

Pension Board Agenda



To: Michael Ellsmore (Chair)
Co-optees: Richard Elliott, Teresa Fritz, Daniel Pyke, Ava Payne and David Whickman

A meeting of the **Pension Board** which you are hereby summoned to attend, will be held on **Thursday, 25 March 2021** at **2.00 pm**. **This meeting will be held remotely.**

JACQUELINE HARRIS BAKER
Council Solicitor and Monitoring Officer
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www.croydon.gov.uk/meetings
Wednesday, 17 March 2021

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 Board.

2. Minutes of the Previous Meeting (Pages 5 - 10)

To approve the minutes of the meeting held on 14 January 2021 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. Reporting Contributions (Pages 11 - 22)

6. Reports of Scheme Advisory Board and The Pensions Regulator (Pages 23 - 26)

7. Key Performance Indicators (Pages 27 - 38)

8. Risk Register (Pages 39 - 62)

9. Breaches of the Law Log (Pages 63 - 78)

10. **Training Plan (Pages 79 - 94)**
11. **Exit Payment Cap Report (Pages 95 - 108)**
12. **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.”

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Pension Board

Meeting held on Thursday, 14 January 2021 at 2.00 pm in This meeting was held remotely via Microsoft Teams

MINUTES

Present: Michael Ellsmore (Chair);
Co-optees: Richard Elliott, Teresa Fritz and David Whickman

Also Present: Nigel Cook, Head of Pensions and Treasury
Alison Fisher, Pension Administrator
Gillian Phillip, Pension Manager
Victoria Richardson, Head of HR and Finance Service Centre

Apologies: Daniel Pyke

PART A

1/21 Minutes of the Previous Meeting

The minutes of the meeting held on 15 October 2020 were agreed as an accurate record

2/21 Disclosure of Interests

Teresa Fritz declared that she was a member of the Pensions Lifetime Savings Association Board in a non-remunerated role.

3/21 Urgent Business (if any)

There were no items of urgent business.

4/21 Pensions Administration Key Performance Indicators Report

The Head of HR and Finance Service Centre introduced the report and the following was noted:

- Key Challenge at present for the team was maintenance of performance in the current climate
- Due to Croydon's financial situation and the voluntary severance scheme there were currently over 100 queries for the scheme to be dealt with as additional workload
- Two vacancies in the team. A Senior Pension Officer role which had now been recruited to with an experienced officer whilst the Pension Support Officer role had been put on hold till after this round of the

Councils Voluntary Severance Scheme as there was no capacity at present to provide training for the role.

- Hymans has been given access to the Pension Admin system to analyse cases and assist with clearance of backlog over the next 12 months.

The Independent Chair expressed concern at the deterioration in figures due to challenge presented by Covid 19 as well as the Council's Financial situation. Whilst it was positive that Hymans was now on board to assist with clearance of backlog, it was asked what more could be done to assist the team during this difficult period.

The Head of HR and Finance Service Centre advised that there was no agency market to recruit for Local Authority Pension Admin staff and it was also difficult to get support from other departments due to the extensive training required. There would be a lengthy procurement process involved in getting a third party organisation in to assist.

The Chair further commented that in the instance of continued deterioration of figures, there would be a case for fast tracking the procurement process to enlist a third party organisation to assist and this must be utilised where possible.

The Board was informed that there was a senior officers meeting taking place in April to discuss resources going forward for the next financial year and they would also be holding discussions with other LA's about the increased need for resources as a result of Mcloud.

The Chair resolved to keep this as an issue when he attends Pension Committee meetings as the Board could not continue noting the report without delving into the implications and impact of limited resources of the Pension admin team.

RESOLVED: The Board **AGREED** to note the report

5/21

Breaches of the Law

The item was introduced by the Head of Pensions and Treasury and it was highlighted that the report acted as a control function in order to ensure discipline on reporting. All breaches of LGPS must be reported, and recently reported were the lateness of two Annual benefit Statement reports and one on medical practitioner and RDIP.

In response to a question on what lessons has been learnt from the August 19 and 20 failures which were minimal and if they were down to the same issues, officers said the breach was around end of year data received from employers and seeking of further clarification on leavers. There had since been notable improvement on the end of year data received from employers.

It was noted that the very small percentage of breach was due to a very minor error and it was asked if all breaches had to be reported to the regulator. Officers said that only material breaches were required to be reported to the regulator and there was a degree in discretion held by the Director of Finance Investment and Risk, Lisa Taylor on what required escalation to the regulator.

In response to a question on the take up of accessing Pensions Records online, Officers said that take up was limited, with only 26% of scheme members registered for the online service. Between the period of June and September there had only been approximately 1K logons to the system.

The Chair commented that in future meetings, the Board to consider what more could be done to engage scheme members and promote the online service.

RESOLVED: The Board **AGREED** to note the Breaches of the Law Log

6/21 Risk Register Report

The item was introduced by the Head of Pensions and Treasury and it was highlighted that due to the current climate and events, the number of items on the register had increased with 15 risks currently in place.

Attention was drawn to four risks:

- Risk 9- Brexit. The impact of which was still not fully understood. Investments were international with countries in the European Union and there had been confidence that passporting would continue in regards to controls but this was now less certain as there was currently poorer understanding of the Brexit deal. There was little concern about performance and more about documentation and custodian issues.
- Risk 10- Covid 19. The impact on the economy and jobs as the country was now in recession and there was slower growth. There was however no real impact on liabilities of the Fund.
- Risk 14- McCloud - Implications were yet to be fully understood.
- Risk 15- 95k Cap and Exit Payment Reforms.

In response to a question on Cyber Security and what the position of the fund was due to the increase of major attacks occurring, officers said that the IT security was managed by the Council and they were being provided any new information as it arose to support their work.

Members of the Board commented that Cyber Security was a major area and it would be useful for a training session to be provided. It was agreed for a Member Development session to be held in April 2021.

It was commented that there was little information provide on the funds arrears and it was asked if the Board should be sighted to ensure they were aware of the levels of arrears. Officers said that that information on arrears

was a complex picture that consisted of different elements such as payroll costs, deficit payments, as well as contributions deducted from staff to be paid. There was pressure on government compliance teams to produce the reconciliations. Discussion would be held to determine what can be produced to the Board by way of monitoring documentation.

The Board discussed the New Asset Allocation strategy and it was established that this was the same one that was dealt with in 2020 that was now being implemented. Additionally it was highlighted that the costs of Funds would be more prevalent in a few years and at future Pensions Board meetings an analysis of funds investing in was requested. It was commented that as we were now at 75% funding level, there may be savings that could be achieved and this needed further exploration.

RESOLVED: The Board **AGREED** to note the contents of the Risk Register Report.

It was **AGREED** that a training session on Cyber Security would be delivered for Members in April

7/21 Local Government Pension Scheme Advisory Board/ The Pensions Regulator Update Report

The item was introduced by the Head of Pensions and Treasury and it was highlighted that many of the items for attention were being covered in detail in different items on this agenda.

The Chair asked for reassurance on behalf of the Board that the S114 notice that had been served by the Council had no impact on the Pension Fund. The Head of Pensions and Treasury advised that the Pension Fund was not included in the S114 but that there were certain caveats to that. The S114 impacted the ability for recruitment, there was increased workload from the voluntary severance scheme as a result of the situation and spending controls processes had been slowed down as a result, including the PLSA invoice.

A Member who sat on the PLSA in non-remunerated role said that the policy board did not want to lose Croydon as a member but if Croydon was not getting the benefit of its subscription then should reconsider its membership as there had been issues with receipt of payments.

Officers said that Croydon wished to retain its membership but there had seen several issues experienced such as mastering the invoicing procurement process and well as issues due to the spending control panel which had resulted in delays in invoices being paid

It was requested that due to the amount of information presented with in reports, it would be useful to append background documents as hyperlinks to enable access to further useful information relating to each item on the agenda. This request was agreed

RESOLVED: The Board **AGREED** to note the contents of the Local Government Pension Scheme Advisory Board/ The Pensions Regulator Update. It was agreed for hyperlinks to background information to be included in future reports.

8/21 Exit Payment Cap Report

The Head of HR & Finance Service Centre provided an overview of the report which updated on the regulations and recommendations that were agreed by the Pensions Committee on 8 December 2020.

Restrictions came into force on 4 November 2020 on the payments that could be made on exit of employment to £95k and affects people over the age of 55 who were being made redundant or leaving employment on grounds of efficiency.

Consultation on requirements for LGPS implementation of the restrictions closed prior to December 25 2020 and details as to when legislation would be made was yet to be released.

Local Authorities had been placed in conflicting situation due to the changes and there were currently two different policies in place. LGPS which allows for unreduced pension whilst Exit Cap restricts to £95k.

The decision was taken that whilst awaiting Government direction, the least risky course of action was to pay a reduced or deferred pension to anyone that leave or reaches the £95k cap.

The latest position was that there has been 3 requests for judicial reviews of the Exit Cap regulations with a hearing scheduled for March 2020 which will further delay decision making and legislation.

RESOLVED: The Board **AGREED** to note the recommendations agreed by Pension Committee on 8 December 2020.

9/21 LCIV Report

The Head of Pensions and Treasury outlined the details of the report and highlighted that this was the first stage in development of content of information which would be built upon.

There were three key components of the CIV. The extent to which funds were pooled – this included three of areas which were Stocks and Shares, Debts-, both government and private company and Alternates- which comprised of private equity, infrastructure and commercial properties.

49% of current assets were pooled, this was the proposal made to government and had been delivered as predicted. The expectation was that

the CIV would generate funds that matched needs and looking forward in the longer term, it was expected that all assets would eventually be pooled.

In terms of Governance arrangements, the change that had been made was that going forward, the Chair of the Pension Committee would be a representative on the stakeholder board and would report back on a regular basis with information that can be fed into the process.

It was asked if the fees saving was an annual recurring figure, officers said it was but it would increase as assets increased as it was being charged at a percentage.

A Member commented that the saving estimated would be good if came to fruition, the issue was with it being estimated. It was asked if in the interest of transparency, there was a way for information to be pulled through that detailed the exact charge. Officers said that a transparency project had been started to pull through the information. Officers assured that there was a general understanding of what the fees would be and said that fees should not be looked at in isolation from performance as they went hand in hand.

In response to a question on whether the return from CIV was in accordance to the benchmark, officers said that the CIV was delivering the product as expected and it was up to the LA to ensure the right mix of fixed interest and alternate assets were in place as this was the key to maximising investments.

RESOLVED: The Board **AGREED** to note the contents of this report

10/21 Exclusion of the Press and Public

This was not required.

The meeting ended at 3.34 pm

Signed:

Date:

.....

Croydon Council

REPORT TO:	Pension Board 25 March 2021
SUBJECT:	Reporting and Monitoring Contributions
LEAD OFFICER:	Nigel Cook Head of Pensions and Treasury

1.	RECOMMENDATION
1.1	To note this report.

2. EXECUTIVE SUMMARY

- 2.1 This report reminds the Board of matters raised in The Pensions Regulator’s recent report on governance and administration risks in public service pension schemes. One of the “key improvement areas” identified by the Regulator was the relationship between scheme managers and employers in their funds and, in particular, how schemes manage contributions. This report details advice received and how the Croydon Fund complies with this advice.

3 DETAIL

- 3.1 At their meetings on 17 October 2019 and 16 January 2020 the Board received reports entitled “The Pensions Regulator: Governance and administration risks in public service pension schemes.” These reports summarised the findings of The Pensions Regulator arising from its survey of the governance and administration of 10 UK Local Government Pension Scheme funds.

- 3.2 The Conclusion of The Pensions Regulator’s report was as follows:
We’ve outlined some areas of good practice in this report, and also some areas where we remain concerned and expect scheme managers to improve where appropriate. Overall, we noted:

- *Not all funds are the same and there is a variety of equally valid approaches to mitigating risk used across funds in the LGPS;*
- *It is important that scheme managers recognise, and maintain, a separation between the fund and Local Authority to avoid an overreliance on the Local Authority’s policies and procedures. When establishing its own policies and procedures a scheme manager should be able to seek assistance from the pension board, meaning steps should also be taken to ensure the pension board is able to fulfil its role. Where this is not possible, scheme managers should feed into creating Local Authority policies to make sure they are fit for purpose;*
- *There are clear benefits to the operation of the fund where there is an engaged s.151 officer who is directly involved;*

- *Good quality data and record-keeping standards underpin all aspects of successfully running a fund and these areas should be treated as a priority in order to drive good outcomes;*
- *Scheme managers that have developed and implemented a robust pension administration strategy have found them useful. While not a legal requirement, scheme managers should consider whether type of document will be useful and look to introduce them where this is the case;*
- *A common risk is the unexpected departure of key members of the scheme manager's staff. Succession planning and clearly recorded processes help mitigate this risk;*
- *Measuring governance and administration is challenging and requires more than just an analysis of raw figures. Scheme managers should therefore put in place appropriate reporting measures that they believe capture both quantitative and qualitative assessments. This approach should be tailored to the specific circumstances of their fund;*
- *Scheme managers should take a holistic approach when considering the governance and administration risks to their fund. Most risks are connected to each other and a scheme manager should understand how a risk materialising will impact on other areas of governance and administration;*
- *Risks to funds are constantly changing and evolving. For example, the methods used by scammers change over time. Scheme managers should be alert to the changing nature of risks and adapt their approaches accordingly; and*
- *Many scheme managers have a clear understanding of how their funds operate and want to provide the best experience for savers. Where scheme managers liaise with each other to discuss common challenges and solutions to them, whether at formal events or through ad hoc engagement, often leads to improved governance standards. This should be encouraged*

3.3 The Pensions Regulator identified various “key improvement areas” one of which was entitled “Employers.” They concluded as follows:

Overall we found a number of common areas, some requiring improvement but others demonstrating good practice relating to the various risk areas we investigated. The key improvement areas are summarised below. These findings align with the findings from our annual public service governance and administration survey.

.....
Employers: *We saw considerable variance in the approaches taken to dealing with the risks surrounding employers, such as receiving contributions and employer insolvency. Generally this was connected to fund resourcing but also related to different philosophies related to taking security over assets.*

3.4 The Pensions Regulator's recommendations are:

Employers and contributions

- Scheme managers should understand the financial position of participating employers and take a risk-based and proportionate approach to identifying employers most at risk of failing to pay contributions. Red, Amber, Green reporting often provides extra focus;
- Employer solvency should be considered on an ongoing basis and not just at the time of each valuation;
- Where employers outsource the payroll function, early engagement with the employer on the potential risks will help them manage their supplier;
- Employers may exit the fund so it is helpful to have a principle based policy on how to manage this given that circumstances are likely to vary in individual situations;
- Scheme managers should develop an understanding of the risk and benefits of a range of security types, such as charges, bonds and guarantees;
- Scheme managers should consider whether accepting a range of security types will offer more effective protection to the fund, rather than focussing on a single form of security;
- Scheme managers should understand which employers have not provided any security for unpaid contributions and consider what appropriate steps can be taken to secure fund assets; and
- Where security is in place, Scheme Managers should have a policy on when the security should be triggered.

3.5 The Scheme Advisory Board made the following statement:

*The Pensions Regulator has ... published its report into the **governance and administration risks in public service pension schemes including the 10 UK local government funds who were engaged with between October 2018 and July 2019.** The report summarises the key findings against the Regulator's Code of Practice 14 both in terms of exceeding and falling short of required standards and will be discussed in detail when SAB next meets on the 6th November 2019. In commenting on the report, Chair of the Board, Councillor Roger Phillips said "This key area of work ties in closely in with the Board's own Good Governance project. In identifying examples of best practice as well as areas for further improvement the report will undoubtedly be of great assistance to LGPS funds in seeking to enhance their own governance and administration arrangements."*

3.6 The Pensions Regulator's updated website includes further guidance as follows:

Key points

- The scheme manager should produce and maintain a payment schedule or contributions monitoring record;
- Check that contributions are paid to your scheme;
- Set up a process that you can use to identify and manage contribution payment failures;
- Make sure you report payment failures of "material significance" to us.

Monitoring payments

You should have a process to check that contributions are paid to your public

service scheme on time and in full. You should apply a risk-based approach to identify situations which present a higher risk of late payments occurring and those which are likely to be of 'material significance' to us.

Managing overdue contributions

You should be able to assess whether a late payment has occurred. Where you identify a late payment, you should follow a process to resolve it quickly. This may include:

- carrying out an investigation to why the late payment has occurred
- contacting and discussing the late payment with the employer
- rectifying the late payment and taking steps to avoid recurrence

You should attempt to recover contributions within 90 days of when the payment was due and keep a record of your investigation and communications between you and the employer.

Reporting payment failures

Your scheme must report payment failures that are likely to be of 'material significance' to us as soon as you can – usually within 10 working days. You should report to us using our online service Exchange.

3.8 The Pensions Regulator has produced a Checklist to be used “to evaluate how effectively your scheme manages contributions.” Appendix A to this report comprises the checklist as relevant completed for the Fund’s administration. The Fund confirms that it is able to record compliance with each requirement. Detailed records to support the assessments are maintained.

3.9 A system of recording the receipt of contributions is maintained as follows:

- Appendix B – Schedules / Payments received information
- Appendix C – Schedule Template – non I-connect employers

Reports based on key areas of this information will be presented to the Board at each of its meetings starting in year 2021/22.

3.10 The Board are invited to comment on and note this report.

4 DATA PROTECTION IMPLICATIONS

4.1 Will the subject of the Report involve the processing of “personal data?”

No

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

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

BACKGROUND DOCUMENTS:

None

APPENDICES

- A. The Pensions Regulator: Managing Contributions Checklist - completed
- B. Schedules / Payments received
- C. Schedule Template – non I-connect employers

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APPENDIX A

Public service

Managing contributions checklist

Use this checklist to evaluate how effectively your scheme manages contributions.

Action	Notes	Yes/No
Do you have effective procedures to identify the late payments of contributions?	The process should enable you to monitor and resolve payment issues, and report payment failures on an ongoing basis.	Yes. Monitoring sheet in place and uploaded to sharepoint. Sheet updated as payments received. Any late payments are investigated.
Do you regularly review these procedures?	Consider if you need to put further procedures in place to ensure that you manage contributions effectively. If yes, how often?	Yes – review is ongoing as matters arise or more efficient practice is identified.
Do you have a contributions monitoring record in place?	A contributions record should include: <ul style="list-style-type: none"> • contributions rates • due dates when contributions are to be made • rate of interest payable where contributions are late. 	Yes. Rates included (employer percentage) Always due 19 th of the month. Separate calculation sheet for Interest.
Do you regularly monitor payments against the payment schedule/ contributions monitoring record?	If yes, how often?	Yes - monthly
Do you have access to information that will enable you to monitor contributions?	This will include information on contributions to be paid and employer information.	Yes – schedules / valuation / monitoring records
Do you have processes in place to monitor payment information between the		Yes – emails and schedules.

scheme, employer and member?		
If your scheme uses a service provider, do you have in place a process to receive information on payment contributions?		N/A
Do you have procedures to assess why a late payment has occurred?	The procedure should enable you to identify whether a legitimate late payment has occurred.	Yes - emails.
Do you keep records of investigations into late payments?		Yes - emails.
Do you have procedures to report materially significant late payments to us?	This will help to provide evidence that contributions are being effectively monitored	Yes – “Breaches” processes

If you have answered no to any of these questions, you should review your processes to ensure that they are fit for purpose.

APPENDIX B

Schedules Received List

Sheet 1

Employer Name payroll code Employer Number er % Month

Queries

Sheet 2

Employer Name

Query

Name

NI Number

Action taken / to be taken

Reminders

Sheet 3

Schedule Reminders - sent before deadline

Employer Name

Email address

Date reminder sent

Date schedule received

Whether received Date received

Payment reconciliation sheet

Sheet 1 individual Employer records

Employer Name
Employer percentage
Month

On Schedule

Employee contributions
Employer contributions
Total contributions
Pensionable pay

Employer Contributions should be
Employer percentage calculated
Difference
Amount Payable
Amount received
Date received

Sheet 2 Summary

Cost Code
Employer Name

Monthly details
Employer percentage should be
Employer percentage calculated
Difference
Amount Due - schedule
Amount received
Date payment received
Amount outstanding
Comments

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Croydon Council

REPORT TO:	Pension Board 25 March 2021
SUBJECT:	Local Government Pension Scheme Advisory Board / The Pensions Regulator Update
LEAD OFFICER:	Nigel Cook Head of Pensions and Treasury

1. RECOMMENDATION

- 1.1 The Board are asked to note the contents of this report.

2. EXECUTIVE SUMMARY

- 2.1 This report advises the Board of the matters currently being considered by the Local Government Pension Scheme Advisory Board and The Pensions Regulator which are relevant to the Fund.

3 DETAIL

3.1. Local Government Pension Scheme Advisory Board (SAB)

Good Governance – Final Report

On 8 February the Board agreed that “Good Governance – Final Report” be published and that the Board’s action plan be submitted to the Local Government Minister for consideration. The action plan comprises those matters that would fall to MHCLG for implementation, those that would fall to the Board and others to implement and those items identifying and promoting existing best practice which can be implemented without further agreement. The report and action plan can be accessed at <https://www.lgpsboard.org/>

Exit payments and 95k cap

On 10 March 2021 the guides for Administering Authorities and Employers on the lgpsregs site were updated to take account of the revocation regulations and the requirement for payment of interest on exit payments by employers.

On 4 March 2021 MHCLG issued a letter to authorities withdrawing its letter of 28 October 2020.

On 25 February 2021 revocation regulations were laid.

On 17 February 2021 guides on lgpsregs were updated.

On 12 February 2021 HMT directions disapplied parts of the exit cap regulations
PB 25032021

effectively switching off the cap in England.

On 13 January 2021 the SAB website was updated to include the impact of the timing of the Judicial Reviews on MHCLG regulations and Pensions Ombudsman cases.

On 9 December 2020 the public sector exit payments page of the SAB website was updated to include the SAB response to the draft regulations on exit payments and further reform.

On 9 November 2020 the public sector exit payments page of the SAB website was updated to include a link to exit cap information for employers.

On 28 October 2020 a letter was sent from the Local Government minister to all administering authorities, in respect of the implementation of the public sector exit payment regulations from 4th November 2020. The SAB was also sent a copy of the letter and considered its contents alongside legal advice it had received.

On 30 October 2020 the SAB website was updated to include a commentary on the legal advice it had received.

On 15 October 2020 the Exit Cap regulations were made.

Lifetime Allowance Frozen

In the Budget on 3 March 2021 the Chancellor announced that the Lifetime Allowance ie the maximum amount of pension plus lump sum that can be drawn from a pension scheme without triggering an extra tax charge, would be frozen at its current level (£1,073,100) until April 2026.

Employer Flexibilities Guidance Published

On 2 March 2021 MHCLG published statutory guidance to assist LGPS administering authorities and scheme employers in implementing and operating the regulations on employer flexibilities introduced in September 2020.

Minimum Pension Age

On 11 February 2021 the Government launched consultation proposing that the minimum pension age be increased from 55 to 57 in 2028. The consultation runs until 22 April 2021.

Pensions Scheme Act 2021

On 11 February 2021 royal assent was received. Elements which will impact on the LGPS include climate risk reporting and the pensions dashboard.

Climate risk

On 27 January 2021 a policy consultation response and Consultation regulations entitled “Taking action on climate risk: improving governance and reporting by occupational pension schemes” was launched and ran until 10 March 2021. The regulations do not cover the LGPS but regulations are expected from MHCLG substantially to mirror these requirements.

Covid -19

On 2 November 2020 the Covid-19 information and updates page of the SAB website was updated with the results of the follow up survey conducted by the SAB

McCloud response

On 6 October 2020 the SAB published its final response to the MHCLG consultation

3.2. The Pensions Regulator (TPR)

TPR has a wider remit than the SAB and most of its recent publications / press releases have concerned private sector schemes. Its only recent “statement” of immediate relevance to the LGPS was Guidance on Covid-19 published on 16 September.

On 14 January 2021 TPR published an interim response to its first defined benefit funding code consultation but this does not appear to be directly relevant to the LGPS.

Officers recently completed TPR’s “Public Service Governance and Administration Survey 2020.

4 DATA PROTECTION IMPLICATIONS

4.1 Will the subject of the report involve the processing of ‘personal data’?

No.

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

CONTACT OFFICER:

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

BACKGROUND DOCUMENTS:

None.

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Croydon Council

REPORT TO:	PENSION BOARD 25 March 2021
SUBJECT:	Croydon Pensions Administration Team Key Performance Indicators for the Period 1 November 2020 to 31 January 2021
LEAD OFFICER:	Vicki Richardson Head of HR & Finance Service Centre

1. RECOMMENDATION

The Board is asked to:

Note the Key Performance Indicators and the performance against these indicators set out in Appendix A to this report.

2. EXECUTIVE SUMMARY

- 2.1 This report sets out Key Performance Indicators for the administration of the Local Government Pension Scheme for the three month period up to the end of January 2021.

3. DETAIL

- 3.1 Good governance suggests that the performance of the administration of the Local Government Pension Scheme should be monitored. This report has been developed using the guidance published by CIPFA (Administration in the LGPS: A Guide for Pensions Authorities) and is reporting to the Board on the LGPS administration performance for the period 1 November 2020 to 31 January 2021. The indicators cover legal deadlines; team performance targets, case levels and take up of member self-service and the indicators and performance against these are detailed more fully in Appendix A to this report.

Commentary

- 3.2 Priority is always given to the life events that most impact scheme members which are retirements and deaths and the team is largely performing within legal deadlines in those areas.
- 3.3 There has been an extraordinary demand on the pension administration team to provide retirement estimates due to a Council wide voluntary severance scheme during December and January. Nearly 200 estimates were provided in January 2021 within target timescales, which has diverted resources away from other case types.

- 3.4 At end January 2021 there were 6170 workflow tasks outstanding which is an increase on the previous month. 56% of these outstanding tasks relate to a historical backlog of deferred benefit cases. The contract with Hymans Robertson to provide third party administration services to clear this backlog has now been signed and preparations are being made for Hyman Robertson to commence processing of these cases. It is expected that it will take 12 months for this backlog to be cleared once work commences and further updates will be provided as the project progresses.
- 3.6 We have successfully recruited to the Senior Pension Officer vacancy, attracting an experienced officer from another London Borough who will be joining us during March 2021. There is one remaining vacancy in the Pensions Administration Team for a pension support officer and recruitment is being progressed.

4. DATA PROTECTION IMPLICATIONS

4.1 WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?

NO

The Director of Human Resources comments that this report relates to statistical information about the administration of the Local Government Pension Scheme.

Approved by: Sue Moorman, Director of Human Resources

CONTACT OFFICER:

Victoria Richardson - Head of HR & Finance Service Centre
ext. 62460.

BACKGROUND DOCUMENTS:

None

Appendices

Appendix A: Croydon Pensions Admin Team Performance Report, January 2021









Croydon Pensions Admin Team Performance Report

January 2021




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- Member self-service 10

Reference Key Table

Direction of travel reference table	
	100% achieved against target performance improved
	100% achieved on target and performance static
	>90% achieved against target and performance improved
	>90% achieved against target and performance static
	>90% achieved against target and performance declined
	<90% achieved against target and performance improved
	<90% achieved against target and performance static
	<90% achieved against target and performance declined

Legal Deadlines

Process	Legal Requirement	Total Number Completed	% Achieved in legal deadline	Total Number Completed	% Achieved in legal deadline	Total Number Completed	% Achieved in legal deadline	Direction of Travel	Comments
		November 2020		December 2020		January 2021			
Send a notification of joining the LGPS to a scheme member	Two months from the date of joining the scheme or earlier if within one month of receiving jobholder information where the individual is being automatically enrolled/re-enrolled	152	61.18%	127	90.55%	156	89.10%		
Inform a scheme member of their calculated benefits (refund or deferred) – backlog cases	As soon as practicable and no more than two months from the date of notification (from employer or scheme member)	26	15.38%	11	27.27%	14	7.14%		Historical backlog is impacting performance. Contract has now been awarded to Hymans Robertson to provide administration services to clear this backlog, which is currently in the mobilisation phase.
Inform a scheme member of their calculated benefits (refund or deferred) – new cases	As soon as practicable and no more than two months from the date of notification (from employer or scheme member)	33	81.82%	30	83.33%	16	68.75%		

Legal Deadlines

Process	Legal Requirement	Total Number Completed	% Achieved in legal deadline	Total Number Completed	% Achieved in legal deadline	Total Number Completed	% Achieved in legal deadline	Direction of Travel	Comments
		November 2020		December 2020		January 2021			
To process and pay a refund	Two months from the date of request	12	100%	14	100%	10	100%	➡	
Obtain transfer details for transfer in, calculate and provide quotation to member	Two months from the date of request	7	85.71%	5	100%	3	100%	⬆	
Notify the amount of retirement benefits	One month from the date of retirement if on or after normal pension age or two months from the date of retirement if after normal pension age	31	100%	38	100%	45	100%	➡	
Provide a retirement quotation on request	As soon as practicable but no more than two months from the date of request unless there has already been a request in the last 12 months	47	100%	62	100%	196	100%	➡	There has been an extraordinary increase in demand due to Croydon Council severance scheme.




Legal Deadlines

Process	Legal Requirement	Total Number Completed	% Achieved in legal deadline	Total Number Completed	% Achieved in legal deadline	Total Number Completed	% Achieved in legal deadline	Direction of Travel	Comments
		November 2020		December 2020		January 2021			
Calculate and notify (dependent(s) of amount of death benefits	As soon as possible but in any event no more than two months from date of becoming aware of death or from date of request from a third party (e.g. personal representative)	33	100%	28	100%	41	97.56%	↓	
Provide all active and deferred members with annual benefit statements each year	By 31 st August	16690							An ABS has been issued for all members who were due to receive one

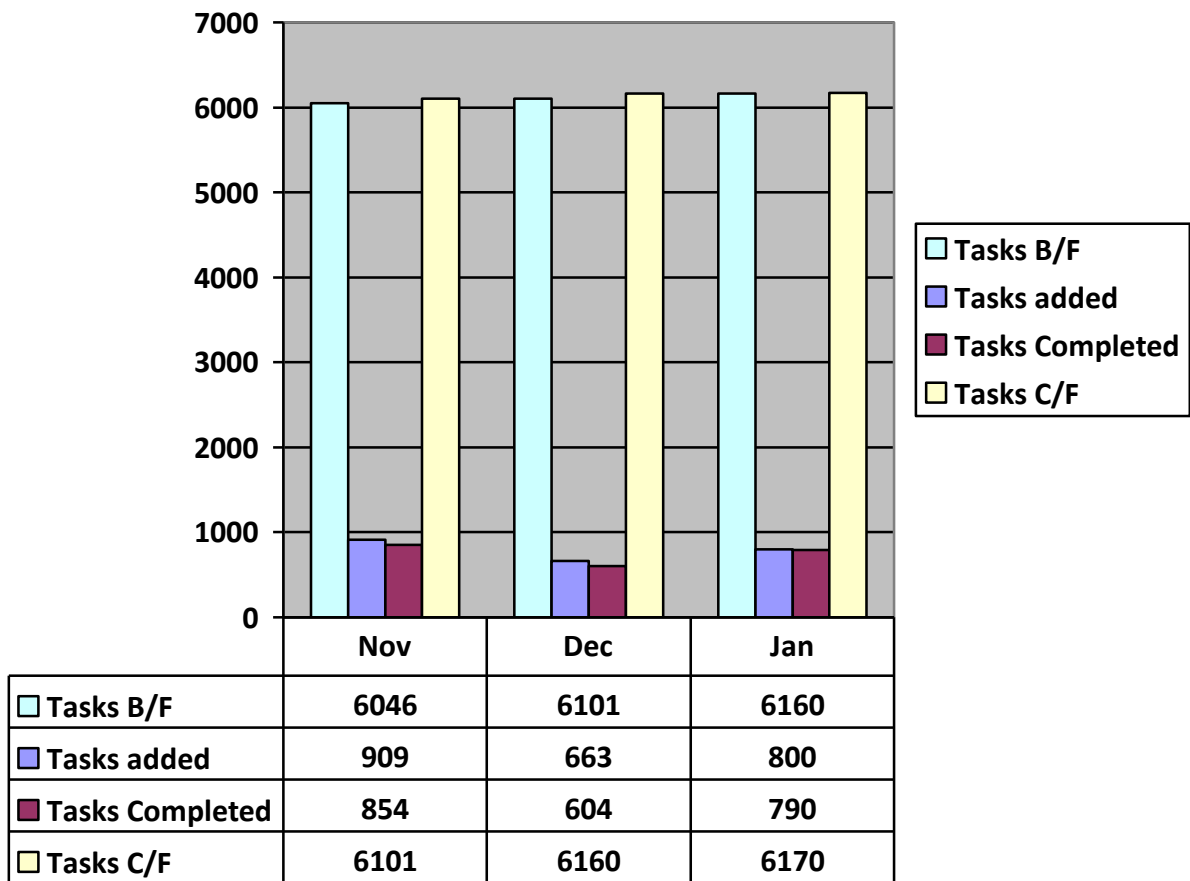
Team Performance Targets

Process	Team Target	Total Number Completed	% Achieved against target	Average days to process	Total Number Completed	% Achieved against target	Average days to process	Total Number Completed	% Achieved against target	Average days to process	Direction of Travel	Comments
		November 2020			December 2020			January 2021				
		152	49.34%	46	127	87.40%	15	156	89.10%	16		
Send a notification of joining the LGPS to a scheme member	30 days from date of notification of joining member										↑	
Inform a scheme member of their calculated benefits (refund or deferred) – backlog cases	40 working days from date of notification (from employer or scheme member)	26	15.38%	523	11	27.27%	737	14	7.14%	663	↓	Historical backlog is impacting performance. Contract has now been awarded to Hymans Robertson to provide administration services to clear this backlog, which is currently in the mobilisation phase.
Inform a scheme member of their calculated benefits (refund or deferred) – new cases	40 working days from date of notification (from employer or scheme member)	33	72.73%	44	30	66.67%	32	16	68.75%	43	↑	
To process and pay a refund	40 working days from the date of request	12	100%	5	14	100%	3	10	100%	2	→	
Obtain transfer details for transfer in, calculate and provide quotation to member	40 working days from the date of request	7	71.43%	23	5	100%	9	3	66.67%	3	↓	Lockdown resulted in delays in requesting quotes as there was less office presence to undertake printing required.

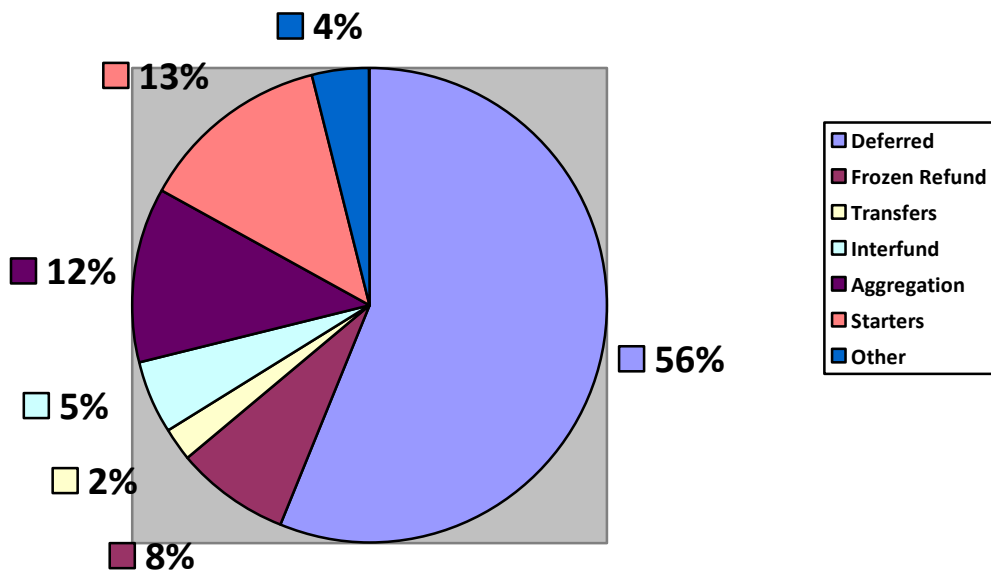
Team Performance Targets

Process	Team Target	Total Number Completed	% Achieved against target	Average days to process	Total Number Completed	% Achieved against target	Average days to process	Total Number Completed	% Achieved against target	Average days to process	Direction of Travel	Comments
		November 2020			December 2020			January 2021				
Notify the amount of retirement benefits	20 working days from date of retirement	31	100%	3	38	100%	3	45	100%	2		
Provide a retirement quotation on request	15 working days from date of request	47	93.62%	7	62	96.61%	4	196	100%	5		There has been an extraordinary increase in demand due to Croydon Council severance scheme
Calculate and notify (dependent(s) of amount of death benefits	20 working days from receipt of all information	33	93.94%	8	28	100%	6	41	97.56%	6		Small number of cases not processed in deadline as further information was needed

Case levels



Outstanding Cases by Type



Member self-service

Scheme members registered	4637 (27%)
Number scheme members who accessed annual benefit statement Q3 Oct 2020 – Dec 2020.	447

Croydon Council

REPORT TO:	Pension Board 25 March 2021
SUBJECT:	Review of Risk Register
LEAD OFFICER:	Nigel Cook Head of Pensions and Treasury

1. RECOMMENDATION

- 1.1 The Board is asked to note the contents of the Pension Fund Risk Register and to comment as appropriate.

2. EXECUTIVE SUMMARY

- 2.1 It is recommended best practice for the Pension Committee to maintain a risk register covering the most significant risks faced by the Fund. This report presents the current register (Appendix A) for the Board's consideration.

3. DETAIL

- 3.1 Best practice recommends that a risk register is maintained by the Pension Committee recording relevant risk scenarios, together with an assessment of their likelihood and impact and appropriate mitigations. This report discusses the most significant risks relating to governance, funding, assets and liabilities and operational matters. Appendix A details these risks.
- 3.2 The Board is invited to comment on whether it considers this list sufficiently exhaustive and whether the assessment of each risk matches its perception on the adequacy of existing and future controls.
- 3.3 In accordance with the Risk Management Policy, the Risk Register is reviewed periodically and reported to the Committee on a quarterly basis.
- 3.4 Risks are rated on a scale of 1 (rare) to 5 (almost certain) on the likelihood of the risk occurring and its impact of 1 (insignificant) to 5 (catastrophic) if it does as shown in the matrix attached to the Log (Appendix A). This allows a range of potential scores of between 1 and 25 by multiplying the likelihood score by the impact score. The register shows that there are 15 risks on the register with 13 being significant risks for the Fund (ie scored 12 or higher) and is attached as Appendix A to this report.

3.5 Since the Board last reviewed the Register on 14 January 2021, one risk relating to the 95K cap has been removed due to the revocation of legislation in this regard.

3.6 The Board is asked to note the contents of the Pension Fund Risk Register and to comment as appropriate.

4. DATA PROTECTION IMPLICATIONS

4.1 WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?

NO

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

CONTACT OFFICER:

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

BACKGROUND DOCUMENTS:

APPENDIX:

Appendix A: Risk Register

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Pensions Risk Register

Risk Scenario	Assigned to	Existing Controls	Current Risk Rating			Future controls	Future risk rating		
			Impact	Likelihood	Risk factor		Impact	Likelihood	Risk Factor
Governance Risks									
If other scheme employers cease trading or operating for any reason the Scheme Actuary will calculate a cessation valuation of their liabilities. If that employer cannot meet that liability the Council has to make good the shortfall.	Governance and Compliance Manager	Employers contributions are monitored on a monthly basis. Council officers rely on good communications to identify any problems at the earliest stage. The range of remedies includes reporting to The Pensions Regulator, involving other statutory bodies, such as the Education Funding Agency, up to court enforcement action.	3	4	12	The team are currently putting in place an employer risk strategy, which will lead to the early identification of employers at risk. The Government (MHCLG) have consulted on this issue and mitigations should reduce the potential impact of this risk.	3	3	9
Funding - Assets and Liabilities Risks									
The Fund's invested assets are not sufficient to meet its current or future liabilities.	Head of Pensions and Treasury	A formal actuarial valuation is carried out every three years, although the Government have consulted on changing this to every 4 years. This results in a Funding Strategy Statement which is regularly reviewed to ensure contribution rates and the investment strategy are set to meet the long term solvency of the Fund. The Scheme Actuary's view is that there is a 75% chance that the funding target will be achieved. The current Strategy was agreed by the Committee on 17 March 2020.	4	3	12	Officers are looking at ways of monitoring the funding level on a more frequent basis rather than waiting for a full valuation every three years, although this needs to be done efficiently and in a cost effective manner. When the current valuation is completed officers will work with the Actuary to seek a cost efficient way of more frequent monitoring.	4	2	8
Between a quarter and a third of the Fund is held in illiquid investments. This means there is a risk that the authority might find itself with insufficient cash to meet short term and medium term liabilities without having to disinvest and thus damage the prospects of generating adequate investment returns.	Pension Fund Investment Manager	The Fund's contribution income is currently enough to cover the short term liabilities. This is kept under constant review and officers monitor the cashflow carefully on a monthly basis. This cash will be invested in liquid assets to mitigate this risk.	3	3	9	Officers have identified a potential cash shortfall due to the changing investment strategy towards alternatives. At present, all dividend income is reinvested but officers are monitoring cash flow requirements to ensure that this remains an efficient part of maintaining sufficient funds to meet immediate liabilities.	3	2	6
There is a possible risk of scheduled or admitted bodies not paying over contributions, which involves the administering authority in incurring unnecessary costs.	Governance and Compliance Manager	The authority has retained legal advisors to mitigate this risk, possibly through legal channels. There is one significant case, in terms of contributions due, which is currently being considered by the Pensions Ombudsman.	3	5	15	To mitigate the risk going forward measures have been put into place to set up processes and procedures around schedules (new templates with in-built checks have been issued to employers and a checklist has been created to record receipt) and reconciling figures on a monthly basis, checking payment has been received. It will be necessary to do retrospective checks to April 2020 so it is expected that this will take some time to complete with the current resources available. However, once the new measures have been embedded, payments can be chased where necessary quickly.	3	5	15

<p>Under the S.13 reporting regime, the Government Actuary's Department (GAD) form a view of the viability of LGPS funds. Using GAD assumptions, rather than the Scheme Actuary's, the Fund is in the bottom decile for funding. There is a risk that the Government may intervene in the investment of the Fund.</p>	<p>Head of Pensions and Treasury</p>	<p>The current Scheme Actuary has indicated that there is a 75% likelihood that the Scheme will be fully funded in 22 years. The valuation states: For the purpose of reporting a funding level and an associated funding surplus/deficit for the 2019 valuation, an investment return of 4.0% p.a. has been used. It is estimated that the Fund's assets have a 75% likelihood of achieving this return.</p>	<p>4 3 12</p>	<p>The authority is revisiting the funding position and contribution levels during the current valuation. Initial draft results from the valuation are encouraging.</p>	<p>4 2 8</p>
Investment Risks					
<p>There is a risk that, under any set of circumstances, an asset class will underperform. The Fund has a significant allocation to several single asset categories - for example, equities, fixed interest, property or alternatives - which potentially leaves the Fund exposed to the possibility that a particular class of assets will underperform relative to expectation.</p>	<p>Pension Fund Investment Manager</p>	<p>The investment allocation mix is in a variety of uncorrelated investments designed to give a diverse portfolio, meaning any one investment class should not unduly impact on the performance of the overall portfolio if it underperforms relative to expectation. Due to a re-balancing exercise carried out during 2018-2019 investments are now in accordance with the allocation strategy.</p>	<p>4 3 12</p>	<p>A new asset allocation strategy is currently being considered to take effect from 1 April 2020.</p>	<p>3 2 6</p>
<p>The London CIV has been experiencing problems recruiting to key roles, including to the Chief Investment Officer vacancy. This raises a number of concerns, including: fund launches; progress on the ESG project; and expanded permissions from the FCA. This latter point relates to their ability to transition funds.</p>	<p>Head of Pensions and Treasury</p>	<p>The Fund retains the services of an external consultant to assess the efficacy of transitions. This is a backward-looking review and the Fund does not have visibility of the process when the transition is happening or when the Fund is out of the market. The fund can rely on its investment advisor to ensure ESG issues are adequately addressed. Fund launches will be carefully monitored.</p>	<p>4 3 12</p>	<p>The appointment of a new Chief Investment Officer is not likely to start until 2020/21 and until then the post will be filled by an interim.</p>	<p>4 3 12</p>
Global Macro-economic Risks					
<p>Specific macro-economic risks are addressed below but there is a more general, underlying risk of a global collapse in investment markets. The markets have experienced a continuous sequence of such events: Latin American sovereign debt; Black Friday crash; the Dot.com bubble; sub-prime and credit crunch. Other crises are inevitable.</p>	<p>Pension Fund Investment Manager</p>	<p>The discount rate assumption is reviewed at every valuation to ensure it gives appropriate views on future return expectations. The Fund is also well-diversified which provides a degree of protection.</p>	<p>4 3 12</p>	<p>A new asset allocation strategy is currently being considered to take effect from 1 April 2020. Consultations with the Fund's Investment Adviser are ongoing to ensure that, so far as possible, the Fund remains conscious of these risks and is taking reasonable precautions eg recently a currency hedging exercise has been carried out.</p>	<p>4 3 12</p>

<p>There is still a risk that a "Hard Brexit" will result in disruption to the way that fund managers can operate and that this will have a deleterious impact on the Fund.</p>	<p>Head of Pensions and Treasury</p>	<p>The Government has rolled out a temporary permissions regime and EU27 governments are introducing mirror regimes to allow existing arrangements to continue. All the significant EU markets have introduced such regimes. However, a long-term solution to passporting has not been agreed.</p>	<p>3 4 12</p>	<p>There will be unresolved problems for a number of years due to the scale and complexity of the issue. The Fund will expect its managers to take all necessary steps to ensure they are prepared as well as possible for the developing situation.</p>	<p>3 3 9</p>
<p>Coronavirus – risk to investment returns of the Pension Fund from a global financial crisis. The UK economy is in recession and European and US markets are fragile. If returns on the investment of the Pension Fund are negatively impacted long term there may not be adequate resources to meet the Fund’s liabilities. This may lead to a need to increase employer contribution rates. This impacts on Council budgets.</p>	<p>Pension Fund Investment Manager</p>	<p>The situation is being monitored by the Investment Manager and the LCIV Investment Team. While a temporary drop was experienced the market has now recovered and no long-term adverse effect is expected.</p>	<p>3 4 12</p>	<p>The current monitoring arrangements are effective and will continue going forward.</p>	<p>3 4 12</p>
<p>There are a number of specific geopolitical risks which could affect the performance of global equities. The ones most likely to impact on the Fund are global trade tensions especially those arising from US/China competition. Others with potentially serious impact are internal US politics, Gulf tensions, and Brexit.</p>	<p>Pension Fund Investment Manager</p>	<p>Equities have performed well to the extent that the Fund was over-weight in the asset class. This has now been addressed.</p>	<p>4 3 12</p>	<p>The rebalancing has now been completed and the allocation strategy is being reviewed.</p>	<p>3 2 6</p>
<p>Operational Risks</p>					

Pensions Risk Register

	Risk Scenario	
Risk		Assigned to
Governance Risks		
1	If other scheme employers cease trading or operating for any reason the Scheme Actuary will calculate a cessation valuation of their liabilities. If that employer cannot meet that liability the Council has to make good the shortfall.	Governance and Compliance Manager
Funding - Assets and Liabilities Risks		
2	The Fund's invested assets are not sufficient to meet its current or future liabilities.	Head of Pensions and Treasury
3	Between a quarter and a third of the Fund is held in illiquid investments. This means there is a risk that the authority might find itself with insufficient cash to meet short term and medium term liabilities without having to disinvest and thus damage the prospects of generating adequate investment returns.	Pension Fund Investment Manager
4	There is a possible risk of scheduled or admitted bodies not paying over contributions, which involves the administering authority in incurring unnecessary costs.	Governance and Compliance Manager

5	<p>Under the S.13 reporting regime, the Government Actuary's Department (GAD) form a view of the viability of LGPS funds. Using GAD assumptions, rather than the Scheme Actuary's, the Fund is in the bottom decile for funding. There is a risk that the Government may intervene in the investment of the Fund.</p>	Head of Pensions and Treasury
Investment Risks		
6	<p>There is a risk that, under any set of circumstances, an asset class will underperform. The Fund has a significant allocation to several single asset categories - for example, equities, fixed interest, property or alternatives - which potentially leaves the Fund exposed to the possibility that a particular class of assets will underperform relative to expectation.</p>	Pension Fund Investment Manager
7	<p>The London CIV has been experiencing problems recruiting to key roles, including to the Chief Investment Officer vacancy. This raises a number of concerns, including: fund launches; progress on the ESG project; and expanded permissions from the FCA. This latter point relates to their ability to transition funds.</p>	Head of Pensions and Treasury
Global Macro-economic Risks		

8	<p>Specific macro-economic risks are addressed below but there is a more general, underlying risk of a global collapse in investment markets. The markets have experienced a continuous sequence of such events: Latin American sovereign debt; Black Friday crash; the Dot.com bubble; sub-prime and credit crunch. Other crises are inevitable.</p>	Pension Fund Investment Manager
9	<p>There is still a risk that a "Hard Brexit" will result in disruption to the way that fund managers can operate and that this will have a deleterious impact on the Fund.</p>	Head of Pensions and Treasury
10	<p>Coronavirus – risk to investment returns of the Pension Fund from a global financial crisis. The UK economy is in recession and European and US markets are fragile. If returns on the investment of the Pension Fund are negatively impacted long term there may not be adequate resources to meet the Fund’s liabilities. This may lead to a need to increase employer contribution rates. This impacts on Council budgets.</p>	Pension Fund Investment Manager
11	<p>There are a number of specific geopolitical risks which could affect the performance of global equities. The ones most likely to impact on the Fund are global trade tensions especially those arising from US/China competition. Others with potentially serious impact are internal US politics, Gulf tensions, and Brexit.</p>	Pension Fund Investment Manager

Operational Risks		
12	Cyber Security – Risk to systems including by system failure, ineffective business continuity plan and lack of adequate monitoring arrangements for third party suppliers. If adequate protections are not in place to prevent system failure working time could be affected impacting workloads and delivery of key performance indicators. If an effective business continuity plan is not in place and communicated to staff the impact of any system failure will be increased. If adequate monitor arrangements for suppliers are not implemented and reviewed service delivery may be adversely affected.	Head of Pensions Administration
13	Cyber security - risk of unauthorised access to personal and other data including by unsafe home working practices, data access protection and levels and safe storage of data. If safe working practices are not followed devices could be lost or stolen or data could be viewed or tampered with. If data access levels are not kept up to date and set at a level appropriate for the performance of the duties of the role only, any possible misuse or error will have a more severe effect. If data held on the pension system is not backed up there is a risk of data being lost in the event of a system failure.	Pensions Administration Manager
14	McCloud Judgement. There is a risk affecting our ability to implement the requirements of the McCloud judgement post resolution. Issues include lack of historic data, appropriate resource, capacity or budget to undertake the work. This could result in legal breaches reportable to the Pensions Regulator, incorrect pension entitlements being calculated for pensioners and loss of confidence in the service by scheme members and employers.	Pensions Manager

15	<p>Issuing of Section 114 Notice. There is a risk affecting the ability of the Pension Administration Team to be able to respond to the increased demand for benefit calculations. As a result of the Notice many Council services are being reviewed in order to make financial savings. This will result in large numbers of staff being made redundant. With the added uncertainty of the Council's financial situation some staff are seeking employment elsewhere so numbers of voluntary resignations could also increase. Those staff who are members of the scheme will all need benefit calculations. This will be a considerable extra workload for the team, which is currently operating with vacancies which are waiting to be filled. With the introduction of the exit cap reforms benefit calculations for staff leaving on redundancy or interests of efficiency grounds have become considerably more complex and far more time consuming to perform. The pension administration software has not been updated to incorporate the regulatory changes yet so, as an interim measure, a calculation facility will be provided by Hymans. This will be a new process and so will take time for the team to become familiar with. As in risk 15 concerning the exit payment reforms there is a risk of legal challenge from members and possible financial costs to the Fund. Lack of certainty around the regulatory requirements could lead to uncertainty around benefit calculation, resulting in inaccurate or late benefit notifications, lack of confidence in the service and legal breaches reportable to The Pensions Regulator. Increased options available to members could lead to confusion affecting their ability to make informed decisions. Increased demand on the Pension Administration Team means that there may be insufficient capacity to cope. It may be necessary to recruit additional staff which will have a financial cost. However, with the impact of McCloud and the exit payment reforms, the level of expertise required is far greater and recruiting adequate numbers of suitably experienced and able staff could be difficult; other local authorities will all be looking to recruit and they may be more attractive to possible candidates given Croydon's current financial situation in terms of the Section 114 notice.</p>	Pensions Manager
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Key

Below 10 is considered a Green Risk.

A score between 10 and 19 is an Amber Risk.

A score of 20 or above is a Red Risk.

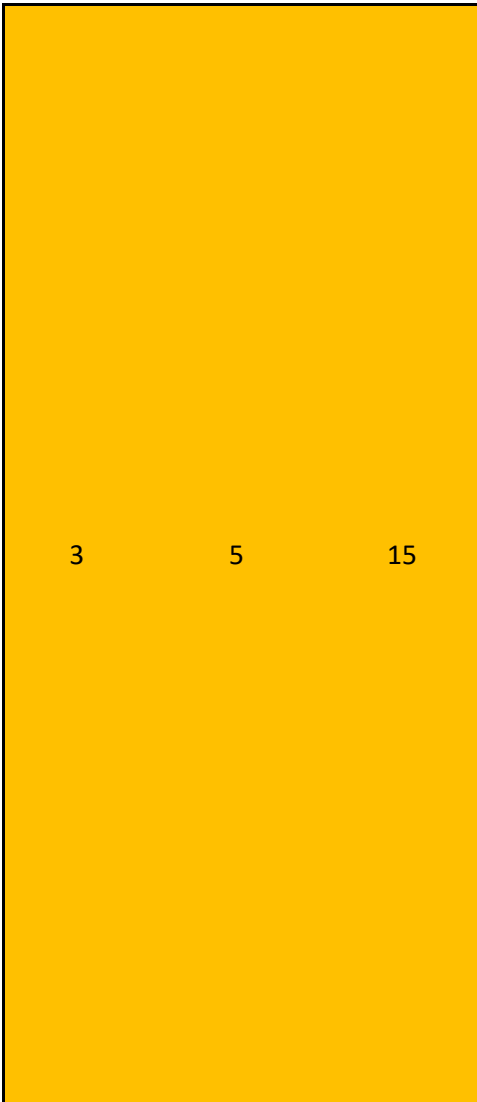
Existing Controls	Current Risk Rating		
	Impact	Likelihood	Risk factor
Employers contributions are monitored on a monthly basis. Council officers rely on good communications to identify any problems at the earliest stage. The range of remedies includes reporting to The Pensions Regulator, involving other statutory bodies, such as the Education Funding Agency, up to court enforcement action.	3	4	12
A formal actuarial valuation is carried out every three years, although the Government have consulted on changing this to every 4 years. This results in a Funding Strategy Statement which is regularly reviewed to ensure contribution rates and the investment strategy are set to meet the long term solvency of the Fund. The Scheme Actuary's view is that there is a 75% chance that the funding target will be achieved. The current Strategy was agreed by the Committee on 17 March 2020.	4	3	12
The Fund's contribution income is currently enough to cover the short term liabilities. This is kept under constant review and officers monitor the cashflow carefully on a monthly basis. This cash will be invested in liquid assets to mitigate this risk.	3	3	9
The authority has retained legal advisors to mitigate this risk, possibly through legal channels. There is one significant case, in terms of contributions due, which is currently being considered by the Pensions Ombudsman.	3	5	15

<p>The current Scheme Actuary has indicated that there is a 75% likelihood that the Scheme will be fully funded in 22 years. The valuation states: For the purpose of reporting a funding level and an associated funding surplus/deficit for the 2019 valuation, an investment return of 4.0% p.a. has been used. It is estimated that the Fund's assets have a 75% likelihood of achieving this return.</p>	<p>4 3 12</p>
<p>The investment allocation mix is in a variety of uncorrelated investments designed to give a diverse portfolio, meaning any one investment class should not unduly impact on the performance of the overall portfolio if it underperforms relative to expectation. Due to a re-balancing exercise carried out during 2018-2019 investments are now in accordance with the allocation strategy.</p>	<p>4 3 12</p>
<p>Recruitment has inevitably been impacted by the lockdown but the CIV has now filled a number of key roles. This provides a degree of reassurance that fund launches and key projects should be able to proceed according to plan.</p>	<p>4 2 8</p>

<p>The discount rate assumption is reviewed at every valuation to ensure it gives appropriate views on future return expectations. The Fund is also well-diversified which provides a degree of protection.</p>	<p>4 3 12</p>
<p>The Government has rolled out a temporary permissions regime and EU27 governments are introducing mirror regimes to allow existing arrangements to continue. All the significant EU markets have introduced such regimes. However, a long-term solution to passporting has not been agreed.</p>	<p>3 4 12</p>
<p>The situation is being monitored by the Investment Manager and the LCIV Investment Team. While a temporary drop was experienced the market has now recovered and no long-term adverse effect is expected.</p>	<p>3 4 12</p>
<p>Equities have performed well to the extent that the Fund was over-weight in the asset class. This has now been addressed.</p>	<p>4 3 12</p>

<p>Heywoods is a hosted system. They have processes in place for backing up files, storing data safely and preventing system failure. This is included in the contract we have with them. The technical team keep logs of issues and responses to monitor this. We have a business continuity plan in place should issues arise. Key suppliers, Aquila Heywood and Hymans Robertson both have ISO:270001 which is the international standard for information security management systems (ISMS).</p>	4	3	12
<ul style="list-style-type: none"> • Mandatory GDPR training has been provided to all new and existing staff. • There is a remote working protocol available on the staff intranet which includes guidance on working securely, in addition to a good practice guide on information management. • When working from home devices are encrypted and accessed via a VPN. Bit locker and passwords are required to access systems. No physical papers are taken home and staff are advised of the need to keep computers in a secure place, never to leave devices unattended and not to access systems in public locations. • Appropriate data access levels to the pensions administration system are assigned by the Technical Support Team on appointment or change of role, according to the requirements of the role. 	4	3	12
<p>Keeping up to date with information from the Scheme Advisory Board, Local Government Association, and the Government actuary's Department. The Technical Team are ensuring that part time hours are being recorded on Altair.</p>	4	4	16

Keeping up to date with information from the Scheme Advisory Board, Local Government Association, and the Government actuary's Department and our Pensions Admin Software provider, Aquila Heywood. Sourcing interim calculation software from Hymans. Recruiting staff to fill existing vacancies.



3	5	15

Impact is measured on a scale of 1 to 5.

A score of 1 suggests that the potential impact would be insignificant and a score of 5 would be significant. Likelihood is also measured on a scale of 1 to 5.

In this instance a score of 1 suggests that the occurrence will be rare and score of 5 would be a frequent occurrence.

Future controls	Future risk rating		
	Impact	Likelihood	Risk Factor
<p>The team are currently putting in place an employer risk strategy, which will lead to the early identification of employers at risk. The Government (MHCLG) have consulted on this issue and mitigations should reduce the potential impact of this risk.</p>	3	3	9
<p>Officers are looking at ways of monitoring the funding level on a more frequent basis rather than waiting for a full valuation every three years, although this needs to be done efficiently and in a cost effective manner. When the current valuation is completed officers will work with the Actuary to seek a cost efficient way of more frequent monitoring.</p>	4	2	8
<p>Officers have identified a potential cash shortfall due to the changing investment strategy towards alternatives. At present, all dividend income is reinvested but officers are monitoring cash flow requirements to ensure that this remains an efficient part of maintaining sufficient funds to meet immediate liabilities.</p>	3	2	6
<p>The templates were issued to many employers and have aided administration and checking. Receipt is recorded. The checklist has enabled the governance team to chase any missing schedules ahead of the deadline preventing late arrivals. Returns are checked to make sure the correct contribution percentages have been applied and any inconsistencies are queried. The accounts team carry out checks to reconcile payments received to payments due and any inconsistencies are investigated by the governance team. Improved communications between the teams is aiding in this process. A contributions monitoring report is being created for the Board which will report on schedules and payments received to enable more effective scrutiny. In line with this, additional data monitoring sheets have been created by the governance and accounts teams.</p> <p>These measures are improving outcomes. However, they require more time to administer and resources across the governance and accounts teams are impacted.</p>	3	5	15

<p>Equity markets are expected to remain bullish. This should continue to drive returns above the 4% target.</p>	<p>4 2 8</p>
<p>The domestic economies of most developed countries have been protected and thus have proved to be resilient and to rebound quite quickly. Although the effects of the pandemic will continue to be very difficult for emerging markets and people across the globe, the Fund is well positioned to take advantage of resurgent markets.</p>	<p>3 2 6</p>
<p>As the CIV becomes more established recruitment issues should become less significant.</p>	<p>4 2 8</p>

<p>The asset allocation strategy will be revised during 2021/2022. Consultations with the Fund's Investment Adviser are ongoing to ensure that, so far as possible, the Fund remains conscious of these risks and is taking reasonable precautions eg recently a currency hedging exercise has been carried out.</p>	<p>4 3 12</p>
<p>There will be unresolved problems for a number of years due to the scale and complexity of the issue. The Fund will expect its managers to take all necessary steps to ensure they are prepared as well as possible for the developing situation.</p>	<p>3 3 9</p>
<p>The current monitoring arrangements are effective and will continue going forward.</p>	<p>3 4 12</p>
<p>The rebalancing has now been completed and the allocation strategy is being reviewed.</p>	<p>3 2 6</p>

<p>Communication of the business continuity plan to relevant staff could be considered</p> <p>Check with key suppliers for details of any annual security reviews/audits</p>	4	2	8
<p>Cyber security training for all staff</p>	4	2	8
<p>Resource review is currently taking place with a view to recruiting dedicated McCloud administration staff. Communications are being sent to employers outlining our requirements and templates will be issued shortly.</p>	4	3	12

Once we have clarity from central government, providing staff training and guidance, implementing temporary mechanisms for calculating benefits whilst awaiting software updates, ensuring the admin team is adequately resourced to deal with the increased complexity arising from these changes, communicating with scheme employers and reviewing the process and timescales for providing estimates.

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ie catastrophic.

almost certain to happen.

Risk Matrix

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		IMPACT				
		1	2	3	4	5
		Insignificant	Minor	Moderate	Major	Catastrophic
5 Almost Certain	5	10	15	20	25	
4 Likely	4	8	12	16	20	
3 Possible	3	6	9	12	15	
2 Unlikely	2	4	6	8	10	
1 Rare	1	2	3	4	5	

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Croydon Council

REPORT TO:	Pension Board 25 March 2021
SUBJECT:	Review of Breaches Log
LEAD OFFICER:	Nigel Cook Head of Pensions and Treasury

1. RECOMMENDATION

- 1.1 The Board is asked to note the contents of the Pension Fund Breaches Log and to comment as appropriate.

2. EXECUTIVE SUMMARY

- 2.1 It is a requirement of The Pension Regulator for the Pension Fund to maintain a breaches log detailing incidences where breaches have occurred. In line with the recommendations of the Aon Hewitt Governance Review, on 15 September 2020 the Committee agreed the revised Reporting Breaches of the Law Policy. This included a requirement for the Committee to monitor breaches on a regular basis. This report presents the current log (Appendix A) for the Board's consideration.

3 DETAIL

- 3.1 The Pension Act 2004 (PeA 2004, s 70) imposes duties on certain persons to report breaches of the law as follows:

70 Duty to report breaches of the law

(1) Subsection (2) imposes a reporting requirement on the following persons—

- (a) a trustee or manager of an occupational or personal pension scheme;
- (b) a person who is otherwise involved in the administration of such a scheme;
- (c) the employer in relation to an occupational pension scheme;
- (d) a professional adviser in relation to such a scheme;
- (e) a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme.

(2) Where the person has reasonable cause to believe that—

(a) a duty which is relevant to the administration of the scheme in question, and is imposed by or by virtue of an enactment or rule of law, has not been or is not being complied with, and

(b) the failure to comply is likely to be of material significance to the Regulator in the exercise of any of its functions,

he must give a written report of the matter to the Regulator as soon as reasonably practicable.

(3) No duty to which a person is subject is to be regarded as contravened merely because of any information or opinion contained in a written report under this section.

This is subject to section 311 (protected items).

(4) Section 10 of the Pensions Act 1995 (c. 26) (civil penalties) applies to any person who, without reasonable excuse, fails to comply with an obligation imposed on him by this section.

In line with this legislation The Pensions Regulator requires that a Breaches Log is maintained by the Fund. In their Governance Review Aon Hewitt recommended that the log was reviewed regularly by the Pension Committee. It was last reviewed on 16 March 2021. The current log is attached (Appendix A).

3.2 In this context a breach of the law is “an act of breaking or failing to observe a law, agreement, or code of conduct.” In the context of the LGPS this can encompass many aspects of the management and administration of the LGPS, including failure:

- to do anything required under the Regulations;
- to do anything required under overriding legislation, applicable statutory guidance or codes of practice;
- to maintain accurate records;
- to act on any fraudulent act or omission that is identified;
- to comply with policies and procedures (e.g. the Fund’s statement of investment principles, funding strategy, discretionary policies, etc.);
- of an employer to pay over member and employer contributions on time;
- to pay member benefits either accurately or in a timely manner;
- to issue annual benefit statements on time or non-compliance with the Code.

3.3 Since the Board last reviewed the Log, one breach has been added in relation to the leavers benefit calculations backlog.

3.4 The Board is asked to note the contents of the Breaches Log and to comment.

4. DATA PROTECTION IMPLICATIONS

4.1 WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?

NO

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

CONTACT OFFICER:

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

BACKGROUND DOCUMENTS: NONE

APPENDIX:

Appendix A: Breaches Log

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Date	Category	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to the breach	Reported/Not reported (with justification if not reported and dates)	Traffic light colour
01-Oct-17	Administration Immaterial	Failure of the scheme employer (not the Council) to obtain a report from a Registered Medical Practitioner (IRMP). Failure of employer to decide whether to refer the employee to an Independent IRMP and to make a decision on their entitlement under reg 35. Failure to notify the member of any decisions made.	Failure of the employer to follow the correct procedures in relation to the LGPS has prevented timely and appropriate action under the regulations.	Member contacted the Pensions Team on 9 April 2015. Deferred benefits sent out 26 April 2017. Internal Dispute Resolution Procedure application received on 19 January 2018.	The matter was referred to the Pensions Ombudsman. No referral has been made to The Pensions Regulator.	

Aug-19	Administration	Failure to produce 100% of Annual Benefit Statement notifications	Members and former members do not receive have up to date information on the value of their LGPS benefits affecting their ability to make informed decisions around pension provision. Non-compliance with LGPS regulations timescales. Member has been unable to check personal data is complete and accurate or that the correct contributions have been credited.	Error reports identified members without statements which the technical team checked. Some had not required a statement as they had not passed an increase date. The remainder had the issues resolved and statements were sent out.	the matter was not referred to the Pensions Regulator. All the issues were identified through error reports and resolved. Statements were sent to all individuals where a statement was required. No further action was needed.	
Aug-20	Administration	Failure to produce 100% of Annual Benefit Statement notifications	Members and former members do not receive have up to date information on the value of their LGPS benefits affecting their ability to make informed decisions around pension provision. Non-compliance with LGPS regulations timescales. Member has been unable to check personal data is complete and accurate or that the correct contributions have been credited.	Error reports identified members without statements which the technical team checked. There was an error suppressing ABS for members over age 65 and under NPA. The technical team issued 98.69% of the statements due. They are continuing to work on the remainder.	The matter was not referred to the Pensions Regulator. All the issues were identified through error reports and are being resolved. Statements have been or are being sent to all individuals where a statement was required.	

Jan-21	Administration	Failure to inform 100% of scheme members of their calculated benefits (refund or deferred) – backlog cases	Members and former members do not receive have up to date information on the value of their LGPS benefits affecting their ability to make informed decisions around pension provision. Non-compliance with LGPS regulations timescales. Member has been unable to check personal data is complete and accurate or that the correct contributions have been credited.	Historical backlog is impacting performance. Contract has now been awarded to Hymans Robertson to provide administration services to clear this backlog, which is currently in the mobilisation phase.	The issue has been identified and action taken to rectify it. Outsourcing the historical backlog leaves greater administrative capacity to calculate current cases, mitigating the risk of recurrence. This has therefore been judged as not necessary to report to the Pensions Regulator.	
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Outcome of report and or investigations	Outstanding actions	Comments
<p>Stage 1 complaint upheld on 1 May 2018. Compensation payment of £500.00 made 28 March 2019 for failure to notify benefits within required timescales.</p> <p>Stage 2 complaint upheld on 1 November 2019. Pension Ombudsman has closed the case as the member has now settled with her employer.</p>		

<p>Not reported. Only 3.36% for active and 2% for deferred members not issued. The issues are being addressed so that notifications can be sent.</p>		
<p>Not reported. Only 2.12% for active and 0.27% for deferred members not issued. The issues are being addressed so that notifications can be sent.</p>		

Not reported to The Pensions Regulator.		
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Breaches Process

Type of Breach	Timescale for reporting	Internal actions
Urgent and Material	Responsible officer informs Head of Pensions and Treasury and the governance team, the breach is reported immediately to The Pensions Regulator	Governance team to keep record of the breach and investigate options to prevent further occurrence
Non urgent and Material	Responsible officer informs Head of Pensions and Treasury and the governance team, the breach is reported to the Pensions Regulator within 30 days	Governance team to keep record of the breach and investigate options to prevent further occurrence
Immaterial	Responsible officer informs Head of Pensions and Treasury and the governance team within 30 days	Governance team to keep record of the breach and investigate options to prevent further occurrence

Further actions
Report urgent and material breaches to Section 151 officer, Chair and Vice Chair of Committee and Local Pension Board. Full report to be submitted at the next available meeting
Report non urgent and material breach at next Pension Committee and Pension Board meeting
Report immaterial breach at next Pension Committee and Pension Board meeting

Rating	Description	Breach occurred	
	Cause, effect, reaction and wider implications considered together ARE LIKELY to be of material significance	Error has occurred	PLUS
	Cause, effect, reaction and wider implications considered together MAY be of material significance	Error has occurred	PLUS
	Cause, effect, reaction and wider implications considered together ARE NOT Likely to be of material significance	Error has occurred	PLUS

Breach identified	Action taken	
Errors not recognised	PLUS	No action taken to rectify and tackle the cause
Errors rectified	PLUS	Systemic causes not addressed so issue may arise again
Errors rectified	PLUS	Systemic causes addressed to mitigate against issue arising again

Decision

MUST Report to TPR

MAY Report to TPR	Consider the evidence and make a decision.
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DON'T Report to TPR

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Croydon Council

REPORT TO:	Pension Board 25 March 2021
SUBJECT:	Review of Committee and Board Training
LEAD OFFICER:	Nigel Cook Head of Pensions and Treasury

1. RECOMMENDATION

- 1.1 The Board is asked to note the contents of the Pension Fund Training Records and to comment as appropriate.

2. EXECUTIVE SUMMARY

- 2.1 This report advises the Board of training undertaken since October 2020 and invites them to make suggestions for future training as they see fit.

3. DETAIL

- 3.1 In their governance review AON Hewitt recommended that the scope of the Knowledge and Skills Policy be extended to the Pensions Committee and Officers, as well as the Pensions Board. They further recommended that the policy should incorporate knowledge of the work of the London Collective Investment Vehicle (London CIV) and have regard to CIPFA guidance. The policy was agreed on 17 March 2020 (Minute 26/20)
- 3.2 Following the introduction of Markets in Financial Instruments Directive (MiFID II) in January 2018, a Fund, as a collective, must be able to demonstrate sufficient expertise, experience and knowledge to satisfy financial institutions that it is capable of making investment decisions and understanding the nature of potential risks by ensuring that levels of expertise, experience and knowledge are maintained to satisfy the MiFID II requirements.
- 3.3 All officers and Pension Committee Members charged with the financial administration and decision-making with regard to the Fund must be fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.

All members and officers are expected continually to demonstrate their personal commitment to training and to ensuring that the knowledge and skills objective is met.

3.4 The CIPFA technical guidance has a framework of eight areas of knowledge and skills identified as the core requirements:

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

3.5 Members of the Committee will be asked to complete a Competency self-assessment matrix (attached as Appendix A) annually to highlight gaps in skills or areas for further development and provide details of any training undertaken. The results will be used to inform the training plan for the coming year. This will be circulated to Members for completion by 31 March 2021.

3.6 This report provides the Board with a summary of the training undertaken since October 2020 together with details of feedback received (Appendix B). A total of 21.50 hours training has been made available to the Board and Committee for each member to 28 February 2021. Board Members have attended 12 sessions and Committee Members have attended 14 sessions. The percentage uptake, excluding the Pensions Regulator Toolkit, is 25.49% for Board members and 9.8% for Committee members.

3.7 This report provides the Board with a summary of the training undertaken since October 2020 (attached as Appendix B).

4. DATA PROTECTION IMPLICATIONS

4.1 WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?

NO

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

CONTACT OFFICER:

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

BACKGROUND DOCUMENTS: NONE

APPENDIX:

Appendix A: Competency self-assessment matrix
Appendix B: Training summary

Name	
Date	

	Category
1	Pensions Legislation
2	Pensions Legislation
3	Pensions Legislation
4	Pensions Legislation
5	Pensions Governance
6	Pensions Governance
7	Pensions Governance
8	Pensions Governance
9	Pensions Governance
10	Pensions Governance
11	Pensions Governance
12	Pensions Governance
13	Pensions Governance
14	Pensions Governance
15	Pensions Governance
16	Pensions Governance
17	Pensions administration
18	Pensions administration
19	Pensions administration
20	Pensions administration
21	Pensions administration
22	Pensions administration
23	Pensions accounting and auditing standards
24	Pensions accounting and auditing standards
25	Pensions accounting and auditing standards
26	Pensions services procurement and relationship management
27	Pensions services procurement and relationship management
28	Pensions services procurement and relationship management
29	Pensions services procurement and relationship management
30	Investment performance and risk management

31	Investment performance and risk management
32	Investment performance and risk management
33	Financial Markets and products knowledge
34	Financial Markets and products knowledge
35	Financial Markets and products knowledge
36	Financial Markets and products knowledge
37	Financial Markets and products knowledge
38	Acturial methods, standards and practice
39	Acturial methods, standards and practice
40	Acturial methods, standards and practice
41	Acturial methods, standards and practice

Area of knowledge
A general understanding of the pensions legislative framework in the UK.
An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment.
An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.
A regularly updated appreciation of the latest changes to the scheme rules.
Knowledge of the role of the administering authority in relation to the LGPS.
An understanding of how the roles and powers of the DCLG, the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.
Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the
A broad understanding of the role of pension fund committees in relation to the fund, the administering authority, employing authorities, scheme members and taxpayers.
An awareness of the role and statutory responsibilities of the treasurer and monitoring officer.
Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.
A detailed knowledge of the duties and responsibilities of pension board members
Knowledge of the stakeholders of the pension fund and the nature of their interests.
Knowledge of consultation, communication and involvement options relevant to the stakeholders.
Knowledge of how pension fund management risk is monitored and managed.
An understanding of how conflicts of interest are identified and managed
An understanding of how breaches in law are reported.
An understanding of best practice in pensions administration eg performance and cost measures.
Understanding of the required and adopted scheme policies and procedures relating to member data maintenance and record-keeping processes, internal dispute resolution, contributions collection, scheme
Knowledge of how discretionary powers operate
Knowledge of the pensions administration strategy and delivery (including, where applicable, the use of third party suppliers, their selection, performance management and assurance processes).
An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefits administration.
An understanding of what AVC arrangements exist and the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider's investment and fund performance report and the payment schedule for such arrangements.
An understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice
An understanding of the role of both internal and external audit in the governance and assurance process
An understanding of the role played by third party assurance providers
An understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision-makers and organisations.
A general understanding of the main public procurement requirements of UK and EU legislation
An understanding of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.
An understanding of how the pension fund monitors and manages the performance of their outsourced providers
An understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.

An awareness of the Myners principles of performance management and the approach adopted by the
Awareness of the range of support services, who supplies them and the nature of the performance monitoring
Awareness of the risk and return characteristics of the main asset classes (equities, bonds, property).
Understanding of the role of these asset classes in long-term pension fund investing
Understanding of the primary importance of the investment strategy decision.
A broad understanding of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks.
An awareness of the limits placed by regulation on the investment activities of local government pension
Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring
Awareness of the importance of monitoring early and ill health retirement strain costs.
A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.
A general awareness of the relevant considerations in relation to outsourcing and bulk transfers.

Training Attendance

Board / Com	Name	Event
B	Mike Ellsmore	McCloud update CIPFA
B	Mike Ellsmore	Cyber Security -AON
CR	Robert Ward	Cyber Security -AON
B	Richard Elliott	Cyber Security -AON
C	Cllr Simon Brew	Cyber Security -AON
C	Cllr Humayan Kabir	Cyber Security -AON
B	Mike Ellsmore	Hymans - Funding, risk and regulatory updates
C	Cllr Humayan Kabir	Hymans - Funding, risk and regulatory updates
C	Cllr Clive Fraser	Hymans - Funding, risk and regulatory updates
C	Cllr Patricia hay justice	Hymans - Funding, risk and regulatory updates
C	Cllr Robert Canning	Hymans - Funding, risk and regulatory updates
C	Charles Quaye	Hymans - Funding, risk and regulatory updates
C	Gilli Driver	Hymans - Funding, risk and regulatory updates
C	Cllr Yvette Hopley	Hymans - Funding, risk and regulatory updates
CR	Cllr Pat Clouder	Hymans - Funding, risk and regulatory updates
CR	Cllr Robert Ward	Hymans - Funding, risk and regulatory updates
C	Cllr Simon Brew	Hymans - Funding, risk and regulatory updates
B	David Wickman	Hymans - Funding, risk and regulatory updates
CR	Cllr Nina Degras	Hymans - Funding, risk and regulatory updates
B	Mike Ellsmore	McCloud Presentation
B	Richard Elliott	McCloud Presentation
B	Teresa Fritz	McCloud Presentation
B	Cllr Amdrew Pelling	McCloud Presentation
B	Daniel Pyke	McCloud Presentation
B	David Whickman	McCloud Presentation
C	Cllr Humayan Kabir	LGA Webinar - LGPS update
B	Richard Elliott	LGA Webinar - LGPS update
B	Richard Elliott	CIPFA McCloud Implementation Workshop

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		Effectiveness of Training
Date	Duration	Rate 1 (poor) to 5 (excellent)
05/11/20	1 HR	4
19/11/20	1 HR	
19/11/20	1 HR	4
19/11/20	1 HR	5
19/11/20	1 HR	
19/11/20	1 HR	
19/11/20	1 HR	
08/12/20	1 HR	
08/12/20	1 HR	
08/12/20	1 HR	
08/12/20	1 HR	
08/12/20	1 HR	4
08/12/20	1 HR	
08/12/20	1 HR	
08/12/20	1 HR	5
08/12/20	1 HR	4
08/12/20	1 HR	4
08/12/20	1 HR	
08/12/20	1 HR	
15/10/20	1 HR	
15/10/20	1 HR	
15/10/20	1 HR	
15/10/20	1 HR	None given
15/10/20	1 HR	5
15/10/20	1 HR	
26/01/21	2 HRS	
26/01/21	2 HRS	4
19/08/20	3 HRS	4

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Feedback
None given
To Be Advised
Good entry level course. Timely warning on the threat of cyber crime.
While accepting that one of the event's motives was no doubt to generate demand for one of Aon's services, it very clearly set out the issues and concerns in this potentially dangerous and tricky area, and provided tools to help schemes assess how well prepared they were in this area.
To Be Advised
To Be Advised
To Be Advised
To Be Advised
To Be Advised
To Be Advised
An informative update on some of the key factors and changes affecting local government pensions and what it means for Croydon. This type of update should be provided to the committee on a regular basis (probably at least once a year). I found this training event was also succinct, pitched at the right level and well-presented.
To Be Advised
To Be Advised
Clear and concise information – good interaction regarding questions.
To Be Advised
None given
It's useful to keep in touch with current issues, in the absence of live meetings
To Be Advised
To Be Advised
To Be Advised
To Be Advised
To Be Advised
I think it was a bit too basic
None given
To Be Advised
To Be Advised
Section on responsible investment (first part) rather heavy on acronyms and initials. Section on ESG (second half) could have been a bit shorter
Generally very worthwhile, though probably didn't need 3 hours and two breakout sessions.



REPORT TO:	PENSION BOARD 25 March 2021
SUBJECT:	Exit Payment Cap
LEAD OFFICER:	Vicki Richardson Head of HR & Finance Service Centre

RECOMMENDATIONS:

The Board is asked to note that:

- i. On 12 February 2021, the government announced that the Restriction of Public Sector Exit Payments Regulations 2020 (Exit Cap Regulations) introduced on 4 November 2020 to cap exit payments in the public sector to a maximum of £95,000 will be revoked, and that an HM Treasury Direction would disapply the Exit Cap Regulations 2020 until revocation, removing any conflict with the LGPS regulations that arose as a result of the cap, with immediate effect from 12 February 2021;
- ii. On 25 February 2021, the Restriction of Public Sector Exit Payments (Revocation) Regulations 2021 (Revocation Regulations) were laid before Parliament. They will come into force on 19 March 2021 and formally revoke the Cap Regulations from that date.
- iii. the administering authority will revert to using local factors supplied by the funds actuaries for calculating early retirement strain costs

1. Background

- 1.1 The Restriction of Public Sector Exit Payments Regulations 2020 (Exit Cap Regulations) implementing the £95k cap on exit payments came into force on 4th November 2020. Within the meaning of the Exit Cap Regulations an exit payment included redundancy payments (including statutory redundancy payments), severance payments, pension strain costs that arise when a Local Government Pension Scheme (LGPS) pension is paid unreduced before a member's normal pension age, and other payments made as a result of termination of employment.
- 1.2 As required changes to the LGPS regulations to comply with the £95K exit payments cap had not been implemented this created a conflict between the Exit Cap Regulations and the LGPS regulations if the cap was breached when an LGPS member aged 55 or over exited. The LGPS regulations still entitled the member to receive and required them to take immediate payment of an unreduced pension, but the Exit Cap Regulations prevented the employer from paying the full strain cost.

- 1.3 The Croydon Pension Fund (the fund), as an administering authority needed to decide how to treat the payment of benefits to members affected by the Exit Cap Regulations whilst there was a conflict in legislation. The fund also had to consider what factors to use whilst calculating strain costs.
- 1.4 At the Pension Committee held on 8 December 2020 it was decided that (Appendix A) whilst there was a conflict between the Exit Cap Regulations and the LGPS regulations the funds policy would be to:
- i. offer scheme members the opportunity to take a deferred benefit under LGPS regulation 6 or a fully actuarially reduced pension under LGPS regulation 30(5) if the cap is breached when an LGPS member aged 55 or over exits, whilst there is a conflict between the Exit Cap Regulations and the LGPS regulations.
 - ii. adopt the factors and calculation methodology consistent with Government Actuary's Department (GAD's) draft guidance for calculating early retirement strain factors.
- 1.5 On 12 February 2021 HM Treasury (HMT) announced that after extensive review of the application of the Cap, the Government has concluded that the Cap may have had unintended consequences and the Regulations should be revoked. HMT Directions have been published that disapply the Cap with immediate effect from 12 February 2021 until the Regulations have been revoked. The guidance also confirmed that the government would revoke the exit cap regulations in due course, but that they will legislate again to tackle unjustified exit payments.
- 1.6 This announcement removed any conflict with the LGPS regulations. The LGPS scheme advisory board have advised that for exits from 12 February 2021, LGPS Administering Authorities must pay qualifying scheme members an unreduced pension under Regulation 30(7) of the LGPS 2013 regulations. Scheme employers will be required to pay full strain costs in relation to those unreduced benefits, as notified by their administering authority. Employers should not make cash alternative payments to either the scheme member or the administering authority.
- 1.7 On 25 February 2021, the Restriction of Public Sector Exit Payments (Revocation) Regulations 2021 (*SI 2021/197*) (Revocation Regulations) were laid before Parliament. They came into force on 19 March 2021 and formally revoke the Cap Regulations from that date.

The Revocation Regulations provide that anyone who received an exit payment from a relevant public sector body between 4 November 2020 and 19 March 2021 which was capped as the result of the Exit Cap Regulations will be entitled to receive an additional payment from that public sector body. The additional payment will be the difference between the amount of the payment made and

the amount that would have been payable had the Exit Cap Regulations not applied. That additional payment (together with interest at 8% calculated in accordance with the Judgment Debts (Rate of Interest) Order 1993 can be paid to the person concerned, or on their behalf to a pension scheme or to another person (or to more than one of these parties).

- 1.8 Whilst there was a conflict in legislation the fund had chosen to adopt the factors and calculation methodology consistent with Government Actuary's Department (GAD's) draft guidance for calculating early retirement strain factors, as the funds actuaries have confirmed that early retirement strain factors provided to the Fund in the past used to calculate the strain charged to employers were developed to address the funding shortfall that would present itself due to paying a pension early and were never intended to impact member benefits.
- 1.9 The funds actuaries have commented that they do not believe there are any particular professional or funding reasons why the Fund must change its early retirement factors currently in place, however there are administrative and practical reasons why a reversion to the pre-November early retirement factors may be appropriate.
- 1.10 As the early retirement strain factors previously provided to the fund will no longer impact on member benefits, the fund will revert to using the early retirement strain factors provided by the actuaries for ease of administration as using GAD factors at the moment involves an "off-system" approach i.e. the use of a separate calculator which is not directly linked to the main admin system placing an additional administrative burden.
- 1.11 Should the government impose the GAD factors as part of the wider exit pay reforms in the future, the fund will need to update its processes at that time.

2. DATA PROTECTION IMPLICATIONS

2.1 WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?

NO

The Director of Human Resources comments that this report contains only information which can be publically disclosed.

Approved by: Sue Moorman, Director of Human Resources

CONTACT OFFICER: Vicki Richardson, Head of HR & Finance Service Centre,
Extn. 62460

APPENDICES TO THIS REPORT:

Pension Committee 8 December 2020 Exit cap report

BACKGROUND DOCUMENTS – LOCAL GOVERNMENT ACT 1972

NONE

FOR GENERAL RELEASE

REPORT TO:	PENSION COMMITTEE 8 December 2020
SUBJECT:	Exit Payment Cap
LEAD OFFICER:	Vicki Richardson Head of HR & Finance Service Centre
CABINET MEMBER:	Councillor Callton Young OBE Cabinet Member for Resources & Financial Governance
WARDS:	All

SUMMARY OF REPORT:

This report relates to the implementation of the Public Sector Exit Payments Regulations 2020 and the impact on the Local Government Pension Scheme

POLICY CONTEXT/AMBITIOUS FOR CROYDON:

Sound Financial Management: This report sets out the options available to the fund for payment of benefits whilst there is a conflict between the exit cap regulations and the LGPS regulations.

FINANCIAL IMPACT:

This report will impact on the level of benefits paid to scheme members.

KEY DECISION REFERENCE NO.: N/A

RECOMMENDATIONS:

The committee is asked to agree that whilst there is a conflict between the exit cap regulations and the LGPS regulations the funds policy will be to:

- i. offer scheme members the opportunity to take a deferred benefit under LGPS regulation 6 or a fully actuarially reduced pension under LGPS regulation 30(5) if the cap is breached when an LGPS member aged 55 or over exits, whilst there is a conflict between the exit cap regulations and the LGPS regulations.
- ii. adopt the factors and calculation methodology consistent with Government Actuary's Department (GAD's) draft guidance for calculating early retirement strain factors.

1. Background

- 1.1 The Restriction of Public Sector Exit Payments Regulations 2020 (Appendix A) implementing the £95k cap on exit payments came into force on 4th November 2020. An exit payment includes redundancy payments (including statutory redundancy payments), severance payments, pension strain costs that arise when a Local Government Pension Scheme (LGPS) pension is paid unreduced before a member's normal pension age, and other payments made as a result of termination of employment.
- 1.2 The Ministry of Housing, Communities & Local Government (MHCLG) has launched a consultation on changes to the LGPS and Discretionary Compensation Regulations (Appendix B). The consultation covers the required changes to compensation and pension regulations to comply with the £95K exit payment cap, which closes on 18 December 2020.
- 1.3 As the required changes to the LGPS regulations are still subject to consultation there is a conflict between the exit cap regulations and the LGPS regulations if the cap is breached when an LGPS member aged 55 or over exits. The LGPS regulations still entitle the member to receive and require them to take immediate payment of an unreduced pension, but the exit cap regulations prevent the employer from paying the full strain cost.
- 1.3 The Croydon Pension Fund (the fund), as an administering authority needs to decide whether to pay an unreduced pension in line with The Local Government Pension Scheme Regulations 2013 regulation 30(7) (Appendix C) or provide the option of either a deferred pension under regulation 6(1) (Appendix D) or an immediate reduced pension under regulation 30(5) in line with the Government's recommendations.

- 1.5 To assist administering authorities with this decision, the Scheme Advisory Board (SAB) has obtained legal advice (Appendix E). Following that advice the Scheme Advisory Board has expressed opinion that the course of action presenting the least risk to both LGPS administering authorities and scheme employers is for the;
- LGPS administering authority to offer the member the opportunity to take a deferred benefit under LGPS regulation 6 or a fully actuarially reduced pension under LGPS regulation 30(5)
 - Scheme employer to delay the payment of a cash alternative under regulation 8 of the Exit Cap Regulations
- 1.6 MHCLG also wrote to LGPS administering authorities on 28 October 2020 (Appendix F) advising the recommended course of action for an administering authority to act consistently with its legal duties is that the provisions of Regulation 30(7) are subject to the cap and so the provisions of Regulation 8 of the 2020 Regulations and Regulation 30(5) of the LGPS 2013 Regulations should be engaged. The Government's view is that LGPS members in that position should be able to elect to receive an immediate but fully reduced pension or, if they do not so elect, a deferred pension plus a lump sum equal to the capped strain cost.
- 1.7 The fund also needs to consider what factors to use when calculating strain costs. Until now, local factors supplied by the funds actuary have been used to calculate strain costs.

Issues

- 1.8 If the fund decides to pay an unreduced pension, there is a risk of challenge under the doctrine of implied repeal which, if successful, would result in the fund having to seek repayment of the overpaid element of the pension. The doctrine of implied repeal provides that where a piece of legislation conflicts with an earlier one, the later legislation takes precedence. This means that the fund could end up in the position of having to try and recover monies from the employer and/or the member. The fund will not be able to obtain the whole strain cost from the employer. The employer will be restricted to a maximum of £95k for all exit payments including the strain cost.
- 1.9 Offering a deferred or reduced pension also risks challenge, this time from the member seeking to enforce their rights to an unreduced pension under regulation 30(7).
- 1.10 The funds actuaries have confirmed that early retirement strain factors provided to the Fund in the past used to calculate the strain charged to employers were developed to address the funding shortfall that would present itself due to paying a pension early and were never intended to impact member benefits.

They did not impact the benefits received by members and therefore they followed standard actuarial principles, also adopted in most if not all other LGPS funds, which result in:

- Them being based on the Fund's valuation funding assumptions which have an allowance for prudence built in; and
- Strains being larger for women than men as women tend to live, on average, longer than men.

Options

Payment of Benefits

1.11 The options available to the fund in relation to payment of benefits whilst there is a conflict between the exit cap regulations and the LGPS regulations if the cap is breached when an LGPS member age 55 or over exits are:-

Option 1

- to pay an unreduced pension in line with The Local Government Pension Scheme Regulations 2013 regulation 30(7), which could result in breach of the Restriction of Public Sector Exit Payments Regulations and be subject to challenge under the doctrine of implied repeal which if successful would result in the fund having to seek repayment of the overpaid element of the pension.

Option 2

- to offer the member the opportunity to take a deferred benefit under LGPS regulation 6 or a fully actuarially reduced pension under LGPS regulation 30(5), which carries the risk of challenge from scheme members seeking to enforce their rights to an unreduced pension. It is noted that James Gouldie QC comments (at Appendix E) that he considers the risk of challenge to an administering authority by a capped individual seeking to enforce their rights under Regulation 30(7) of the LGPS Regulations to an immediate unreduced pension regardless of the strain costs attributable to them, is high.

Early Retirement Strain Factors

1.12 In order to minimise the risk of challenge from employers or members, the Fund has two options in relation to the early retirement strain factors:

Option 1

- adopt the factors and calculation methodology consistent with Government Actuary's Department (GAD's) draft guidance. The benefit of this option is that these factors are expected to apply in the future once the LGPS Regulations are updated, so the calculations would be consistent over time. However, the Fund's admin software system cannot currently carry out these calculations. The funds actuaries are able to provide a calculator to allow the fund to efficiently carry out these calculations which attracts a cost of £7k which will need to be met by the fund.

Option 2

- adopt a halfway house approach until the new LGPS Regulations come into force. With this option there would be a step change in methodology and factors at the point new LGPS Regulations and the GAD factors come into force, meaning a quote for a retirement carried out 2 days apart, could yield different strains and therefore have different impacts on member benefits. Similar to option 1, there would remain a risk the Fund's admin software system is not updated in time for the new LGPS Regulations / GAD Guidance coming into force and an 'off the system' calculator would be required to allow the fund to efficiently carry out these calculations anyway.

Reasons for recommended options

Payment of Benefits

1.13 It is recommended that the fund offer scheme members the opportunity to take a deferred benefit under LGPS regulation 6 or a fully actuarially reduced pension under LGPS regulation 30(5) if the cap is breached when an LGPS member aged 55 or over exits, whilst there is a conflict between the exit cap regulations and the LGPS regulations.

Whilst there is a risk of challenge from scheme members this will negate the financial risk to the fund of having to try and recover monies from the employer and/or the member or being in a position where the employer is unable to meet the full strain costs.

This option would also negate the risk to scheme members of having made life changing decisions based on a pension that is later reduced and being in the position where the fund also needs to seek recovery of overpaid pension.

Early Retirement Strain Factors

- 1.14 It is recommended that the fund adopt the factors and calculation methodology consistent with Government Actuary's Department (GAD's) draft guidance for calculating early retirement strain factors, to ensure consistency of calculations over time.

2. CONSULTATION

- 2.1 No consultation is required

3. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 3.1 There will impact on the level of benefits paid to scheme members. The recommended option on payment of benefits minimises the risk of financial loss to the fund.
- 3.2 There will be a cost of £7k for the purchase of a calculator to enable the fund to efficiently calculate strain costs using the Government Actuary's Department (GAD's) draft guidance, the cost of which will need to be met by the fund.

Approved by: Lisa Taylor, Director of Finance, Investment and Risk, S. 151 Officer

4. LEGAL CONSIDERATIONS

- 4.1 The Head of Litigation and Corporate Law comments on behalf of the Interim Director of Law and Governance that under Regulation 30(7) of the LGPS Regulations 2013 any pension paid to the member, including an entitlement to an unreduced pension, is payable by, and the responsibility of, the LGPS administering authority.

The LGPS administering authority can request a strain payment from the employer, which could be a sum which would result in a breach of the £95k cap. Under the **Restriction of Public Sector Exit Payments Regulations 2020** employers can make a strain payment up to that amount, taking into account of the value of other exit payments made to the individual.

[The letter of 28 October](#) from MHCLG Minister, Luke Hall, sent to LGPS administering authorities and local authority chief executives, set out the Government's view that the **Restriction of Public Sector Exit Payments Regulations** effectively curtail the use of LGPS Regulation 30(7) to pay an immediate unreduced pension when the cap is breached. According to this view, a 'capped' member should only receive an immediate pension under LGPS Regulation 30(5) (with actuarial reductions applied), or a deferred pension, together with a 'cash alternative' payable by the employer under Regulation 8 of the Exit Cap Regulations.

Until the LGPS Regulations are expressly amended to remove the entitlement to an unreduced pension under Regulation 30(7) the SAB opinion which is based on the legal advice it has obtained, is that the course of action presenting the least risk to both LGPS administering authorities and scheme employers is for the:

- LGPS administering authority to offer the member the opportunity to take a deferred benefit under LGPS regulation 6 or a fully actuarially reduced pension under LGPS regulation 30(5)
- Scheme employer to delay the payment of a cash alternative under regulation 8 of the Exit Cap Regulations

It is for the LGPS administering authority, (not the employer), to decide whether to pay an unreduced pension under LGPS Regulation 30(7) or a reduced pension under Regulation 30(5).

4.1 Approved by Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Interim Director of Law and Governance & Deputy Monitoring Officer

5. HUMAN RESOURCES IMPACT

5.1 The report sets out the challenges for LGPS on the best way to ensure we provide our workforce with the best advice and information, until the revised pension regulations are in force following the current consultation. As the London Borough of Croydon is about to enter into consultation on workforce reductions, the interim position must be addressed urgently.

(Approved by: Sue Moorman on behalf of the Director of Human Resources)

6. EQUALITIES IMPACT

6.1 There are no equalities impacts arising from this report.

7. ENVIRONMENTAL IMPACT

7.1 There are no environmental impacts arising from this report.

8. CRIME AND DISORDER REDUCTION IMPACT

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

9. DATA PROTECTION IMPLICATIONS

9.1 WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?

YES/NO

(If yes, please provide brief details as to what 'personal data' will be processed and complete the next question).

(If no, please complete the sign off)

9.2 HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?

NO

The Director of Human Resources comments that this report contains only information which can be publically disclosed.

Approved by: Sue Moorman, Director of Human Resources

CONTACT OFFICER: Vicki Richardson, Head of HR & Finance Service Centre,
Extn. 62460

BACKGROUND DOCUMENTS:

A: The Restriction of Public Sector Exit Payments Regulations 2020
https://www.legislation.gov.uk/ukxi/2020/1122/pdfs/ukxi_20201122_en.pdf

B: MHCLG consultation

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/916615/Reforming_local_government_exit_pay_consultation.pdf

C: The Local Government Pension Scheme Regulations 2013 – Regulation 30

<https://www.legislation.gov.uk/ukxi/2013/2356/regulation/30/made>

D: The Local Government Pension Scheme Regulations 2013 – Regulation 6

<https://www.legislation.gov.uk/ukxi/2013/2356/regulation/6/made>

E: SAB legal advice

<https://lgpsboard.org/images/Guidance/JGSAB061020201.pdf>

<https://lgpsboard.org/images/Guidance/JGSAB20102020.pdf>

F: MHCLG letter to LGPS administering authorities dated 28 October 2020

<https://lgpsboard.org/images/PDF/letters/MHCLGtoLAs.pdf>

APPENDICES: None

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