the Pension Regulator Code of Practice No.14 and findings are summarised in this report which was also previously recommended

- Improvement in the range of subjects covered in Committee papers which now include information on administration, communications, governance and funding in greater detail and with greater frequency
- Expanding the role of the Pension Committee in the Terms of Reference as contained within the Council's Constitution.

We also identified some areas which could potentially be improved, and we therefore made some recommendations, including the following:

- developing a Fund business plan, to be approved and monitored by the Pension Committee
- Ensure that the new client engagement approach to be provided by the London CIV is agreed and put in place
- Reflect on the concern raised by members of the Pension Committee about political influence in the Committee to ensure that decisions are appropriately made and introduce a Pension Fund Conflicts of Interest Policy, with regular training
- Introduce a Pension Fund Training Policy clarifying expectations for all those involved with the governance of the Fund and consider how training needs can be assessed
- Review a number of policies which have been in place for more than three years and ensure that all relevant policies are updated to reflect pooling through the London CIV Ltd.

We would also wish to highlight that a number of senior officers involved in the management of the Fund have left the Administering Authority. We would recommend that the Administering Authority consider whether some of the areas for improvement identified in this report have been impacted by a lack of resource, and perhaps a gap in expertise, as result of these departures. We would recommend a review of the appropriateness of the staffing levels and also consideration of succession planning.

Next steps

We recommend that the Pension Board considers the recommendations set out in this report and considers what should (and how it should) be fed back to the Pension Committee and officers of the Fund. We further recommend that an action plan is developed in relation to implementing these recommendations, in order that progress can be monitored on an ongoing basis.

Governance Review

London Borough of Croydon Pension Fund

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1 - Introduction

Purpose and scope

We first carried out a review of the Governance of the London Borough of Croydon Pension Fund (the Fund) in early 2016. We have now been asked to carry out another review to measure the progress the Administering Authority has made over the last three years.

The purpose of this review is to ensure that the legal requirements in relation to the governance of the Fund are being adhered to, as well as to highlight areas of good practice in relation to the governance of the Fund, and also any recommended areas for improvement. We have compared the Administering Authority's practices against the Aon governance framework which considers areas such as the role and effectiveness of the Pension Committee and Pension Board, how the Committee takes advice and the key documents and policies that govern the Fund. This was the same approach we took when carrying out the governance review in 2016. The Aon governance framework is explained further in the next section of this report.

The review has been carried out a high level and has not involved any detailed investigation into services such as administration, communications, funding or investments. Accordingly, it does not provide any technical comment in relation to any of these areas, including regarding the technical content of the related key governance documents. The review does include consideration, at a high level, of the legal requirements relating to governance, for example, the requirement to publish certain policies and strategies under Local Government Pension Scheme (LGPS) legislation. Though it includes some legal elements, these are presented by us in our capacity as pension consultants and not as legal experts, and as such nothing in this report should be considered as legal advice.

Structure of this report

This report builds on information in the 2016 Governance Review (dated March 2016). This report considers those areas that were recorded as amber or red in the 2016 review to assess what progress has been made since then as well as undertaking a full assessment of any existing policies which have been updated and new policies in place since 2016. We have not reviewed the current status of any areas that were classed as green in the 2016 review. In addition, this report includes a review of the governance of asset pooling and the results of the effectiveness questionnaires. Throughout this report we highlight the findings of the 2016 report to allow for easy comparison of the progress made (where relevant).

Research

The information upon which this review has been based has been gathered in a number of ways:

- Desk-top review of key reports, strategies and policies governing the scheme that were found not to be satisfactory at the last review, any new policies or strategies and web information. The documents considered are listed in Appendix A.
- Effectiveness questionnaires were provided to key officers and all Pension Committee and Pension Board members to gather their views on areas such as the length of the meetings, how topics are presented, whether the members feel confident when making decisions, whether the members understand risk and strategy, and their general engagement in matters. The results of the questionnaire are summarised in Appendix B.
- Informal discussions with Nigel Cook and Sam Fisher, senior officers with responsibilities for the management of the Fund, to clarify information found as part of the desktop review of current practices and procedures.

We would like to thank the officers and the members of the Pension Board and Pension Committee for their assistance throughout this review. It has been a pleasure working with them.

We hope the information contained within this report, which builds on the earlier report dated March 2016, is useful to the Pension Board as well as to the London Borough of Croydon in considering how best to govern the Fund in the future.

We look forward to answering any questions in relation to the report, and particularly any areas where we have highlighted that improvements could be made.

We recommend that an action plan is developed in relation to implementing these recommendations in order that progress can be monitored on an ongoing basis.

2 - Governance Framework

This section describes the best practice framework against which this review was conducted.

There are some key benefits from having effective governance in place, including:

- Robust risk management that can assist in preventing issues from arising, or at least reducing their impact should they arise
- Ensuring resources and time are appropriately focussed
- Timely decision making and implementation of change
- A clear view of how the Fund is being operated for the Pension Committee (or equivalent).

At Aon, we have a number of beliefs when it comes to achieving good governance including:

- Direction – having clear strategies and policies that also meet legislative requirements are fundamental
- Delivery – having a clear plan for implementing the Fund's strategies and policies, together with appropriate monitoring as to whether they are being achieved, and good risk management ensure effective and efficient delivery
- Decisions – having an appropriate governance structure, involving the right people, with the right attitude and the appropriate skills and knowledge is key.

These beliefs are shown in the following diagram and described in more detail below.



Table 1 – Aon governance framework

Direction – What are you trying to achieve?	
Legislation and guidance	The Fund's strategies and policies should be in line with legislative requirements and any related professional guidance.
Strategies and policies	<p>The Fund's strategies and policies should clearly set out the aims, principles, protocols and environment for how the Fund is managed. The strategies and policies:</p> <ul style="list-style-type: none"> ▪ should be wide ranging covering all key areas including funding, investments, administration, communications and governance itself ▪ should be clearly articulated, to provide a framework within which those managing the Fund are able to operate ▪ should provide the focus for all future decisions and plans ▪ should be agreed by those responsible for governing the Fund.
Delivery – How do you meet your aims?	
Business Planning	<p>Each Fund should have a business plan, setting out required activities in the forthcoming period. Those activities:</p> <ul style="list-style-type: none"> ▪ should be driven by the Fund's strategies and policies ▪ will include activities driven by changes in overriding legislation.
Performance Measurement	<p>Those responsible for governing the Fund should be provided with appropriate performance information. Measurements should:</p> <ul style="list-style-type: none"> ▪ illustrate whether the Fund's aims are being achieved ▪ cover the full range of key areas (e.g. investments, funding, governance, communications and administration) ▪ illustrate whether the Fund's business plan is being achieved ▪ be updated in accordance with appropriate timescales ▪ be presented in a manner that is easy to follow and understandable to those governing the Fund ▪ assist in identifying changes to the Fund's business plan, strategies, policies and aims.
Risk Management	<p>Effective risk management is critical to minimise the impact and/or probability of unfortunate events and to maximise the realisation of opportunities. It should be:</p> <ul style="list-style-type: none"> ▪ aligned with the Fund's aims ▪ a key consideration in decision making ▪ systematic or structured ▪ an integral part of the Administering Authority's processes and procedures on a daily basis.

Decisions – Do you have effective decision making?

<p>Governance structure</p>	<p>There is no one 'correct' governance structure. The Administering Authority's structure should:</p> <ul style="list-style-type: none"> ▪ have clear terms of reference ▪ have a clearly documented scheme of delegation ▪ allow decision making at the appropriate level ▪ allow quick decision making where appropriate ▪ include appropriate representation from stakeholders ▪ involve well-presented information/reports ▪ allow sufficient time for discussion where necessary ▪ have good quality (committee) administration (e.g. issuing papers in good time) ▪ involve a process for managing conflicts ▪ provide transparency to stakeholders where appropriate.
<p>Behaviour</p>	<p>A good governance structure will not be effective unless it involves the right people with the right attitude. Individuals should:</p> <ul style="list-style-type: none"> ▪ have a high level of attendance at meetings ▪ demonstrate integrity in relation to their Fund role ▪ be engaged and provide appropriate challenge ▪ be accountable for the decisions made ▪ highlight any potential conflicts they may have ▪ for a Chairperson, manage the meetings fairly without any bias to individuals or self ▪ prepare adequately for meetings.
<p>Skills and knowledge</p>	<p>A critical element is the need for those managing the Fund to have the appropriate level of knowledge and skills. Administering Authorities should:</p> <ul style="list-style-type: none"> ▪ clearly articulate the knowledge and skills requirements in a Fund policy ▪ provide ongoing training in an effective and suitable manner to meet those requirements ▪ regularly review whether knowledge aspirations are being met ▪ ensure they rely appropriately on officers and advisers to provide expert knowledge.

Throughout this report we have included comments which we hope are useful to the Administering Authority, including the Pension Board in highlighting areas of good practice but also identifying areas for potential improvement. To provide some greater clarity on the intention of our comments, we have included graphics to illustrate whether they are:

-  positive – meets legal requirements, national guidance and good practice.
-  negative – requires improvement as it does not appear to meet legal requirements or practices we consider key to good governance.
-  neutral – meets legal practice, in the main, but could be improved to meet good practice or national guidance.

3 - Direction – What are you trying to achieve?

In this section, we consider whether the Fund has clear strategies and policies which meet the following requirements:

- *The Fund's strategies and policies should be in line with legislative requirements and any related professional guidance.*
- *The Fund's strategies and policies should clearly set out the aims, principles, protocols and environment for how the Fund is managed. The strategies and policies:*
 - *should be wide ranging covering all key areas including funding, investments, administration, communications and governance itself*
 - *should be clearly articulated, to provide a framework within which those managing the Fund are able to operate*
 - *should provide the focus for all future decisions and plans*
 - *should be agreed by those responsible for governing the Fund.*

In the table that follows, we have considered the status of your existing policies and strategies where they were highlighted as an area of improvement (i.e. amber or red) in the 2016 governance review as well as undertaking a full assessment of any existing policies which have been updated by the Fund and new policies put in place by the Fund since 2016. The table shows the existing findings from 2016 in orange italics, and then shows in blue bold our current comments on progress since then.

When reviewing these policies and strategies, we consider both legal requirements and best practice. Note that we have not considered the principles or methodology within these documents, given that this review is focussed on governance matters and not, for example, on the quality of actuarial or investment matters.

We have indicated in the table whether the documents are;

- legally required under the LGPS, or
- expected in accordance with CIPFA, LGPS Scheme Advisory Board ("SAB") or The Pensions Regulator's ("TPR") Guidance or Codes (many of which have some element of statutory backing),

and we then consider whether they are currently in place for the Fund and whether they meet these legal requirements, or any requirements laid out in Guidance or Codes.

We also consider the quality and structure of these policies and strategies. For example, it is important that the Pension Committee is fully engaged in the development of all strategies and policies, whilst receiving appropriate advice and expertise from the officers and advisers of the Fund as well as the Pension Board. It must therefore be clear that strategies and policies are part of Pension Committee and Pension Board business and are subject to ongoing review.

Table 2 – Strategies and policies – meeting key requirements

Key – 2016 findings / 2019 update

Strategy / Policy	Fund Version / Version Date	Legal or National Guidance Requirement	Adherence to Legislation and Guidance	Process, decision making or more general observations	Progress since 2016 Review
Funding Strategy Statement (FSS), including actuarial assessments	Yes – April 2014 Effective from 1 April 2017	<ul style="list-style-type: none"> LGPS Regulations CIPFA FSS Guidance 	<p>☑ Meets requirements (but see next column regarding timescales) and also appears to follow the CIPFA guidance.</p> <p>It is noted that the Administering Authority will be reviewing the strategy in tandem with the 2016 actuarial valuation and, as part of that exercise, will be updating it in line with the updated CIPFA guidance which is expected soon.</p>	<p>☑ The FSS and actuarial valuation were considered by the Pension Committee March 2017</p> <p>☑ It is also clear that they took appropriate advice from the actuary.</p> <p>⚠ However, we would expect the FSS to be formally approved before the valuation is finalised (as the actuary needs to (legally) have regard to the current FSS in carrying out the valuation). The current FSS does not appear to have been approved until July 2014 whilst the valuation report was signed on 31 March 2014. It is also worth highlighting that the consultation with employers is stated as being in April/May 2014, which was after the date that employer rates had been certified in the valuation report. However, it does appear employers received their initial results (which would have been based on the key elements of the FSS) in late 2013, so it may have simply been the case of the formalisation of the strategy catching up with the practicalities of the approach used in the valuation.</p>	<p>☑ The FSS has been updated in Feb 2017 and was approved by the Committee in March 2017 before the valuation was finalised. It has an effective date 1 April 2017.</p>

Strategy / Policy	Fund Version / Version Date	Legal or National Guidance Requirement	Adherence to Legislation and Guidance	Process, decision making or more general observations	Progress since 2016 Review
Investment Strategy Statement (ISS) (previously Statement of Investment Principles)	<p><i>Yes - December 2015 (albeit the version on the Council's website has not been updated and is the 2012/13 version)</i></p> <p>Yes – March 2017 (effective from 1 April 2017)</p>	<ul style="list-style-type: none"> ▪ <i>LGPS Regulations</i> ▪ <i>MHCLG (formerly DCLG) Guidance on Preparing and Maintaining an Investment Strategy Statement</i> ▪ <i>Compliance Statement against CIPFA guidance on the Myners Principles in the LGPS</i> 	<p>😊 <i>Meets requirements in the Regulations.</i></p> <p>😐 <i>There is no compliance statement against the Myners Principles. Although this is no longer required by MHCLG guidance, CIPFA does continue to recommend that a statement of compliance should be developed and maintained.</i></p>	<p>😊 <i>The ISS includes information relating to Environmental, Social and Corporate Governance and outlines approach to the principles of the Stewardship Code.</i></p> <p>😊 <i>The ISS sets out how the Fund will manage its investments through including information on the London CIV.</i></p>	<p>😊 A new Investment Strategy Statement replaces the Statement of Investment Principles and it appears to be in line with the new guidance.</p> <p>😐 There continues to be no compliance statement against the Myners Principles. Although this is no longer required by MHCLG guidance, CIPFA does continue to recommend that a statement of compliance should be developed and maintained.</p>

Strategy / Policy	Fund Version / Version Date	Legal or National Guidance Requirement	Adherence to Legislation and Guidance	Process, decision making or more general observations	Progress since 2016 Review
<p>Governance Policy and Compliance Statement</p>	<p><i>Yes – 2015 (no month shown but considered with annual report in September 2015)</i></p> <p>Yes – March 2017</p>	<ul style="list-style-type: none"> ▪ <i>LGPS Regulations</i> ▪ <i>Compliance Statement against Secretary of State guidance</i> 	<p>😊 <i>The Governance Compliance Statement provides the information that is required by the Local Government Pension Scheme Regulations 2013.</i></p> <p>😞 <i>However, it does not clearly state the extent to which it complies with each of the points in the Secretary of State's Statutory Guidance. We would expect the key elements outlined in that guidance to be explicitly quoted together with a note setting out whether the Fund complies with each element.</i></p>	<p>😞 <i>It does not appear that the Pension Committee was specifically asked to approve this document (it was part of the annual report and no changes were specifically highlighted). We would recommend this being clear in the future.</i></p>	<p>😊 The policy was reviewed in March 2017 and approved by Committee at their meeting on 7 March.</p> <p>😞 The policy refers to two appendices. Appendix B states the extent to which it complies with points in the Secretary of State's Statutory Guidance however not all points from the 2008 guidance are included.</p> <p>😞 The appendices to the Policy are not available on the Fund website and we have not seen evidence that it has been updated since 2017.</p> <p>😞 The policy needs to be updated to reflect the delegated responsibilities and governance structure relating to LGPS pooling through the London CIV.</p>

Strategy / Policy	Fund Version / Version Date	Legal or National Guidance Requirement	Adherence to Legislation and Guidance	Process, decision making or more general observations	Progress since 2016 Review
<p>Governance Policy and Compliance Statement (Continued)</p>					<p>☹️ The policy states it will be updated annually but we have not seen evidence of this. Adopting a less frequent period might be sensible in this regard.</p> <p>☹️ Small point but the policy states that the Board approved the document in March 2017; this should refer to the Pension Committee.</p>

Strategy / Policy	Fund Version / Version Date	Legal or National Guidance Requirement	Adherence to Legislation and Guidance	Process, decision making or more general observations	Progress since 2016 Review
Communications Policy	<p>Yes – September 2014</p> <p>Yes – June 2017</p>	<ul style="list-style-type: none"> ▪ <i>LGPS Regulations</i> 	<p>😊 <i>Meets all requirements.</i></p>	<p>😊 <i>It does not appear that the Committee was specifically asked to approve this document (it was part of the annual report and no changes were specifically highlighted).</i></p>	<p>😊 This policy was introduced in June 2016 and reviewed with a small amendment in June 2017. The latest version was approved by the Committee at their meeting on the 20 June 2017.</p> <p>😊 We would expect to see reference to the risks relating to the policy and how they are managed.</p> <p>😊 It states it will be updated annually but we have not seen evidence of this. Adopting a less frequent period might be sensible in this regard.</p> <p>😊 Small point but reference to approval is to June 2016; the latest version was approved at June 2017 Pensions Committee.</p>

Strategy / Policy	Fund Version / Version Date	Legal or National Guidance Requirement	Adherence to Legislation and Guidance	Process, decision making or more general observations	Progress since 2016 Review
Administering Authority Discretionary Policy	<i>No (albeit the employing authority's policy is available on the website)</i>	<ul style="list-style-type: none"> LGPS Regulations – basic element only 	<p>☹️ No policy has been made. Note the legally required element is just in relation to waiving of reductions for ceased employers, and therefore this is not a major issue but should be rectified.</p>	<p>😊 There are a range of discretionary provisions in the LGPS regulations, such as the charging of interest on late contributions or how to determine who should receive a death grant. It is best practice to have a fuller policy which allows discretions to be approved by the Committee or, given its focus on low risk matters, by officers if delegated powers are provided. It should, however, be worded appropriately to ensure that it does not fetter future discretion in relation to these powers.</p>	<p>☹️ There appears to have been no changes since the previous review. In a Board paper (January 2019) reference was made to a list of policies which are required, and this included a Policy Statement of Exercise of Discretionary Powers. It is not known if the Board agreed to focus on this policy.</p>
Administration Strategy	<p><i>Yes – January 2016</i></p> <p>Yes – July 2017</p>	<ul style="list-style-type: none"> LGPS Regulations, (as an optional strategy) 	<p>😊 Meets all requirements.</p>	<p>😊 This was considered and approved at the December 2015 Pension Committee.</p>	<p>😊 No improvements were identified in 2016. However, the strategy was updated with effect from July 2017 and was approved by the committee at their meeting on 20 June 2017.</p>

Strategy / Policy	Fund Version / Version Date	Legal or National Guidance Requirement	Adherence to Legislation and Guidance	Process, decision making or more general observations	Progress since 2016 Review
Risk Management Policy & Strategy	<p><i>No</i></p> <p>Yes – December 2017</p>	<ul style="list-style-type: none"> ▪ <i>CIPFA Guidance</i> 	<p>☹ <i>Not in place.</i></p>	<p><i>N/A</i></p>	<p>😊 This policy has been produced and implemented which is positive addition following the 2016 review.</p> <p>😊 It appears to meet all requirements in relation to the CIPFA guidance.</p> <p>😊 This was considered and approved at the December 2017 Committee.</p>

Strategy / Policy	Fund Version / Version Date	Legal or National Guidance Requirement	Adherence to Legislation and Guidance	Process, decision making or more general observations	Progress since 2016 Review
<p>Annual report and accounts</p>	<p><i>Yes – 2014/2015</i> Yes – 2017/2018</p>	<ul style="list-style-type: none"> ▪ <i>LGPS Regulations</i> ▪ <i>CIPFA Guidance "Preparing the Annual Report"</i> ▪ <i>CIPFA accounting guidance</i> 	<p>😊 <i>Meets all LGPS Regulatory requirements.</i></p> <p>😬 <i>There appear to be some elements of the CIPFA annual report guidance that are not included in full, for example, administration data quality and a statement of compliance with the CIPFA knowledge and skills code of practice.</i></p> <p>😊 <i>Due to the detailed nature of CIPFA's accounting guidance we have not considered this. However, the audit findings were reported to the September 2015 Pension Committee.</i></p>	<p>😊 <i>This was considered and approved at the September 2015 Pension Committee, including the associated audit report.</i></p>	<p>😊 The 2017/18 accounts again do not appear to include the elements of the CIPFA annual guidance that were missing in the previous years.</p> <p>😊 This was considered at the September 2018 Committee meeting, including the associated audit report. However, the report was noted rather than approved by the Committee.</p>

Strategy / Policy	Fund Version / Version Date	Legal or National Guidance Requirement	Adherence to Legislation and Guidance	Process, decision making or more general observations	Progress since 2016 Review
Knowledge and Skills/Training Policy	<p>Yes:</p> <ul style="list-style-type: none"> ▪ LPB July 2015 ▪ PC 2014 ▪ PC 2010 – unable to verify 	<ul style="list-style-type: none"> ▪ CIPFA & SAB ▪ TPR Code of Practice 	<p>😊 It appears that all key elements are considered in relation to the Local Pension Board (SAB and TPR), but we were unable to verify this in relation to the wider requirements in line with the CIPFA guidance. Although some information is contained within the Fund's Training Log, we were advised that the original decisions were made at a Pension Committee meeting in 2010 and those papers are no longer publicly available.</p> <p>We would therefore recommend that a single Fund Knowledge/Training Policy is created, standardising the approach for all Fund stakeholders in accordance with the SAB and CIPFA requirements and</p>	<p>😊 We were advised that the original decision was made at a PC meeting in 2010 which is clearly good practice, but we observe that this decision is now nearly 6 years old, and best practice is that key policies should be regularly refreshed.</p>	<p>😊 There appears to have been no updates or changes since the previous review. This should be considered as soon as possible given it is over 3 years since the existing policies were adopted. This is a key area of interest for TPR and having the appropriate level of knowledge and skills is a legal requirement placed on Board members.</p>

Strategy / Policy	Fund Version / Version Date	Legal or National Guidance Requirement	Adherence to Legislation and Guidance	Process, decision making or more general observations	Progress since 2016 Review
<p>Knowledge and Skills/Training Policy (Continued)</p>			<p><i>that this is formally approved and adopted by the Committee and Board.</i></p> <p><i>When this combined document is created, we would recommend that this clearly states the individual responsible for ensuring that the Policy is implemented (as is recommended). This will be a useful reminder for relevant stakeholders as to who to contact if they feel they require further training.</i></p>		

Strategy / Policy	Fund Version / Version Date	Legal or National Guidance Requirement	Adherence to Legislation and Guidance	Process, decision making or more general observations	Progress since 2016 Review
<p>Conflicts of Interest Policy</p>	<p>Yes:</p> <ul style="list-style-type: none"> Pension Board July 2015 	<ul style="list-style-type: none"> SAB <p>Required for Pension Board only</p>	<p>😊 <i>The Conflicts of Interest Policy for the Board appears to incorporate the key elements as expected.</i></p>	<p>😊 <i>Although not explicit in any legislation or guidance, it would be good practice to have a wider Fund Conflicts of Interest Policy applying to all stakeholders, and this is mentioned as part of the CIPFA annual report guidance. This should highlight differences between the Council's requirements in relation to declarations for elected members and officers as well as ensuring other parties (observers and advisers) are fully aware of expectations.</i></p>	<p>😊 There appears to have been no updates or changes since the previous review. This should be considered as soon as possible given it is over 3 years since the existing policy was adopted.</p>

Strategy / Policy	Fund Version / Version Date	Legal or National Guidance Requirement	Adherence to Legislation and Guidance	Process, decision making or more general observations	Progress since 2016 Review
Breaches of the Law Procedure	<p>Yes:</p> <ul style="list-style-type: none"> Pension Board July 2015 	<ul style="list-style-type: none"> Pensions Act 2004 TPR Code of Practice 	<p>😊 The Breaches Procedure that has been put in place appears to be focussed on Local Pension Board members. We recommend that changes are made to make it clear that it equally applies to all persons who are required to report material breaches and then this requirement (and procedure) should be communicated to all such persons.</p>	<p>😊 We also recommend that the Procedure is clearer in relation to ongoing monitoring of breaches with the PC and LPB, whether the breach is materially significant, and hence reportable, or not.</p>	<p>😊 There appears to have been no updates or changes since the previous review.</p> <p>😊 It is not clear whether there is a system to record breaches in place and how the Committee and Board monitor breaches.</p>
Employer (admission / cessation / bulk transfer) Policy	<p>Yes:</p> <ul style="list-style-type: none"> March 2014 (we note this policy was not reviewed as part of the 2016 review) 	<ul style="list-style-type: none"> None- good practice only 	N/A		<p>😊 Although not legally required, many administering authorities have now put admission and bulk transfer policies in place to provide greater detail and expand on some of the areas in the FSS.</p> <p>😊 We suggest the “Policy for Employer leaving the Fund” is updated in line with exit credits legislation.</p>

☹️ The results of the questionnaire that was completed by Pension Committee members, show that many of the members indicated concern that the Fund's strategies and policies do not articulate the Fund's objectives in the areas of administration, communication, governance, investment or funding. The results highlight that, even though there are strategies or policies in place covering most of these areas, there could be more time spent at Committee meetings considering whether the objectives, and therefore strategies, are appropriate and also how they will be delivered (please see later in the business planning section regarding this latter point). There was a particular concern noted by the Committee in respect of the area of governance and the lack of engagement relating to the objectives and strategies in place in that area.

As a general principle we would also recommend that any strategy or policy document should include the following elements in addition to the main contents/purpose of the document:

- Introduction including any relevant legislation and guidance
- The Fund's aims / objectives in this area
- What measurement / monitoring will be carried out in relation to those aims / objectives
- The key risks relating to the strategy and how they are being managed / monitored
- Who was consulted on the drafting of the strategy / policy
- When / how it was approved
- The effective date of the strategy / policy
- When it will next be reviewed
- The roles and responsibilities of the key parties responsible for delivering the strategy (e.g. Pension Fund Committee, officers, fund managers, advisers etc.).

In addition, we recommend that the latest version of all of these key documents is made available on the Fund's website.

We show in the following table whether or not these elements are contained in the Fund's key documents, where we consider them appropriate.

Table 3 – Strategies and policies – document structure

Strategy / Policy Elements	FSS	ISS	Govern- ance	Communi- cations	Risk	Administra- tion	Employer (admission / cessation / bulk transfer) Policy
Introduction including any relevant legislation and guidance	Yes	Yes	Yes	Yes	Yes	Yes	No policy in place
The Fund's aims / objectives	Yes	Yes	Yes	Yes	Yes	No	N/A
Measurement / monitoring requirements	Yes	Yes	No	Yes	Yes	Yes	N/A
Key risks and how they are being managed / monitored	Yes	Yes	No	No	Yes	No	N/A
Who was consulted	Yes	Yes	Included but could be clearer	No	Yes	Yes	N/A
When / how it was approved	Yes – implicit	Yes – implicit	Yes	Yes (but needs amending)	Yes	Yes	N/A
Effective date	Yes	Yes	Yes	Yes	Yes	Yes	N/A
When it will next be reviewed	Yes	Yes	Yes	Yes	Yes	Yes	N/A
The roles and responsibilities of the key parties	Yes	Included but could be clearer	Partial	No	Yes	Yes	N/A
On website	Yes	Yes	Yes (but not appendices)	Yes	No	Yes	N/A

😊 As you can see from the tables above, many of the policies follow good practice by incorporating these key elements. Further, almost all policies that exist are available on the Fund's website. We note that a number of policies need to be updated and we would recommend the Administering Authority develops within a business plan and the Committee and Board's forward plan, a commitment to ensure that all policies are subject to review at least every three years and, on the next review of each policy, that the structure of the policy is reviewed to ensure all the key elements identified above are incorporated.

Adherence to The Pensions Regulator Code of Practice

Progress since 2016 Report – move from 😐 neutral to 😊 good having undertaken an independent review against the Code of Practice (Improvement)

TPR's Code of Practice Number 14 – Governance and administration of public service pension schemes ("TPR's Code of Practice") sets out legal requirements, and standards of conduct and practice, expected from those who exercise functions in public service pension schemes. London Borough of Croydon Pension Fund should carry out regular evaluations against the Code's requirements and address areas of partial compliance and non-compliance in a timely manner.

There are a number of key requirements relating to the management and operations of public service pensions schemes which are outlined in TPR's Code of Practice which are in addition to the LGPS regulations, CIPFA and Scheme Advisory Board guidance. Many of the elements in the guidance relate to legislative requirements, mainly under the Public Service Pensions Act 2013 or the Pensions Act 2004. The Code of Practice covers the following areas and it can be seen that there is also overlap with some of the policies and strategies mentioned previously in this section.

- Knowledge and understanding of Local Pensions Board members
- Conflicts of interest and representation
- Publishing information about schemes
- Internal controls
- Scheme record-keeping
- Maintaining contributions
- Providing information to member
- Internal dispute resolution
- Reporting breaches of the law

As a matter of best practice, we would expect all Administering Authorities to carry out a regular review of their approach against:

- the legal requirements underpinning the TPR Code of Practice, with a view to ensuring that these are being adhered to, and
- the guidance contained within the code, to consider whether the guidance should be adhered to or an alternative and justifiable approach should be taken.

This will also be an area of particular interest to the Pension Board as it is part of their statutory responsibility to assist in ensuring compliance with the TPR's Code of Practice.

The Pension Regulator carries out regular surveys of public service pension schemes' compliance with the Code and has stated that it expects all schemes to have assessed themselves against the law and its code of practice.

The Council has recently arranged for an independent check (using a traffic light scoring approach) of the Croydon Pension Fund's compliance with the TPR's Code of Practice. This independent check of compliance with the code demonstrates an improvement from the earlier 2016 report by ensuring a fully impartial check has been undertaken and providing a foundation for officers to build an action plan from and then carry out further regular reviews, which can be reported to both the Committee and Board.

A summary of the findings is set out below and we would recommend that a clear plan of action is identified in relation to the areas that are not compliant or partially compliant to ensure the Fund can demonstrate its compliance with the requirements of the Code:

Summary Dashboard

A dashboard showing the summary of the results of the latest compliance checklist is shown below:

No.	Completed	Compliant
Reporting Duties		
A1	Fully completed	Fully compliant
A2	Fully completed	Fully compliant
A3	Fully completed	Fully compliant
A4	Fully completed	Non-compliant
Knowledge and Understanding		
B1	Fully completed	Partially compliant
B2	Fully completed	Partially compliant
B3	Fully completed	Partially compliant
B4	Fully completed	Fully compliant
B5	Fully completed	Fully compliant
B6	Fully completed	Fully compliant
B7	Fully completed	Non-compliant
B8	Fully completed	Partially compliant
B9	Fully completed	Fully compliant
B10	Fully completed	Fully compliant
B11	Fully completed	Partially compliant
B12	In progress	Partially compliant
Conflicts of Interest		
C1	Fully completed	Partially compliant
C2	Fully completed	Partially compliant
C3	Fully completed	Partially compliant
C4	Fully completed	Fully compliant
C5	Fully completed	Partially compliant
C6	Fully completed	Non-compliant
C7	Fully completed	Non-compliant
C8	Fully completed	Fully compliant
C9	Fully completed	Partially compliant
C10	Fully completed	Fully compliant
C11	Fully completed	Fully compliant
Publishing Information		
D1	Fully completed	Partially compliant
D2	Fully completed	Partially compliant
D3	Fully completed	Partially compliant
D4	Fully completed	Fully compliant

No.	Completed	Compliant
Risk and Internal Controls		
E1	Fully completed	Fully compliant
E2	Fully completed	Fully compliant
E3	Fully completed	Partially compliant
E4	Fully completed	Partially compliant
E5	Fully completed	Fully compliant
E6	Fully completed	Partially compliant
E7	Fully completed	Non-compliant
E8	Fully completed	Non-compliant
Maintaining Accurate Member Data		
F1	Fully completed	Fully compliant
F2	Fully completed	Fully compliant
F3	Fully completed	Partially compliant
F4	Fully completed	Fully compliant
F5	Fully completed	Fully compliant
F6	Fully completed	Fully compliant
F7	Fully completed	Fully compliant
F8	Fully completed	Fully compliant
F9	Fully completed	Partially compliant
F10	Fully completed	Fully compliant
F11	Fully completed	Fully compliant
Maintaining Contributions		
G1	Fully completed	Fully compliant
G2	Fully completed	Fully compliant
G3	Fully completed	Fully compliant
G4	Fully completed	Partially compliant
G5	Fully completed	Fully compliant
G6	Fully completed	Fully compliant
G7	Fully completed	Employers - Partially compliant
G8	Fully completed	Partially compliant
G9	Not yet relevant	Not yet relevant
Providing Information to Members and Others		
H1	Fully completed	Employers - Partially compliant
H2	Fully completed	Partially compliant
H3	Fully completed	Partially compliant
H4	Fully completed	Partially compliant
H5	Fully completed	Partially compliant
H6	Fully completed	Partially compliant

No.	Completed	Compliant
H7	Fully completed	Employers - Fully compliant
H8	Fully completed	Fully compliant
H9	Fully completed	Partially compliant
H10	Fully completed	Fully compliant
H11	Fully completed	Partially compliant
H12	Fully completed	Fully compliant
H13	Fully completed	Fully compliant
Internal Dispute Resolution		
I1	Fully completed	Fully compliant
I2	Fully completed	Non-compliant
I3	Fully completed	Fully compliant
I4	Fully completed	Fully compliant
I5	Fully completed	Fully compliant
I6	Fully completed	Fully compliant
I7	Fully completed	Partially compliant
I8	Fully completed	Fully compliant
I9	Fully completed	Fully compliant
Reporting Breaches		
J1	Fully completed	Partially compliant
J2	Fully completed	Fully compliant
J3	Fully completed	Non-compliant
Scheme Advisory Board Requirements		
K1	Fully completed	Fully compliant
K2	Fully completed	Fully compliant
K3	Fully completed	Partially compliant
K4	Fully completed	Partially compliant
K5	Fully completed	Partially compliant
K6	Fully completed	Partially compliant
K7	Fully completed	Non-compliant
K8	Fully completed	Partially compliant
K9	Fully completed	Fully compliant
K10	Fully completed	Partially compliant
K11	Fully completed	Fully compliant
K12	Fully completed	Non-compliant
K13	Fully completed	Partially compliant
K14	Fully completed	Non-compliant
K15	Fully completed	Fully compliant

4 - Delivery – How do you meet your aims?

In this section we consider whether the Fund:

- *has a business plan in place*
- *has an appropriate governance structure*
- *has people with the appropriate level of knowledge and skills*
- *has people with appropriate behaviours needed to make the governance effective.*

Business Planning

Progress since 2016 Report – no change remains 😊 neutral

TPR guidance – Setting a clear purpose and strategy is essential to managing the Fund effectively and getting good outcomes for members¹

CIPFA guidance – A medium term business plan should be created for the pension fund

A Fund's business plan should set out all planned activities in the forthcoming period. Those activities:

- should be driven by objectives of the Fund's strategies and policies
- should focus on the Fund's key priorities rather than business as usual activity
- will include activities driven by changes in overriding legislation or statutory guidance.

A business plan will enable progress and performance to be monitored in relation to key priorities and provide staff, partners and customers with a clear vision for the forthcoming period of the Plan.

It is good practice for Funds to have a clear business plan which is formally approved by the Committee each year. The LGPS Myners Principles published by CIPFA explicitly states:

"The CFO should ensure that a medium term business plan is created for the pension fund, which should include the major milestones and issues to be considered by the committee. The business plan should contain financial estimates for the investment and administration of the fund and include appropriate provision for training. Key targets and the method of measurement should be stated, and the plan should be submitted to the committee for consideration.

The business plan should review the level of internal and external resources the committee requires to carry out its functions effectively and contain recommended actions to put right any deficiencies or to anticipate changing requirements in the future."

There is no explicit business plan for the Fund. However, some elements that would make up a business plan are undertaken, including a forward plan of both Pension Committee and Pension Board business.

The current practice however should be improved and made more transparent with the development of a central business plan incorporating or summarising all of these elements in a single place of reference. Some of the key benefits of this would be:

- Clearer visibility and agreement of key tasks, which would in turn make it easier to ensure those tasks are in line with the agreed strategic direction of the Fund

¹ TPR 21st Century Trustee - <https://www.thepensionsregulator.gov.uk/en/trustees/21st-century-trusteeship/3,-d,-,-clear-purpose-and-strategy->

- Ensuring the Committee is in agreement with the areas being focussed on/planned for, and accordingly with where resources are being focussed, as well as assisting in highlighting any resourcing challenges in advance
- Formal agreement to the Fund's budgets for future years by the Committee
- A longer term view (we would recommend a three year rolling plan) where recurring elements could be captured, such as review of providers (e.g. AVCs, investment consultant), which would provide Committee members with the opportunity to highlight anything they think is currently missing
- Ensuring the Committee is aware of and in agreement with future plans across the full spectrum of the Fund's activities (i.e. investment, funding, governance, administration and communications).

We recommend incorporating tasks into a business plan relating to all of the following areas, all of which should be considered in the context of the agreed strategies/aims of the Fund:

- legislation (e.g. valuation, implementation of a forthcoming legislative changes),
- performance monitoring (e.g. the review of an area of a service that is failing to meet the agreed service standard)
- standard practice (e.g. review of advisers, review of strategies and policies),
- the evolving environment (e.g. new investment vehicles, a greater focus on information technology efficiencies)
- risk management (e.g. reviewing staffing structure due to increasing manpower risk)

It will be important for the Committee to recognise that that any business plan may need to be revised mid-year, for example, if new legislation is passed or a particular task is deferred for a particular reason. Further, we recommend that the Committee is also provided with regular updates on progress against the agreed business plan, which can be presented at a high level, and which in turn will help them to consider if it does need to be reviewed or realigned.

Importantly, this lack of focus on business planning is also highlighted within the results of the questionnaire. Over half of those responding to the Pension Committee questionnaire felt that they do not get appropriately involved in agreeing the Fund's business plan and similar concerns were raised by the Pension Board. Both sets of respondents also raised concerns about not being kept up to date with progress against key tasks. We would recommend that developing a business plan, which is updated annually, should be an area of priority for the Administering Authority.

Performance Measurement

Progress since 2016 Report – remains 😊 (however some improvement has been made)

CIPFA guidance – Pension Committee, Pension Board and Senior Officers should ensure monitoring of aims and objectives and legal requirements is taking place

TPR guidance – Monitor progress against the Scheme's objectives and goals²

Those responsible for governing the Fund should be provided with appropriate performance information. Measurements should:

- illustrate whether the Fund's aims are being achieved
- cover the full range of key areas (e.g. investments, funding, governance, communications and administration)
- illustrate whether the Fund's business plan is being achieved

² TPR 21st Century Trustee - <https://www.thepensionsregulator.gov.uk/en/trustees/21st-century-trusteeship/3,-d,-,-clear-purpose-and-strategy->

- be updated in accordance with appropriate timescales
- be presented in a manner that is easy to follow and understandable to those governing the Fund
- assist in identifying potential changes to the Fund's business plan, strategies, policies and aims.

In the last report we noted that investment activity is covered in detail in the Committee papers. We recommended that other areas including funding, governance, administration and communications matters are also covered during Committee meetings. There is evidence of improvement with regular inclusion of Key Performance Indicators (KPIs) covering mainly administration as well as updates on funding and governance matters.

There is scope for further improvements in areas such as making administration and communications updates a standing item on the Committee agenda and in the area of data quality for example and we recommend that the Fund continue to expand the monitoring information that is captured and shared with the Committee, ensuring it is aligned to the objectives within the administration and communications strategies. The Regulator has a clear focus on the issue of data quality setting out in the Code of Practice 14 that "schemes should have policies and processes that monitor data on an ongoing basis to ensure it is accurate and complete". More recently as part of the extended oversight of the Pensions Regulator they have been placing a lot of focus on data quality and highlighted the expectation that all public service pensions schemes should have a data improvement plan in place. The Pensions Regulator is also particularly interested in proper identification and reporting of breaches of the law, for example, where legal timescales for communicating with scheme members are missed. We recommend that the Pension Committee, Pension Board and officers consider the recent CIPFA guidance "Administration in the LGPS: a guide for pensions authorities"³ which sets out information to help decision makers in the LGPS to better understand how they can oversee the delivery and quality of administration and communications within their administering authorities, with a view to identifying where improvements may be needed; this CIPFA guidance is consistent with expectations of the Pensions Regulator.

Basic information is provided in relation to employer changes in the Fund and, as mentioned previously, training logs. However, we recommend that the Administering Authority reviews its wider monitoring arrangements to ensure all of the Fund's aims and objectives, as articulated in the key strategies and policies, are subject to ongoing monitoring at appropriate timescales. We would expect this to include areas such as:

- regular reporting of turnaround times and more qualitative measures in relation to the performance targets set out in the administration strategy
- more regular consideration of funding matters, such as funding levels, employer covenants and cash-flows, specifically focussed on the key objectives of the funding strategy statement

We would also expect ongoing monitoring reports to share information such as:

- identified breaches of the law (both those reported to TPR and those simply recorded by the Fund) - it is not clear whether there is a system in place and how the Committee and Board monitor breaches.
- monitoring progress against the Fund's budget including expected income and expenditure
- monitoring of key tasks included within the annual business plan (where in place).

It is possible to contain much of this information within a summary scorecard or another simple method of indicating at a high level any areas that are not meeting the requirements (but equally allowing Committee members to easily identify how well the Fund is also doing). This could perhaps be as simple as an initial summary page within the appropriate report, which would assist in ensuring information is kept succinct where appropriate.

In the responses to the effectiveness questionnaires:

³ Guidance is free and can be found at <https://www.cipfa.org/policy-and-guidance/reports/administration-in-the-lgps>

- over half the Pension Committee members who responded indicated they feel they do not get enough information to access if governance objectives are being met. Also, concern was raised by the Pension Committee about the clarity of objectives in the area of governance.
- over half of the Pension Committee responding say that the communications and governance strategies and policies were not brought to Committee for review sufficiently often.
- In all areas the majority of Pension Committee members indicated concern that the Fund's strategies and policies do not articulate the Fund's objectives in the areas of administration, communication, governance, investment or funding.

In our view, having clear objectives, which are agreed and regularly reviewed by the Committee, provides a robust foundation upon which regularly monitoring information can be provided, and upon which a business plan can be developed.

Risk Management

Progress since 2016 Report – move from 😐 neutral to 😊 good (Improvement)

TPR guidance – Sets out the legal requirement on an administering authority to establish and operate internal controls and expected practice on identifying and evaluating risks

Effective risk management is critical in minimising the impact and/or probability of undesirable events and in maximising the realisation of opportunities. Risk Management should be:

- aligned with the Fund's aims
- a key consideration in decision making
- systematic or structured
- an integral part of the Administering Authority's processes and procedures on a daily basis.

It is positive to see significant improvement in this area given the requirement on the Administering Authority to identify and evaluate risks, and to establish and operate internal controls. The Fund implemented a Risk Management Policy in December 2017, this positive development is accompanied by regular reviewing of the risk register at Pension Committee and it is also considered by the Pension Board at their meetings.

The Pension Committee respondents however indicated a number of concerns relating to risk management with the majority indicating that, even though the majority of them feel they understand the Fund's risk, they do not feel sufficiently engaged in how risks are being responded to. There was also concern in the area of risk raised by the Pension Board albeit not to the same level of concern indicated from the Committee. This might suggest the need for greater time to be spent considering the Fund's key risks and understanding the options that might be available, and also ensuring that the risks associated with key decisions are given greater focus within Committee reports and presentations.

5 - Decisions – Do you have effective decision making?

In this section we consider whether the Fund:

- *has an appropriate governance structure*
- *has people with the appropriate level of knowledge and skills*
- *has people with appropriate behaviours needed to make the governance effective.*

Appropriate governance structure

There is no one 'correct' governance structure. The Administering Authority's structure should:

- have clear terms of reference
- have a clearly documented scheme of delegation
- allow decision making at the appropriate level
- allow quick decision making where appropriate
- include appropriate representation from stakeholders
- involve well-presented information/reports
- allow sufficient time for discussion where necessary
- have good quality (Committee and Board) administration (e.g. issuing papers in good time)
- involve a process for managing conflicts
- provide transparency to stakeholders where appropriate.

These elements are considered in this section. In addition, we consider whether the governance structure has appropriately evolved as part of asset pooling in section 5 of the report.

The function of the Pension Committee

Progress since 2016 Report – move from  neutral to  good (Improvement)

In the Council's constitution (section 3 – responsibility for Council functions) it sets out the function of the Committee.

The description of the role of the Pension Committee has been expanded since the last review. It now makes reference to administrative and governance matters which is a positive change. In addition, it contains a list of activity the Committee is responsible for. This is also included in part 4.N of the Constitution which sets out the Committee's Terms of Reference.

The function of the Local Pension Board

Progress since 2016 Report – no change remains  neutral

The changes recommended in our 2016 report (as restated below) have not been made to Part 3 of the Council's Constitution.

Although not explicitly part of this review, we also note that the responsibilities of the Local Pension Board are stated to be:

"The Board secures the effective and efficient governance and administration of the Croydon Council Pension Fund"

We observe that this is not consistent with the LGPS regulations where the role of the Board is included in the following provision:

"Each administering authority shall no later than 1st April 2015 establish a pension board ("a local pension board") responsible for assisting it—

- (a) *to secure compliance with—*
 - (i) *these Regulations,*
 - (ii) *any other legislation relating to the governance and administration of the Scheme and any connected scheme, and*
 - (iii) *any requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme; and*
- (b) *to ensure the effective and efficient governance and administration of the Scheme and any connected scheme."*

In particular we would stress the legislative reference to "assist" the administering authority, rather than being fully responsible for "securing" this. Although the role of the Pension Board in its Procedure Rules does articulate this wider role, we recommend Part 3 of the Constitution is updated to be consistent to avoid any confusion around where responsibility lies.

Clearly documented Scheme of Delegation

Progress since 2016 Report – no change remains neutral

In the 2016 report we mentioned that the lack of clarity regarding delegations to officers. This remains the case with no specific mention to pensions in that section of the Council's Constitution.

As with all Councils, the Constitution includes elements such as Financial regulations and Tender and Contract regulations. There does not seem to be any specific mention in relation to pension fund matters and therefore we would assume the elements contained within those apply equally to the pension fund management - for example, the Chief Financial Officer is responsible for selecting the Council's accounting procedures, records and policies and for monitoring and controlling expenditure against budget allocations.

We acknowledge that on a day to day basis many of the operational aspects within these procedure rules will be delegated to officers such as the Head of Pensions & Treasury. As this is a high level review, we have not considered this onward delegation, how it is formally delegated or any financial controls relating to it.

Appropriate representation

Progress since 2016 Report – one improvement but remains neutral

It is good practice for Administering Authorities to allow some representation for scheme members and employers. The Administering Authority provides this in a number of ways:

- The Committee is made up of:
 - Eight London Borough of Croydon Councillors – with voting rights
 - Three (two pensioner representatives and one trade union representative) co-opted members – one of the pensioner representatives has voting rights with no voting rights for other pensioner representative or trade union representative.
- The Board is made up of:
 - Independent non-voting Chair
 - Three employer representatives
 - Three employee representatives

We consider that the involvement of the wide range of stakeholders across these two bodies provides good opportunity for them to feed into the decision making process. It is positive to see that a co-opted pensioner representative now has voting rights on the Committee. However, the Committee still does not include any employer representative.

Further, the Pension Committee's comments in the effectiveness questionnaire appear to point to a level of concern amongst some regarding a political influence on the Committee based on the membership in place. It is important that all members of the Committee appreciate that pensions are not an Executive Function and that there is a fiduciary and public law duty in relation to scheme members that is fundamental in the decision that are being made. We note that the cabinet member for Finance and Resources within the Administering Authority is vice-chair of the Pension Committee. Whilst this is a wholly legitimate appointment it does require much greater awareness and consideration of the potential conflicts which may arise where a member of the Committee holds such a role with the Administering Authority. In some other administering authorities, they manage such potential conflicts by avoiding Finance Cabinet members having Chair or Vice-Chair appointments on Pension Committees due to the risk of potential conflicts of interest. We suggest that consideration is given to the potential conflicts in place and if it is decided that no further changes are to be made to the Committee structure, we would recommend training should be provided to all members to ensure that the legal responsibilities are fully understood. This should be provided to all existing members of the Committee and the Board and should also be part of induction training for new members.

Nationally, the LGPS Scheme Advisory Board is also reviewing the current governance models across LGPS administering authorities. The review is being carried out due to some concerns around how the existing role of host administering authorities can impact on the management of LGPS funds, due to potential conflicts between the host authority responsibilities and the pension funds responsibilities. The review is considering ways of raising standards of governance across the LGPS, including potentially new structures with greater ring-fencing or separation of pension fund responsibilities, to ensure that potentially conflicting interests are identified and managed effectively. A report setting out the findings of this review is due in summer 2019 and we advise that the Administering Authority considers the findings from this report in the context of the management of the London Borough of Croydon Pension Fund.

Good quality (Committee and Board) administration

Progress since 2016 Report – some improvements but overall remains neutral

In common with most local authorities, Croydon appear to generally be very good at administration with:

- minutes signed off as a true record by the Committee and the Board (but see comments below based on the effectiveness questionnaire findings),
- well laid out reports with clear recommendations, and
- each paper referring to the Corporate Priority/Policy Context which provides an opportunity to link the contents of the paper back to the specific objectives of the Fund's strategies, such as the Funding Strategy Statement or the Administration Strategy.

We have noted that there has been a number of supplemental papers issued to the Committee recently which might indicate that these reports were not available within the required five working days before the Committee. If this is the case, we would recommend investigating the reasons for this as it may be an indication of officers' resource constraints.

 In the 2016 report we highlighted a minor area for consideration which appears to have remained the same. Each paper refers to the relevant Cabinet Member but, given this is a non-executive committee, we do not understand how this is relevant. We also observe that the Corporate Priority/Policy Context generally always refers to Sound Financial Management which we assume is a London Borough of Croydon priority. Although this is relevant to the management of the Fund, and the comments are then expanded on from a Fund perspective, we would suggest

that any reference to priorities should focus Fund priorities which can be found in the Fund's strategies, policies and its business plan (once developed).

😊 There were positive comments from members of both the Pension Board and Pension Committee regarding recent changes in staff undertaking clerk duties and the improvements in aspects of the administration of the meetings since their arrival.

😐 There are however a number of concerns raised by the Pension Committee through the effectiveness questionnaire responses about the quality of some aspects of the administration of that Committee including:

- the majority of members who responded highlighted concerns about the quality of the Committee minutes with a number of the respondents indicating that they don't think the minutes always accurately reflect the meeting. We would observe that the minutes of the Committee do appear very high level compared to many other Committees we are involved in. We would recommend that the detail of minutes is reviewed, and particular focus is made on capturing any comments or concerns raised at the meetings.
- No respondents thought the format of the papers had improved in the last two years with more than half indicating they felt they had got worse.

It is worth stressing that we are aware that a number of senior officers involved in the management of the Fund have left over the last two years. This feedback might be an indication of a strain on resources within the pension fund management team.

😐 We noted at the June 2018 Pension Committee meeting that the appointment of the Investment Advisor to the Fund was queried by the Committee as they would have preferred that the decision to appoint the new investment advisor was brought to them prior to a decision to appoint being made. The Council's Constitution includes the following responsibility for the Pension Committee:

"To set the investment policy and review the performance of the Fund's investment managers, pooling operators, scheme administration, and external advisors"

It therefore is understandable that the Committee might assume this means appointment of external advisers is a responsibility of the Committee, however we believe the wording could be clearer. This example highlights a concern regarding how decisions are made. We advise that such decisions are considered carefully ahead of being required so that the Constitutional requirements are accepted as being followed with a clear and robust process in place which all key stakeholders are aware of and content with.

Interestingly the Pension Board had very positive feedback in the responses to the effectiveness questionnaire regarding the area of the Board's administration.

😐 **Managing conflicts of interest**

Progress since 2016 Report – no change remains 😐 neutral

Each London Borough of Croydon elected member and any co-opted member is required to complete a registration of interest which is a public document declaring disclosable pecuniary interests, and some non-pecuniary interests. A pecuniary interest is generally considered as an interest that a person has in a matter because of a reasonable likelihood or expectation of appreciable financial gain or loss to the person. This would cover areas such as land ownership, involvement with businesses and gifts or hospitality.

There is a further requirement under the Code of Conduct for members to declare any such interest at during the course of a Council meeting if it is not already on the register. Generally speaking, members cannot and should not participate in decisions in relation to which they have a pecuniary interest. These procedures are quite clear and helpful in matters such as consideration of fund investment vehicles.

However, there will be examples whereby a member does not have a clear pecuniary or non-pecuniary interest as defined by the Council's Code of Conduct, but instead has a personal or professional conflict of interest that needs to be managed appropriately. For example,

- Being a member of the LGPS
- Having separate responsibility for an employer who participates in the Fund
- Being a member of political party that has specific areas of interest that might influence Fund decision making.

In the second and third examples, there may be circumstances where it is necessary for Committee members (administering authority elected members) to balance their employing authority responsibilities (e.g. maintaining local service provision) against their administering authority responsibilities (e.g. ensuring the stewardship of the Fund on behalf of its scheme members which may mean increases or high levels of contribution payments by employers into the Fund). This could potentially extend to political views whereby some councillors may have different views than other councillors from differing political parties, for example, in relation to investment in local infrastructure or environmental, social and governance (ESG) matters. Queen's Counsel opinion and the Law Commission report conclude that ultimately Committee members, and all those concerned with the management of the Fund, should remain focussed on the underlying fiduciary and public law responsibilities. This means that Fund assets should be invested in the best interests of members and beneficiaries. The potential for interests that could conflict with Fund matters, and this ultimate responsibility, should always be recognised and managed appropriately. A wider Fund Conflicts of Interest Policy could ensure this point is clear to all involved. It is, however, worth highlighting that this would not necessarily require individuals to be removed from meetings and/or decision making. As a minimum the Board Conflict of Interest Policy should be reviewed as it is over three years since it was adopted.

Some of our observations in relation to the Fund are:

- The Council's Code of Conduct requirements in relation to disclosable pecuniary and some non-pecuniary interests are a useful starting point for managing conflicts. However, there are circumstances where other interests could have an impact on impartiality in the Fund's decision making
- A review of recent minutes demonstrates that the Pension Committee ask for declarations at each meeting and there have been occasions at meetings in 2018 where disclosures of interests were disclosed. At the Pension Board disclosures of interests are covered at each meeting and there are examples in the minutes of 2017 and 2018 meetings where Board members indicated disclosures of interest. This is positive to see in action. We note that there is still no registration of interest on the Council's website in relation to the co-opted members on the Committee (which may or may not suggest declarations have not been completed).
- As noted earlier in the report some members observed politics influencing decision making within the Committee. We suggest that consideration is given to the potential conflicts which could arise and we would recommend training should be provided to all members to ensure that the legal responsibilities of Pension Committee members are fully understood.
- In relation to the recent transfer of assets to the Fund, we note that legal advice was provided to the Committee by Eversheds and that Mr Delderfield of Eversheds was present at the Committee. We have not seen the legal advice but assume this would have included consideration of the Administering Authority's fiduciary responsibility and the potential conflict with the Council's interests. If that was not the case, we highly recommend that this is a key part of any legal advice in relation to any similar situations in the future, and we encourage the involvement of specialist pension lawyers and the Council's Monitoring Officer to ensure decisions are made appropriately and having regard to the Committee's fiduciary responsibilities.

Positively we noted that the majority of respondents from both the Board and Committee state that they understand what a conflict of interest is and how one could arise in relation to pension fund matters albeit there were some comments from some Committee members regarding potential conflicts of interest that have arisen in decisions made by that Committee and that politics appear to have an influence on decisions. Clearly there are some positive elements in relation to the existing arrangements in particular the activity at both Committee and Board meetings. However, we continue to believe this is an area that could be improved upon, particularly in relation to

potential conflicts of interest that are Fund specific and would not therefore be highlighted through the Council's arrangements in the Code of Conduct. The CIPFA Guidance for LGPS Funds in Preparing the Annual Report refers to the information contained within the Fund's Governance Compliance Statement including their "policy and processes for managing any conflicts of interest". It is also a key area of interest for both the Scheme Advisory Board and in The Pension Regulator's Guidance, albeit more focussed on Board members.

Clearly this is not a legal requirement but, as mentioned earlier in this report, we would encourage the Administering Authority to develop a Fund specific policy outlining how conflicts of interest will be managed and dealt with at a Fund level. This could include reference to

- the Council's Code of Conduct
- how it relates to co-optees and observers
- examples of Fund specific potential conflicts of interest
- how conflicts of interest (and potential conflicts of interest) will be managed
- guidance for officers and advisers of the Fund to also adhere to.

The existing policy for the Board should be reviewed and, in that review, could be expanded to apply to the wider Fund management including the Committee, and also expanded to cover the points above where they are not already included. We recommend that this policy is complemented by periodical training in relation to Fund specific conflicts of interest as well as being compulsory for new Committee and Board members as well as Fund officers.

Skills and knowledge

Pension Committee

A critical element of good governance is the need for those managing the Fund to have the appropriate level of knowledge and skills. The current requirements relating to training Pension Committee members and officers of LGPS Funds are included in the following documents:

- CIPFA Knowledge and Skills Framework – Elected representatives and non-executives in the Public Sector (2010)
- CIPFA Knowledge and Skills Framework – Public Sector Pensions Practitioners (2010)
- CIPFA Code of Practice on public sector pensions finance knowledge and skills (2013)

In 2016 CIPFA issued Investment Pooling Governance Principles for LGPS Administering Authorities and incorporated additional competencies relating to the introduction of pooling in the LGPS. These competencies (or alternatives) should be integrated into knowledge and skills policies and these competencies should be achieved and maintained going forward.

In addition, Scheme Advisory Board's Guidance and The Pensions Regulator's Code of Practice No 14, (albeit focussed on Local Pension Board knowledge and skills legal requirements), highlight the need for the Administering Authority to have appropriate policies and procedures in place to ensure a high level of knowledge and skills.

Though adhering to the CIPFA documents is not statutory, they are considered good practice and there is increasing acceptance of the need for high levels of knowledge as well as increasing scrutiny of this by Committee members and officers. The key elements of the CIPFA requirements are that Administering Authorities:

- clearly articulate the knowledge and skills requirements in a Fund policy
- provide ongoing training in an effective and suitable manner to meet those requirements
- regularly review whether knowledge aspirations are being met
- ensure that they rely appropriately on officers and advisers to provide expert knowledge.

Overall the Pension Committee members who responded to the effectiveness questionnaire felt that the Committee has the appropriate level of knowledge on Fund matter. They did however

comment that more training should be focused on the needs of new members and it should be more user friendly.

Pensions Board

The Public Service Pensions Act 2013 requires Pensions Board members to:

- be conversant with the rules of the scheme and any document recording policy about the administration of the scheme, and
- have knowledge and understanding of the law relating to pensions and any other matters which are prescribed in regulations.

The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the Pensions Board.

These requirements have been incorporated and expanded on within TPR's Code of Practice 14: Governance and Administration of Public Service Pension Schemes which came into force in April 2015.

CIPFA's technical guidance for local pension board members⁴ extended the existing knowledge and skills frameworks in place. This Framework sets the skill set to enable pension board members to properly exercise their functions under Section 248a of the Pensions Act 2004, as amended by the Public Service Pensions Act 2013 and explicitly incorporates the areas of administration and governance.

Given the legal requirements placed on Pension Board members relating to knowledge and understanding requirements it is pleasing to see that as a Board they all felt that it had the appropriate level of knowledge on Fund matters. They did note a preference for more external training and greater emphasis on the needs of new members but overall very positive views in this area from the Board.

Clearly articulated knowledge and skills requirements in a Fund policy

Progress since 2016 Report – no change remains neutral

As mentioned in Section 3, although it appears that the Administering Authority has formally adopted the CIPFA Frameworks and Code, it does not have a Training Policy documented (other than that for the Pension Board and a document called a Training Policy which is more akin to a Training Log with a brief introduction). We therefore recommend again that the Administering Authority considers implementing such a policy to set out its policy and approach to training, which could include the following:

- A statement regarding embracing the CIPFA Framework (or an alternative)
- How training will be provided
- Qualifications the Administering Authority will encourage (if relevant)
- Expectations in relation to training attendance (perhaps even to the degree that all Committee members must attend at least one key conference per year)
- Specific requirements in relation to new members (e.g. the requirement to undertake induction training)
- How knowledge requirements will be regularly assessed and monitored
- An individual within the Administering Authority who is ultimately responsible for ensuring the policy is adhered to (CIPFA recommend this should be the Section 151 Officer's responsibility).

⁴ CIPFA Guidance – Local Pension Boards: A Technical Knowledge and Skills Framework (August 2015)

We recommend that all of the above points are considered separately for officers, Committee members and Board members, effectively amalgamating the existing Pension Board policy into this so there is one single Fund policy on training.

Regularly review whether knowledge aspirations are being met

Progress since 2016 Report – no change remains neutral

The latest documentation includes a Pension Committee training log (2016/17) and a Pension Board training log (2016/17). There is also reference to the requirements for a training log in the 2017/18 Annual Report but no information on training undertaken is provided. Board papers from January 2019 list the training undertaken by the Board.

The training logs still do not provide an overall assessment against the CIPFA knowledge and skills framework to allow one to understand whether Committee members have had appropriate training in the required competencies. It is also not possible to determine, where members are expected to attend training but have failed to do so. We again suggest that these points are considered as part of the implementation of the Training Policy.

As noted above the findings of the questionnaire indicates that the Pension Committee members believe that the Committee has the appropriate level of knowledge on Fund matters. However, there was some concern regarding how new members receive training that helps given the steep learning curve a new member experiences. We note in the training log it indicates that new members receive half day induction training before attending their first meeting and other external courses as part of their induction. We recommend that consideration is given as to whether members consider this sufficient or whether it should be supplemented or reviewed to ensure it is meeting new member's needs in line with the adopted CIPFA requirements. Feedback also highlighted:

- the work of the Committee is complex and robust training is welcomed
- asset pooling as area where more training is required
- the lack of access to external conferences, many of which provide excellent opportunities to develop a good level of understanding of current issues and opportunities to enhance the work of the Committee.

For the Pension Board the findings of the questionnaire indicated a positive view from that group that they had an appropriate level of knowledge on Fund matters. A couple of members' comments that where members attendance has been consistent it has resulted in a notable improvement in their knowledge and experience on Fund matters.

Behaviour

A good governance structure will not be effective unless it involves the right people with the right attitude. Individuals should:

- have a high level of attendance at meetings
- demonstrate integrity in relation to their Fund role
- be engaged and provide appropriate challenge
- be accountable for the decisions made
- highlight any potential conflicts they may have
- for a Chairperson, manage the meetings fairly without any bias to individuals or self
- prepare adequately for meetings.

These elements are considered in this section. Much of the information derives themes from the questionnaire completed by Pension Committee and Pension Board members.

General Behaviour

This element can be easily aligned with the General Principles of Public Life which are adopted by the London Borough of Croydon as part of their members' Code of Conduct. These principles are:

1. Selflessness

2. Integrity
3. Objectivity
4. Accountability
5. Openness
6. Honesty and truthfulness
7. Leadership

and they also apply to co-opted members.

Given the range and volume of items needing to be covered at meetings there is always a risk that decisions are made by Pension Committee without full and appropriate discussion, debate and challenge. Equally there is a risk that too much time can be spent on matters of little importance/value.

Regarding behaviour of the Committee we would like to highlight the following points raised in the questionnaire responses:

- Similar comments were received in this exercise relating to apparent cross political party tension coming through as part of meetings. Comments coming through from the questionnaire highlight frustration from some Committee members. It is interesting to note that at least one elected member specifically noted that the Pension Committee should not be political. We would again encourage all Committee members to be mindful of this, with a view to ensuring political views do not impact the effective flow of the Committee. We would recommend training on the legal responsibilities of the Committee, particularly the fiduciary responsibilities to scheme members.
- There is again some concern, that comments are not always taken on-board when decisions are made and those comments are not usually included in the minutes. It is hoped that the ongoing participation by the Chair of the Board can assist with ensuring that all stakeholders feel they have appropriate opportunity to be involved in discussions, whilst acknowledging that the final decisions do rest with the voting Committee members.

The behaviour of the Board as inferred through the responses to the questionnaire overall paint a positive picture. It was also acknowledged by another member that the meetings are dominated by the same group of people. We recommend that a focus is placed on ensuring all members are encouraged to actively participate in meetings to aid the Board in its role.

Finally, feedback from a number of members highlights areas where more time should be spent, including focussing on the long term objectives of the Fund and how they will be achieved. Given the need to adapt the agenda to allow this, and some comments saying the Committee meetings can sometimes feel rushed, it will be important to consider whether the time permitted at meetings continues to be appropriate.

5 - How Governance has evolved with the introduction of the London CIV

In this section we consider:

- *has the administering authority's governance structure been updated as necessary*
- *how effective is the process for making decisions relating to the CIV.*
- *is the reporting in relation to the Fund evolving effectively and does it provide the necessary information*
- *does the risk management reflect the move to the London CIV.*

This area is new for the 2019 report having not been considered for the 2016 report. Below we consider the Fund's governance arrangements have evolved to meet the needs of asset pooling with the London CIV.

Governance Structure and Decision Making

The London LGPS CIV Limited (London CIV) commissioned a review of its own internal Governance and the findings of this were consulted on early in 2018. We understand that all London Borough LGPS Funds received a letter dated 13 June 2018 outlining the new governance arrangements for the London CIV. This letter summarised the key changes as:

- Creation of a Shareholder Committee of the London CIV which will act on behalf of the Shareholders as a consultative body
- Activity for that Committee will include company business plans, financial performance and topics including Responsible Investment

It is comprised of 12 Committee Members made up of 8 Local Authority Pension Committee Chairs (or Leaders of London Local Authorities), 4 Local Authority Treasurers and the Chair of the Board of London CIV. A Trade Union representative is also expected to be nominated as an observer

- Two more Non-Executive Directors will be appointed to the London CIV Board with a Local Authority Treasurer to be nominated as an observer.
- The Shareholders will meet twice each year, one General Meeting to approve the budget and the second being the Annual General Meeting (AGM).
- The arrangements in the points above replace the Pensions CIV Sectoral Joint Committee (PCSJC) which is dissolved.

These developments will require action by the Administering Authority to ensure the appropriate governance arrangements are in place. However, it is worth highlighting that the points above appear to relate more to the role of each Administering Authority as a shareholder, rather than as the Pension Fund manager and therefore the recipient of the London CIV's services.

The following section sets out our assessment of what appears in place at the moment from the evidence provided. Where evidence is not available we have highlighted this as part of the review.

We have reviewed how decisions have been made in relation to the London CIV to date, and how the governance structure has been changed to allow ongoing decision making. The table below highlights what we would expect, and the evidence we have identified.

Expectation	Croydon Council evidence
Arrangements up to June 2018	
1 - Agreement to enter into the London CIV as a result the business case	March 2014 Croydon Council decision
2 - Establishment of a Joint Committee or equivalent	March 2014 Croydon Council decision– includes delegation of functions necessary for proper function of the ACS Operator (including effective oversight and appointment of Directors).
3 - Agreement to become a Shareholder	March 2014 Croydon Council decision
4 - Who and how Shareholder Matters will be agreed	March 2014 Croydon Council decision – Director of Finance and Assets in consultation with Chair of the Pension Committee
5 - Who will attend London CIV Joint Committee (known as Pensions Sectoral Joint Committee) (applicable up to mid-2018)	Implicit that it is the Chair of the Pensions Committee (as part of March 2014 Croydon Council decision)
6 - By whom and how any other London CIV related decisions will be made	<p>March 2015 Pension Committee decision to delegate authority to the Assistant Chief Executive (Corporate Resources and s.151 Officer) regarding contracts and investments to meet the requirements for FCA authorisation.</p> <p>In same meeting agree that where circumstances arise and the Committee is not available for consultation, delegate to the Assistant Chief Executive (Corporate Resources and s.151 Officer) in consultation with the Pensions Committee Chair, the decision to agree to the transition of Pension Fund assets to the London CIV where the Fund has a pre-existing relationship with the investment manager and where the transfer of such assets is financially advantageous to the Pension Fund.</p>
7 - Where ongoing oversight of the London CIV will be carried out within the Council	Not Clear
Arrangements since June 2018	
8 – Revoke delegation to the Pensions CIV Sectoral Joint Committee and provide written evidence to London Councils	No evidence this has taken place, and references to the existing Joint Committee is still in the Council's Constitution.

<p>9 – Agree new governance arrangements referred to in the letter from London CIV Chief Executive and London Councils Chief Executive dated 13 June 2018 including introduction of a Shareholder Committee and additional non-executive appointments and a Treasurer observer</p>	<p>No evidence this has been approved within Croydon Council</p>
<p>10 – Agree appointments to new governance bodies</p>	<p>The process for appointments appears to be via London Councils and the Society of London Treasurers. We note that London Borough of Croydon is not a member of the new Shareholder Committee but does have an alternate in place through the Pension Committee Vice-Chair.</p>

We have a number of observations in relation to this:

-  Appropriate delegations were clearly put in place at Council in March 2014 for the key responsibilities relating to the Shareholders.
-  There is no evidence that action has been taken to update the delegation from the Council to recognise the governance changes introduced by the London CIV in June 2018. Although we might have expected this to have been considered by Council, there was a delegation in March 2014 for the Director of Finance and Assets to take such steps as necessary and to act as the Shareholder, in consultation with the Chairman of the Pension Committee. We have therefore assumed that those delegations have been used to agree to the new changes.
-  The role of the Pension Committee in relation to the London CIV is referred to in the Committee's Terms of Reference where it states they will set investment policy and review the performance of the pooling operators.
-  We understand as part of the London CIV Governance Review their will be an improved framework for client services which will include a service level agreement and programme of client's events. We have not seen evidence of this being in place. From a Pension Committee perspective, this is a critical requirement as all the governance arrangements that have been put in place so far are focussed on the role of the Shareholder, and not the role of a recipient of the services of the London CIV (i.e. ensuring that the Fund's investment strategy can be delivered). It is also key that the new arrangements, given the Administering Authority only has an alternate role on the Shareholder Committee, do not impact on the communication links the Administering Authority has with the London CIV (both the company and the governance bodies). We recommend that the Administering Authority ensures a clear approach to information sharing, from the London CIV to the Pension Committee and Pension Board, is in place.

Policies and Strategies

As already mentioned earlier in the report there are a number of the Fund's policies and strategies that would benefit from review. We would recommend that you use this opportunity to review all of your policies and strategies to ensure they take account of the transition to asset pooling and your relationship as part of the London CIV.

There are a number that we would recommend need to be reviewed and updated;

- Governance Policy – there is no mention of asset pooling, such as changes to delegated responsibilities or the new governance bodies (Shareholder Committee).

- Funding Strategy Statement – some minor amendments could be made to this to incorporate the London CIV, but we consider that these can be done when it is reviewed as part as the next valuation.
- Communications Policy – This Policy should be reviewed to consider whether it would be beneficial to include mention of London CIV.

If the Administering Authority intend to create a Fund wide Conflicts and Training Policies, these should also have regard to the work with the London CIV.

Measures and Reporting

 The Pensions Committee receives a quarterly investment performance report. In a presentation to the Pension Board in October 2018 we noted reference to London CIV having launched a new reporting/client portal to allow daily review. The Fund should consider how this information and the overall improved engagement framework for client services (including a service level agreement) can be built into the performance reporting the Pensions Committee consider.

 We have not been in a position to review the agreements in place between the Fund and the Investment Pool (as they are part of exempt papers). It is important that the Pension Committee satisfies itself that any arrangements agreed between the Fund and the Pool are adhered to and that requirements are being met. We would recommend some further work around the objectives of the London CIV and particular elements that were highlighted as part of the initial business case, to identify any further matters that can be more scientifically measures as key performance indicators. That being said, it is important that the Administering Authority clearly identify what areas should be provided by London CIV, rather than being developed internally with the Administering Authority.

 We suggest that the Fund clearly sets out how updates from the new Shareholder Committee are fed into the Pension Committee as well as updates from the two Annual Meetings of Shareholders which take place each year (one to set the budget and the second being the AGM).

 We would also expect the Committee to be provided with annual information relating to the expected costs of the London CIV (see below in the business planning section) and for the Committee to receive ongoing monitoring of the costs against the budget, as part of the ongoing monitoring of the Fund's budgets.

 The Pension Board are undertaking a key monitoring role by considering a progress report of London CIV activity. That review appears to be scheduled for each March meeting and in the March 2018 meeting we note that the Board resolved that the Chair of the Board would write to the s151 officer expressing concerns over the sovereignty of local authorities within the London CIV. We note that the forward plan indicates that for March 2019 the Board will consider a review of the saving achieved through pooling and the cost reductions achieved by the London CIV. It is positive to see that the Board also received a presentation from the Client Relations Director of the London CIV in October 2018 deepening the knowledge of the Board alongside reviewing the progress of pooling for the Fund.

Risk Management

We note that the Fund's risk register includes the risks facing the fund through the transitioning of assets. This is positive to see, and we recommend this area is continually reviewed noting that in October 2018 it was stated that the risk relating to London CIV is deescalated as the London CIV is now firmly established. However, given the revised governance arrangements are still being bedded in, it is important the associated risks continue to be reviewed.

Business Planning

We note earlier in this report the opportunities to review your existing business plan format and provide more depth in relation to the key tasks and priorities for the Fund. A key element of this in the next few years will be the ongoing asset pooling arrangements including:

- The continued transition of assets

- The bedding in of the new London CIV governance structure, decision making and client engagement
- The evolution of reporting of the London CIV performance and activities
- Confirmation of expected costs.

We recommend that the business plan for 2019/20 and 2020/21 highlight these and any other priorities that will require input by the Administering Authority. We would expect London CIV to have developed their own business plan, highlighting their key priorities during this period so that the Administering Authority can consider the impact this will have on them, and so that the Fund's business plan can be aligned to the plan for London CIV.

We understand that the Government (Ministry for Housing, Communities and Local Government) are meeting with each asset pool during the summer of 2019 and the Minister for Local Government, Rishi Sunak MP, recently announced at the PLSA conference that pooling guidance is expected to be issued for formal consultation in due course. The Administering Authority should ensure that it understands wider developments in relation to pooling arising from this expected national activity.

6 - Effectiveness Questionnaires

As part of any governance review, it is also extremely helpful to understand the views of those involved with the governance of the Fund. An effectiveness questionnaire was therefore given to all the Pension Committee members which focussed on the effectiveness of the Pension Committee. A separate questionnaire was also issued to Pension Board members relating to the effectiveness of the Pension Board.

The questionnaires considered areas such as the length of the meetings, how topics are presented, whether the members feel confident when making recommendations or decisions and how well they feel they understand risk and strategy.

The Pension Committee questionnaire was completed by only 8 persons (out of a possible 11), which was slightly disappointing, and the Board questionnaire was completed by all Board members which was positive.

The results of the questionnaire have been analysed and the results are included in Appendix B. We have also included some comment in the main body of this report, and further observations are included within this section. These tend to relate to areas where similar comments have been received from multiple people, evidencing consistency in views.

Pension Committee

Overall the responses from the Pension Committee were positive about the level of discussion as well as the belief by the majority of respondents that the Pension Committee adds value. Also, there was a strong positive view about the level of knowledge of the Pension Committee members perhaps demonstrating the length of time many members have undertaken the role. There are a number of areas where common views were expressed and hence we suggest are considered part of any action plan arising from this report, include:

- Pension Committee respondents do not feel that they get appropriately involved in agreeing the Fund's business plan and are not kept up to date with progress against the plan.
- Concern raised that the Fund's strategies and policies do not articulate the Fund's objectives in the areas of administration, communication, governance, investment or funding. The frequency of review of the communications and governance strategies and policies were also noted, and it was felt that they did not have enough information to access if governance objectives are met.
- Belief that risk management has worsened in the last two years, noting Committee members are not feeling engaged on risk decisions for the Fund.
- Concern amongst some regarding a political influence on the Committee business based on the membership in place.
- Comments on the quality of the administration of the Committee including a view that minutes do not accurately reflect the meeting. A comment noted that a request can be required to ensure information is incorporated into the minutes. In addition, no respondents felt that the format of papers had improved over the past 2 years.
- Some comments from the Committee regarding potential conflict of interest in decisions made by that Committee.
- A request that more training should be focused on the needs of new members and it should be more user friendly, including more training on the London CIV and more access to external events.
- Similar comments were received in this exercise relating to apparent cross political party tension coming through as part of meetings. Comments coming through from the questionnaire highlight frustration from some Committee members. It is interesting to note that at least one elected member specifically noted that the Pension Committee should not be political. There were also comments that decisions are therefore effectively made prior to the meeting. We would again

encourage all Committee members to be mindful of the fact that pensions are a non-executive function, with a view to ensuring political views do not impact the effective flow of the Committee.

- There is again some concern that comments are not always taken on-board when decisions are made, and those comments are not usually included in the minutes. It is hoped that the ongoing participation by the Chair of the Board can assist with ensuring that all stakeholders feel they have appropriate opportunity to be involved in discussions, whilst acknowledging that the final decisions do rest with the voting Committee members.

Pension Board

Overall the responses from Pension Board members were positive about their role on the Board and engagement at meetings and accessibility of information. The Board had very positive feedback too about the administration of the meetings with new staffing changes noted as having improved aspects of the administration of the meetings since their arrival; this was also noted by some members of the Pensions Committee. The expertise of the Chair was also highlighted, as was the fact there was a small core of consistent attendees.

There are a number of areas where common views were expressed and hence we suggest are considered as part of any action plan arising from this report, including:

- Pension Board respondents do not feel that they are appropriately aware of the Fund's business plan.
- As per the Committee, training is welcomed and could be increased, including access to external training events to expand the knowledge of the Board members.
- The behaviour of the Board as inferred through the responses to the questionnaire overall paint a positive picture although it was also acknowledged that sometimes meetings are dominated by the same group of people. We recommend that a focus is placed on ensuring all members are encouraged to actively participate in meetings to aid the Board in its role.

Appendix A – Reference Material

This appendix lists the various documents that were considered as part of this Governance Review.

- Investment Strategy Statement (ISS) (effective from 1 April 2017)
- Funding Strategy Statement (FSS) (effective from 1 April 2017)
- Governance Policy and Compliance Statement (March 2017)
- Communications Policy (June 2017)
- Administration Strategy Statement (July 2017)
- Constitution of the London Borough of Croydon Council (version December 2018)
 - Terms of Reference Pension Committee
 - Terms of Reference Local Pension Board
- Policy for employers leaving the Fund (March 2014)
- Cessation Policy Explanatory Guidance (March 2014)
- Risk Management Policy (December 2017)
- Pension Committee Training Log (2016)
- Pension Board Training Log (2016)
- Reporting Breaches of the Law (July 2015)
- Local Pension Board Training Policy (July 2015)
- Local Pension Board Conflict of Interest Policy (July 2015)
- Croydon Council Policy Statement of Exercise of Discretionary Powers (July 2014)
- Annual Report of the Local Pensions Board 2017/18
- TPR Compliance Self-Assessment 2019
- Actuarial valuation report as at 31 March 2016 (dated 31 March 2017)
- Pensions Board Work Programme 2018/2019
- Pensions Committee Forward Plan 2018/19
- Pensions Committee meeting papers since 7 June 2016
- All Pensions Board meeting papers since 7 July 2016
- London CIV Ltd Revised Articles of Association and Shareholders Agreement

Appendix B – Effectiveness Questionnaire

We show below the results of the effectiveness questionnaire which was provided to all members of the Pension Committee, including co-opted members, and key officers of the Fund. Slightly disappointingly the questionnaire was completed by 8 persons (out of a possible 11). The Pension Board completed a separate questionnaire and, positively, the questionnaire was completed by all members of the Board.

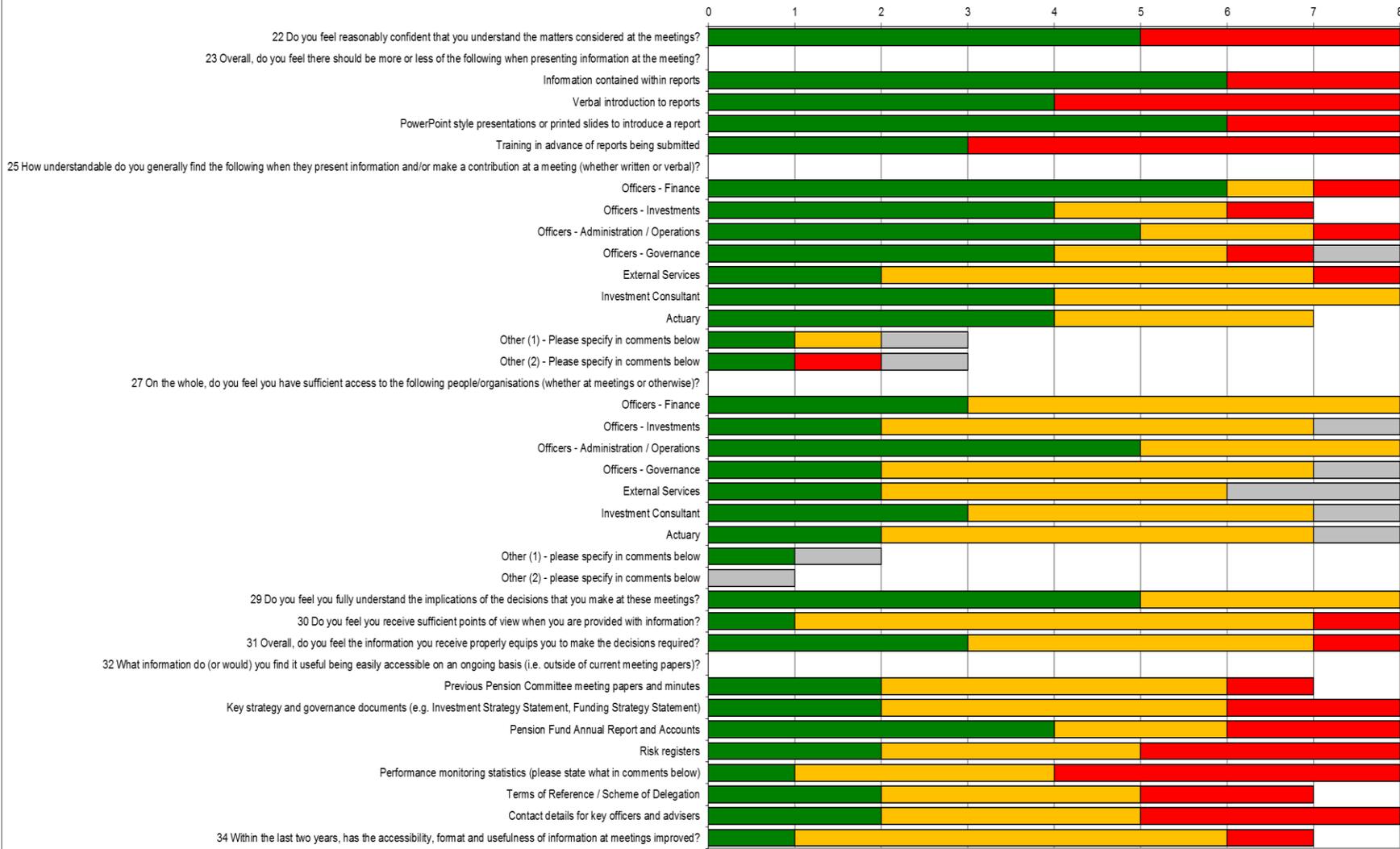
The bars in the graphs are colour coded to highlight particularly positive or negative answers. A key is provided on each page

Pensions Committee

Section 3 Effectiveness of Meetings



Section 4
Accessibility, Format and
Usefulness of Information



Section 5 & 6
Knowledge and Understanding and
Administration of Meetings



Section 7 & 8
Governance Structure and Vision
for the Future



Section 9, 10 & 11
Compliance, Business Planning
Risk Mgmt and Summary



Pension Board Questions





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Governance Action Plan

The Croydon Pension Board commissioned Aon to carry out a Governance Review for the London Borough of Croydon Pension Fund which concluded in September 2019. Aon also undertook an independent review of the Fund's compliance with the Pension Regulator's (TPR's) Code of Practice No.14 which was completed in February 2019. Findings on both have been shared with senior officers of the Pension Fund and the Chair of the Pension Board.

This action plan relies heavily on work done by Aon on the Review. The table below sets out the areas which are recommended that the Fund consider in an action plan to address highlighted areas from the Governance Review and the review of compliance with TPR Code of Practice No.14. It includes timescales for action and aligns with the meeting schedule for both the Pensions Committee and Pension Board. These will be incorporated into the Fund's business plan.

The following action plan is set out in three overarching areas (i) Direction - which focuses on policies/strategies and the Fund's Annual Report and Accounts, (ii) Delivery - which focuses on how the Fund's implements its strategies and policies, together with appropriate monitoring as to whether they are being achieved, and good risk management to ensure effective and efficient delivery and (iii) Decisions - which focuses on the governance structure, approach to training and the overall ability of decisions makers to make appropriate decisions.

Direction – What is the Fund trying to achieve?

Having clear strategies and policies that also meet legislative requirements are fundamental. The following actions are drawn from the Aon Governance Report and TPR compliance review.

Reference	Title	Action	Officer Responsible	Due Date	Comments	Pension Board Review	Pensions Committee Decision	Date Completed
1	Policies							
1.1	Knowledge and Skills Policy	<p>Introduce a Pension Fund Knowledge and Skills Policy clarifying expectations for all those involved with the governance of the Fund (i.e. the Pensions Committee, Pension Board and Senior Officers). It should also have regard to the work with the London CIV.</p> <p>This needs to be supported by training, with reference to the CIPFA Guidance</p>	Director of Finance, Investment & Risk (Section S151) responsibility	Q4 2019/20	<p>This recommendation was also made in the 2016 Governance review and not progressed. Local Pension Board Policy in place should be incorporated into one policy covering all areas. This policy should include details of the designated person, it is recommended this should be the S151 officer. If this is not achieved the shortfall can be reflected in individual training plans.</p> <p>Add list of documents that Board and Committee members should be conversant with to this policy.</p> <p>Links with training needs assessment and monitoring. It was also not clear if all Pension Board members have completed the TPR toolkit during the review.</p>	Pension Board 2 APRIL 2020	Pension Committee September 2020	

1.2	Conflicts of Interest	Review Pension Board Conflict Policy and then expand to cover all of those involved with the management of the Fund (i.e. Pension Committee and senior officers) in a Fund wide Conflicts of Interest Policy . It should also have regard to the work with the London CIV		Q4 2019/20	Completed.			
1.3	Funding Strategy Statement	Some minor amendments could be made to this to incorporate the London CIV as part as the 2019 valuation.	Head of Pensions and Treasury - Nigel Cook	Q4 2019/20	This will be reviewed as part of the 2019 valuation and these minor changes should be reflected there	N/A	Pension Committee 17 March 2020	
1.4	Governance Policy and Compliance Statement	Review overall policy and update Statutory Compliance Statement to ensure includes all required areas. Update to reflect the delegated responsibilities and governance structure relating to LGPS pooling through the London CIV. For example there is no mention in the current policy of asset pooling, such as changes to delegated responsibilities or the new governance bodies (Shareholder Committee).	Governance & Compliance Manager	Q4 2019/20	This needs to be reviewed again in March 2020. The policy refers to two appendices. Appendix B states the extent to which it complies with points in the Secretary of State's Statutory Guidance however not all points from the 2008 guidance are included. The appendices to the Policy are not available on the Fund website and we have not seen evidence that it has been updated since 2017 (currently annual but moving to three yearly). Also must be approved by Committee. Note links with 10.1, 10.2 and 10.3.	Agreed by Pension Board on 17 October 2019 – If necessary to comply with "decisions 10.1-10.3" will be reported to the Pension Board on 16 January 2020.	Agreed by Pension Committee 17 September 2019 - If necessary to comply with "Decisions 10.1-10.3" will be reported to Pension Committee on 17 March 2020	
1.5	Investment Strategy Statement	On next review once the 2019 valuation is concluding, re-introduce the Myners Compliance Statement.	Head of Pensions and Treasury - Nigel Cook	Q1 2020/21	This will be reviewed as part of the 2019 valuation and these changes should be reflected there	N/A	In accordance with decision of Pension Committee on 5 November 2019 the revised statement will be produced by officers under delegated powers by 31 March 2020	

1.6	Breaches of the Law Policy	Review current Pension Board breaches procedure but in doing so, expand to cover all of those involved with the management of the Fund (i.e. Committee and senior officers).	Governance & Compliance Manager	Q1 2020/21	There appears to have been no updates or changes since the previous review. See breaches monitoring and recording (6.1)	Pension Board July 2020	Pension Committee June 2020	
1.7	Communications Policy	Consider whether Policy should be updated to include mention of London CIV. Reference to risks relating to the policy and how they are managed should be added.	Governance & Compliance Manager	Q1 2020/21	This was last reviewed in June 2017 and currently due annual review but move to three yearly so review no later than June 2020.	Agreed by Pension Board On 17 October 2019.	Agreed by Pension Committee On 17 September 2019.	
1.8	Administering Authority Discretionary Policy	Introduce a Pension Fund Administering Authority Discretionary Policy to provide clarity on these areas.	Governance & Compliance Manager	Q1 2020/21	There have been no changes since the previous review. In a Board paper (January 2019) reference was made to a list of policies which are required, and this included a Policy Statement of Exercise of Discretionary Powers. It is not known if the Board agreed to focus on this policy. This is legally required.	Pension Board July 2020	Pension Committee June 2020	
1.9	Employer (admission / cessation / bulk transfer) Policy	Consider whether to introduce admission and bulk transfer policies, to provide greater detail and expand on some of the areas in the FSS. Update the "Policy for Employer leaving the Fund" in line with exit credit legislation (and review when further amendment regulations are made).	Head of Pensions and Treasury - Nigel Cook	TBC	Although not legally required, many administering authorities have now put admission and bulk transfer policies in place to provide greater detail and expand on some of the areas in the FSS.	N/A	TBC	

1.10	General points relating to policies	<p>As each policy/strategy is reviewed, ensure it includes all the key areas of aims/objectives, measures, risks, who was consulted, when/how approved, when it is due for next review.</p> <p>Ensure that all relevant policies are updated to reflect pooling through the London CIV Ltd.</p> <p>Ensure all policies/strategies and key documents are on the Fund's website (and a process is in place to update them as new versions are agreed).</p>	Governance & Compliance Manager	Ongoing				
2	Annual Report and Accounts							
2.1	Approval	Ensure all future years' annual report are formally approved by the Committee.	Head of Pensions and Treasury - Nigel Cook	Q2 2020/21	The Annual Report and Accounts was considered at the September 2018 Committee meeting, including the associated audit report. However, the report was noted rather than approved by the Committee.		The 2018/2019 Annual Report and Accounts have been published. The 2019/2020 versions will be considered by Pension Committee September 2020	
2.2	Adherence with CIPFA Guidance	Review content of annual report to ensure it adheres to CIPFA guidance.	Head of Pensions and Treasury - Nigel Cook	Q2 2020/21	The 2017/18 annual report again do not appear to include the elements of the CIPFA annual guidance that were missing in the previous years. Note more recent guidance has been issued so a review against that will be required. Officers set out an explanation for departures from the guidance – these departures were largely due to lack of data collected for new reporting requirements. These explanations were accepted by the auditor.		The 2018/2019 Annual Report and Accounts have been published. The 2019/2020 versions will be considered by Pension Committee September 2020	

Delivery

Having a clear plan for implementing the Fund's strategies and policies, together with appropriate monitoring as to whether they are being achieved, and good risk management ensure effective and efficient delivery. The following actions are drawn from the Aon Governance Report and TPR compliance review.

Reference	Title	Action	Officer Responsible	Due Date	Comments	Pension Board Review	Pensions Committee Decision	Date Completed
3	Business Planning							
3.1	Develop a Fund Business Plan	<p>Introduce a three-year rolling business plan incorporating the following areas:</p> <ul style="list-style-type: none"> - legislation (e.g. valuation, implementation of a forthcoming legislative changes), - performance monitoring (e.g. the review of an area of a service that is failing to meet the agreed service standard) - standard practice (e.g. review of advisers, review of strategies and policies), - the evolving environment (e.g. new investment vehicles, a greater focus on information technology efficiencies) - risk management (e.g. reviewing staffing structure due to increasing manpower risk). <p>Ensure the Fund's Business Plan aligns with the London CIV Business Plan and that London CIV are aware of LB of Croydon Pension Fund's requirements.</p>	Governance & Compliance Manager	Q2 2020/2021.	<p>CIPFA guidance set out the requirement to have a business plan in place for the Fund.</p> <p>There is no explicit business plan for the Fund. However, some elements that would make up a business plan are undertaken, including a forward plan of both Pension Committee and Pension Board business.</p> <p>The current practice should be improved and made more transparent with the development of a central business plan incorporating or summarising all of these elements in a single place of reference. It should include (or be agreed at the same time) as the Fund's budget, including London CIV costs, and should be approved by the Pension Committee.</p>	Pension Board 2 April 2020	Pension Committee September 2020.	
4	Performance Measurement							

4.1	Build on Key Performance Indicator (KPI) information/measures provided to Pension Committee	<p>Introduce additional performance measures including funding, governance, administration and communications matters ensuring measures are aligned to the objectives within the Fund's policies and strategies. Key measures should be referenced in strategies and policies.</p> <p>Ensure Administration and Communication updates, including these performance measures, are a standing item on Committee agendas.</p> <p>Review the objectives of the London CIV and elements that were highlighted as part of the initial business case, to identify any further matters that can be more scientifically measured and reported to the Fund as key performance indicators, including in relation to costs.</p>	Head of Service	Q4 2020/21 (likely to have multiple stages)	<p>In the 2016 report Aon noted that investment activity is covered in detail in the Committee papers. Aon recommend that other areas including funding, governance, administration and communications matters are also covered during Committee meetings. There is evidence of improvement with regular inclusion of Key Performance Indicators (KPIs) covering mainly administration as well as updates on funding and governance matters.</p> <p>Note that CIPFA Annual Report guidance issued in March 2019 sets out requirements for KPIs relating to administration to be reported on annually.</p>	Additional KPIs to be included at Pension Board 2 April 2020. Initial results have already been presented to the Board and Committee.	Additional KPIs to be included At Pension Committee 17 March 2020.	
4.2	Data Improvement Plan	Given TPR focus on data quality the Fund should develop a data improvement plan which should be subject to regular review. This should include regular measuring of and improving conditional and scheme specific data.	Governance & Compliance Manager	December 2020.		Pension Board July 2020	Pension Committee December 2020.	
5	Risk Management							

5.1	Risk Register	<p>Risk register should be updated regularly and a standing item at the Pensions Committee and Local Pension Board meetings.</p> <p>TPR guidance states that a scheme manager "must establish and operate internal controls". LB of Croydon should ensure it full meets the requirements of this guidance.</p>	Governance & Compliance Manager	Q4 2019/0	Completed. A 6-monthly review of the risk register happens. The Committee considers risks rated as amber or red.	Full Register to be provided to alternate Pension Boards, i.e. 2 April 2020, September 2020, March 2021 and subsequent alternate .	Full register to be provided to alternating Pension Committees, i.e. 17 March 2020, September 2020, March 2021 and subsequent alternate meetings.	
5.2	Formal review of risk management and time spent on risk management	Suggest that activity to consider risk management and internal controls are undertaken and documented in addition to monitoring the risk register.	Governance & Compliance Manager	Completed.	Internal and external audit reviews meet this requirement.	Pension Board 2 April 2020	Pension Committee 17 March 2020	
6	Breaches							
6.1	Breaches recording and monitoring	Introduce a system to record and monitor breaches and introduce reporting of these to Committee and Board via a clear and regularly updates breaches log.	Head of Service / Governance & Compliance Manager	Q2 2020/21	Should include but not be restricted to legal timescales for administration tasks (many of which are now in CIPFA annual report requirements).	Report to each meeting	Report to each meeting	
7	Resources							
7.1	Adequate resources and succession planning	Review appropriateness of staffing levels and consider succession planning	Head of Service	Ongoing	A number of senior officers involved in the management of the Fund have left the Administering Authority. Consider whether some of the areas for improvement identified in this report have been impacted by a lack of resource, and perhaps a gap in expertise, as result of these departures. If so, review the appropriateness of the staffing levels and also consider succession planning. This will be added to the administration KPI report.	Monitored annually by the Pension Board.	The Chair of the Board reports annually to the Pensions Committee.	

Decisions

Having an appropriate governance structure, involving the right people, with the right attitude and the appropriate skills and knowledge is key. The following actions are drawn from the Aon Governance Report and TPR compliance review.

Reference	Title	Action	Officer Responsible	Due Date	Comments	Pension Board Review	Pensions Committee Decision
8	Conflict of Interest						
8.1	Conflict of Interest declarations and approach for implementing Fund wide policy	<p>This should involve implementing the requirements of the Fund wide Conflict of Interest Policy including:</p> <ul style="list-style-type: none"> - it should clearly set out who conflicts should be reported to - require all parties to complete a declaration and allow for an annual exercise to reaffirm declarations - implement conflict register 	Governance & Compliance Manager	Completed.	Covered by Council's Constitution. .	Interests disclosed at every meeting.	Interests disclosed at every meeting; there is a reference to the member's entry in the Register of Interests.
9	Knowledge and Skills						
9.1	Training plan implemented, assessed and managed	<p>Implement training plan as part of Knowledge and Skills Policy including:</p> <ul style="list-style-type: none"> - training needs assessment of the Committee and Board annually. - introduce induction training and ongoing regular training on conflicts of interest and pension fund responsibilities (including fiduciary responsibility), and consider further training requirements relating to the London CIV and asset pooling. - consider further training opportunities including access to external training events to expand the knowledge of members. - an up to date training log should be maintained for the Board and Committee. 	Governance & Compliance Manager	<p>Q2 2020/21.</p> <p>Delivery is linked to 1.1 above.</p>			
10	Governance Structure						
10.1	Governance Structure – Functions of the Pensions Board	Update Part 3 of the Constitution is updated to be consistent to avoid any confusion around the responsibilities of the Pension Board.	Governance & Compliance Manager	June 2020.	Part of overall constitutional role	June 2020	June 2020
10.2	Governance Structure - Scheme of Delegation	<p>Consider officer delegations (within Constitution and more generally) and ensure they are clearly documented.</p> <p>Given some concerns that have been raised about who makes decisions, consider review of the Committee terms of reference.</p>	Governance & Compliance Manager	Q1 2020/21	Completed.		

10.3	Governance Structure - London CIV	<p>Update Constitution as required to reflect new London CIV governance arrangements.</p> <p>Review information sharing with and from the London CIV and its governance bodies to ensure appropriate information is being provided to the officers, Pension Committee and Pension Board, and there is appropriate engagement.</p> <p>Ensure that the new client engagement approach to be provided by the London CIV is agreed and put in place.</p>	Governance & Compliance Manager	Ongoing	Now in place.		
11	Meeting Administration						
11.1	Meeting Minutes	Review minutes to ensure appropriate level of detail and all comments and concerns raised at meetings are captured.	Democratic Services		Complete. Minutes are taken in the standard LB Croydon format. Members are able to request comments are noted in minutes.		

Additional items

These are additional areas that arose from the review of compliance with the Pension Regulator's code of practice No. 14 and the Scheme Advisory Board (SAB) guidance.

Reference	Title	Action	Officer Responsible	Due Date	Comments	Pension Board Review	Pensions Committee Decision
12	TPR Survey						
12.1	Annual Survey	Ensure Response provided to TPR annual survey request - normally November each year	Pensions Administration Manager.	Done.			
13	Publishing information about the Board						
13.1	Website	Consider adding additional information from Code of Practice paragraph 96 about the Pension Board and Pension Committee members onto the Fund website.	Hymans, as provider of website.	In progress.			
14	Maintaining accurate member data						
14.1	Record Management Policy	It is recommended that a Record Management Policy is implemented setting out how records are maintained and the future deletion policy.	Pensions Administration Manager.	December 2020		Jan-21	NA
14.2	AVC providers	Consider checking with AVC providers regarding data held.	Pension Administration Manager.	Done	Done	Done	
15	Maintaining contributions						
15.1	Formalise procedure regarding reporting and monitoring contributions	Suggest the Fund formalise reporting and monitoring requirements for receipt of contributions in formal process notes and refer to in administration strategy.	Governance and Compliance Manager	December 2020.		Dec-20	NA
16	Providing information to members and others						
16.1	ABS - Active	Ensure accompanying notes to ABS statement are fully compliant with requirements	Pensions Administration Manager.	Q1/2 2020/21	Active ABS and notes independently reviewed by Aon & not fully compliant. To be addressed by reporting KPIs.		
16.2	ABS - Deferred	Ensure accompanying notes to ABS statement are fully compliant with requirements	Pensions Administration Manager.	Q1/2 2020/21	Deferred 2018 ABS and notes independently reviewed by Aon & not fully compliant.	Engage with Board to complete - Officers to lead.	Share confirmation with Pensions Committee for information.

16.2	Benefit Statements - requested by member	We suggest that KPI/SLA statistics are held on whether benefit statements following a request by an active, deferred or pension credit member are provided no more than two months after the date the request is made.	Pensions Administration Manager.	Ongoing	To be included in the KPI reporting process.	NA	NA
17	Internal Dispute Resolution						
17.1	IDRP	Next update to this guide to include details on what is exempt (as per section 50(9) of the 1995 Pensions Act. Officers also confirmed they would check approach of non-administering authority employers relating to stage 1 IDRPs. It is recommended that the Fund maintain a log of IDRP cases is maintained including receipt and issuing of letters to monitor timescales.	Head of Pensions Administration.	December 2020.		Engage with Board to complete	Committee to sign off PENSION COMMITTEE SEPTEMBER 2020 December 2020
17.2	TPAS role - amend guidance	Update to include details on what is TPAS role now is.	Head of Pensions Administration.	June 2020.	The signposting requirements have changed as a result of the disputes arm of TPAS moving to the Ombudsman. The guide needs to be updated to reflect this as it still refers to TPAS offering support for disputes. TPAS is now only available for general guidance.	June	NA
18	SAB requirements						
18.1	Freedom of Information	Suggest report to Pension Board on FOI compliance is issued by officers, this should be accompanied by appropriate guidance and or training (as required).		TBC	Will follow the same process as the Council.		Done - Council FOI process
18.2	Board Annual Report	Consider producing an annual report for the Board (which could form part of the Fund's annual report).	Governance and Compliance Manager.	Done	We would expect this to be prepared by the Board itself, probably initial draft by the Chair.		Done and keep separate. Check guidance.

Croydon Council

NOT FOR PUBLICATION: THE PUBLIC AND PRESS ARE LIKELY TO BE EXCLUDED FROM THE MEETING DURING CONSIDERATION OF THIS REPORT AS IT CONTAINS EXEMPT INFORMATION AS DEFINED IN PARAGRAPH NO. [INSERT] OF SCHEDULE 12A TO THE LOCAL GOVERNMENT ACT 1972 (AS AMENDED).

REPORT TO:	PENSION COMMITTEE 11 February 2020
SUBJECT:	Update on Triennial Actuarial Valuation
LEAD OFFICER:	Nigel Cook, Head of Pensions Investment and Treasury
CABINET MEMBER	Councillor Simon Hall Cabinet Member for Finance and Resources
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT:	
Sound Financial Management: the Pensions Committee is responsible to other Scheme Employers for the sound management of the Local Government Pension Scheme.	
FINANCIAL SUMMARY:	
The Funding Strategy determines the underlying principles for the triennial valuation. The valuation determines the contribution rate for the Council and for all other Scheme employers.	

1	RECOMMENDATIONS
1.1	The Committee is asked to note the progress towards concluding the triennial actuarial valuation and the whole fund results.
1.2	The Committee is asked to approve the draft Funding Strategy Statement.

2 EXECUTIVE SUMMARY

2.1 This report presents an update from the Croydon Local Government Pension Scheme's Actuary on the current triennial valuation. The report considers the Whole Fund results. The report also presents a draft Funding Strategy Statement.

3 DETAIL

3.1 Attached as Appendix A to this report is a valuation update paper drafted by Hymans Robertson for this meeting of the Committee. Appendix B, attached, is the draft 2019 Funding Strategy Statement. As in previous cycles, it is standard practice to submit this Statement to the Committee in draft form for its input and approval before it is circulated to all of the Scheme employers for consultation alongside their valuation results.

3.2 The approach adopted by the Actuary for this triennial valuation has been to determine the long-term funding target and assessing the likelihood of meeting that target using risk based modelling. The current funding level has been assessed by comparing the value of the Fund's assets against a value of benefits accrued. Underpinning these calculations are three key assumptions:

- That benefits will increase at a rate of 2.3% per annum;
- That overall salaries will increase by 2.3% per annum; and
- That the rate of CARE revaluations will also be 2.3% per annum.

3.3 Consistent with the approach adopted for recent valuations the Actuary has assessed the likelihood of achieving this funding goal through a stochastic modelling approach.

3.4 The Actuary has had to be fairly vague on the treatment of "McCloud" risks. The following areas which will be impacted by the McCloud until the remedy is known and the Court case finally settled:

- Employer contribution rates;
- Ongoing funding positions;
- Cessation valuations;
- New academy asset allocation;
- New contractor asset allocation;
- Other new employer asset allocation;
- Accounting reporting; and
- Bulk transfers

The Funding Strategy

3.5 The Funding Strategy statement (FSS) has been drafted by the Pension Fund's actuary. It is attached to this report as Appendix B.

3.6 Local Government Pension Scheme members' benefits are set out and guaranteed by the Scheme regulations. These current and future outflows from the Fund represent a liability to the Scheme. In the same way employees' tiered contributions are defined by regulation. A proportion of this liability will be met from the returns generated from the investment of the assets that comprise the Fund with the balance

coming from employer contributions. The Funding Strategy Statement addresses three critical issues:

- How those employer liabilities are measured;
- The pace at which these liabilities are funded; and
- How employers pay for their own liabilities.

3.7 It will be apparent that in addressing these issues, there will be conflict, because of the different characteristics of Scheme employers and because of the different goals of stakeholders. The Strategy directly addresses the conflicting aims of:

- Affordability for all employers;
- Transparency;
- Stability; and
- Prudence.

3.8 There is a statutory requirement to produce this statement.

3.9 The Strategy is aimed at four groups of stakeholders, each with distinct and often conflicting interests.

3.9.1 **Scheme members** will look for assurance that there is sufficient liquidity to meet the requirements to pay their benefits.

3.9.2 **Employers** will have an interest in ensuring that equality underpins the basis for the calculation of contributions and liabilities.

3.9.3 **Elected Members** need to balance the level of contributions against other demands for scarce resources.

3.9.4 Finally, **Council Tax payers** will be interested in cross-subsidising between different generations. The Council will consult directly with all Scheme employers by circulating a copy of the Strategy for comment. This report will also be considered by the Croydon Pension Board. Any responses to this exercise will be reported back to this Committee. Members are invited to suggest any methods to widen the scope of the consultation or to make the process more open. Once finalised the Strategy will be published on the Croydon Scheme website.

3.10 The Strategy provides an overview to the main principles behind the funding of the Scheme, covering the calculation of the contribution rate for the different categories of employer. To provide a more complete and rounded picture the Strategy discusses in detail the regulatory framework, key responsibilities, risk monitoring and an explanation of assumptions and technical terms.

3.11 Under LGPS Regulations, all funds have a statutory obligation to produce a FSS. The Draft FSS, appended to this report, has been prepared in collaboration with the Administering Authority and forms an integral part of the framework within which the Scheme Actuary carries out the triennial valuation to set employers' contributions and to provide recommendations on funding decisions. The FSS also outlines how the funding strategy fits in with the investment strategy. Once approved, a draft version of the FSS will be issued to all participating employers with any comments to be submitted within 30 calendar days. Following the end of the consultation

period, any comments received may lead to amendments to the document. The final version of the FSS should be approved by the Pensions Committee and published during March 2020. This is reflected in the Committee's Forward Plan.

4 CONSULTATION

- 4.1 Officers have fully consulted with the Pension Fund's advisers in preparing this report. Other scheme employers will be consulted on the approach set out in the FSS. Following this Committee's consideration of the draft the FSS will be circulated to all Scheme employers for their consideration and comments.

5 FINANCIAL CONSIDERATIONS

- 5.1 This report contributes to the process whereby the employer contribution rates are set and therefore has a direct impact of the Council's General Fund.

6 COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

- 6.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that GDPR will be further considered and that other than this, there are no additional legal implications from this report.

Approved by: Sandra Herbert, Head of Litigation and Corporate Law on behalf of Sean Murphy Director of Law and Monitoring Officer.

7 FREEDOM OF INFORMATION/DATA PROTECTION CONSIDERATIONS

- 7.1 This report does not contain any information which will not be made publically available by being published on the Council's Pension Fund website.

CONTACT OFFICER:

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

APPENDICES TO THIS REPORT

Appendix A: 2019 Valuation: Whole Fund Results and Review of Funding Strategy, Hymans Robertson, November 2019 (Exempt)

Appendix B: London Borough of Croydon Pension Fund, Draft Funding Strategy Statement, Hymans Robertson, November 2019 (Exempt)

BACKGROUND DOCUMENTS:

None.

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