

Pension Board Agenda



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

A meeting of the **Pension Board** which you are hereby summoned to attend, will be held on **Thursday, 14 October 2021 at 2.00 pm. This meeting will be held remotely**

KATHERINE KERSWELL
Chief Executive
London Borough of Croydon
Bernard Weatherill House
8 Mint Walk, Croydon CR0 1EA

Cliona May
Cliona.May@croydon.gov.uk
www.croydon.gov.uk/meetings
Wednesday, 6 October 2021

Please note that this meeting is being held remotely. You can view the webcast both live and after the meeting has completed at <http://webcasting.croydon.gov.uk>

The agenda papers for all Council meetings are available on the Council website www.croydon.gov.uk/meetings

If you require any assistance, please contact Cliona May as detailed above.

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

To approve the minutes of the meeting held on 21 July 2021 as an accurate record (*copy to follow*).

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. GAD Review (Pages 5 - 16)

6. Review of Breaches Log (Pages 17 - 26)

7. Pension Fund Medium Term Business Plan 2021/24 (Pages 27 - 48)

8. The Collective Investment Vehicle for London Local Authorities Pension Funds: Compliance with pooling requirements and review of savings (Pages 49 - 52)

9. Data Quality Assessment (Pages 53 - 126)

10. **ESG Report** (Pages 127 - 154)
11. **Forward Plan** (Pages 155 - 158)
12. **Croydon Pensions Administration Team Key Performance Indicators for the Period 1 June 2021 to 31 August 2021** (Pages 159 - 174)
13. **Pension Board Annual Report** (Pages 175 - 178)
14. **Local Government Pension Scheme Advisory Board / The Pensions Regulator Update** (Pages 179 - 182)
15. **Review of Risk Register** (Pages 183 - 188)
16. **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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REPORT TO:	Pension Board 14 October 2021
SUBJECT:	Government Actuary's Department – Section 13 Analysis of LGPS 2019 Actuarial Valuation
LEAD OFFICER:	Nigel Cook Head of Pensions Investment and Treasury

1. RECOMMENDATION

- 1.1 This report presents the findings of the draft review of the 2019 Actuarial Valuation. The Board is invited to note these draft findings.

2. EXECUTIVE SUMMARY

- 2.1 The purpose of this report is to summarise and update the Pensions Board on the initial results provided by the Government Actuary's Department (GAD) under section 13 of the Public Service Pensions Act 2013 ("Section 13").

3 DETAIL

- 3.1 Section 13 of the Public Service Pensions Act, 2013, requires a review of the actuarial results for English and Welsh LGPS Funds to be undertaken. The most recent Pension Committee (14 September, 2021) received a report that considered the draft results of that review, in particular focussing on the results as they applied to this authority. That report, 'Government Actuary's Department – Section 13 Analysis of LGPS 2019 Actuarial Valuation' is appended to this report, together with the Actuary's 2-page note, summarising the results.

- 3.2 This review was undertaken by the Government Actuarial Department (GAD), commissioned by the Ministry for Housing, Communities and Local Government, (as was) and its purpose was to undertake an analysis to provide a comparison of results for the 88 funds in England and Wales. This analysis was undertaken on a like-for-like basis, with no local funding assumptions.

- 3.3 The review looked to see that 3 aims had been achieved, namely:

- That the Actuarial Valuations were compliant with the regulations;
- That they were not inconsistent with local valuations; and
- To ensure solvency and long-term cost efficiency.

For the Croydon LGPS these aims had been achieved.

- 3.4 The report considered by the Committee highlighted the positive messages flowing from the Review, which included:

- That it contained no red flags for any of the metrics analysed;
- That the Croydon Scheme was better funded at 31 March 2019 than at the previous valuation at 2016; and
- That the investment return the Fund requires on its assets to achieve full funding in 20 years' time has reduced from 4% to 3.5%.

3.5 In considering the findings of what is a draft report, certain caveats should be considered. The increased funding level has been calculated using GAD's assumptions. The principal LGPS Actuaries will apply a set of assumptions that will result in a more conservative outcome. These funding levels have been calculated to enable Funds to be ranked and compared rather than as the basis for managing the Scheme and ensuring adequate future funding goals are addressed. Although the Scheme's deficit position will no doubt have improved it is unwise to assume the magnitude of the improvement will match these results.

3.6 There are weaknesses to a process that relies on a league table to measure and present results. It doesn't explain why Funds are where they are, nor what factors are relevant. To make sense of this additional information about contribution rates, a commentary on risk appetite, contributions and benefit payments, approach to ESG / SR issues, and discretions would be useful. Whether a Scheme is an outlier in this model is probably as relevant as being in the middle of the range, and the dispersion of results and the range and mean should be measured.

3.7 The final caveat considered here, and there are others that may be relevant, relates to local circumstances. Considerations would include the starting position for the Fund, the appetite for investment risk, the recovery period favoured and the target for returns.

3.8 There are indications that the MHCLG will release the final report this Autumn and a report to this Board will be submitted at such time.

Approved by: Nigel Cook on behalf of Richard Ennis, Interim Corporate Director of Resources and Section 151 Officer.

CONTACT OFFICER:

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

BACKGROUND DOCUMENTS:

None

APPENDICES:

Appendix A: 14 September Committee Report: London Borough of Croydon Pension Fund: Section 13 - Analysis of LGPS 2019 Actuarial Valuations, Hymans Robertson, including:

Appendix A(1): 14 September Committee Report Appendix A: London Borough of Croydon Pension Fund: Section 13 - Analysis of LGPS 2019 Actuarial Valuations, Hymans Robertson.

REPORT TO:	PENSION COMMITTEE 14 September 2021
SUBJECT:	Government Actuary's Department – Section 13 Analysis of LGPS 2019 Actuarial Valuation
LEAD OFFICER:	Nigel Cook Head of Pensions and Treasury
CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management: Reviewing and ensuring that the performance of the Council's Pension Fund investments is in line with their benchmark and within the assumptions made by the Actuary.	
FINANCIAL SUMMARY: This report considers the 2019 Actuarial Valuation of the Croydon Pension Fund.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1	RECOMMENDATIONS
1.1	The Committee are asked to consider and note the contents of this report

1 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to summarise and update the Pensions Committee on the initial results provided by the Government Actuary's Department (GAD) under section 13 of the Public Service Pensions Act 2013 ("Section 13"). The final report should be available in autumn.

2 DETAIL

- 2.1 Section 13 of the Public Service Pensions Act 2013 requires a review of LGPS Actuarial Valuations. The GAD has been commissioned by the Ministry for Housing, Communities and Local Government (MHCLG) to carry out a review of all LGPS 2019 local funding valuations. This analysis is primarily to help provide comparison of actuarial valuation results across the 88 funds in the LGPS in England and Wales.

- 2.2 This GAD analysis is very analytical and presents various metrics in a "like-for-like" fashion (i.e. with local funding assumptions removed), so that reasonable comparisons can be made between LGPS funds. Section 13 requires GAD to ascertain whether each local fund valuation has achieved the following aims:

- The valuation complies with the LGPS regulations;
- The valuation has been carried out in a way which is not inconsistent with other local fund valuations;

- The valuation has set employer rates that ensure the solvency and the long-term cost efficiency of the Fund.

2.3 Hymans Robertson, the Scheme's Actuary submitted data and information regarding the 2019 valuation on the Fund's behalf to GAD in May 2020 and GAD have used this data to carry out their analysis. GAD's draft two-page initial results summary for the Fund can be found as an attachment to the Scheme Actuary's report in Appendix A.

2.4 The initial results for Croydon (this is a draft report) give the Fund a clean bill of health for every metric, with no 'red flags' being raised. In summary:

- Using the LGPS Scheme Advisory Board standard 'best estimate' assumptions adopted by GAD for the analysis, the Fund is better funded at 31 March 2019 (98%) than it was at 31 March 2016 (81%).
- The funding position (on the same actuarial assumptions) relative to its peers has increased from 81st to 72nd (of the 88 English and Welsh Funds).
- The investment return the Fund requires on its assets to achieve full funding in 20 years' time has reduced from 4.0% to 3.5% p.a. (i.e. all else being equal, the Fund is better placed to meet the benefits promised to members and is relying less on the return expected to be generated from its assets).

2.5 The initial draft results had an amber flag under "Deficit Recovery Plan". This flag is a result of GAD's analysis indicating that the overall average employer contribution rate to the Fund reduced at the 2019 valuation, whilst the "deficit recovery end point" has increased (i.e. while the longest time horizon or deficit recovery period used in the Fund reduced from 22 to 20 years, this end point still increased from 2038 to 2039). However, the Scheme Actuary raised concerns on this metric and GAD have subsequently removed this flag in the draft of the final report.

2.6 There are currently no actions for the Fund. GAD had recently circulated a draft final version of their report to the Fund Actuaries for comment and have asked that this is not shared with other LGPS stakeholders (including the funds themselves). GAD have indicated that the final report will be published in the autumn.

3 CONSULTATION

3.1 Officers have fully consulted with the Pension Fund's Scheme Actuary in preparing this report.

4 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

4.1 This report deals exclusively with the investment of the Council's Pension Fund and compares the return on investment of the Fund against the benchmark return.

Approved by: Nigel Cook, Head of Pensions and Treasury on behalf of Richard Ennis, Interim Director of Finance, Investment and Risk, S151 Officer

5 LEGAL CONSIDERATIONS

- 5.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that Section 13 of the Public Service Pensions Act 2013 provides for among other things, the following:
Scheme regulations must provide for the rate of employer contributions to be set at an appropriate level to ensure—
- (a) the solvency of the pension fund, and
 - (b) the long-term cost-efficiency of the scheme, so far as relating to the pension fund.
- 5.2 For that purpose, scheme regulations must require actuarial valuations of the pension fund and subsection (4) provides that where an actuarial valuation under subsection (3) of Section 13 has taken place, a person appointed by the responsible authority is to report on whether the following aims are achieved—
- (a) the valuation is in accordance with the scheme regulations;
 - (b) the valuation has been carried out in a way which is not inconsistent with other valuations under subsection (3);
 - (c) the rate of employer contributions is set as specified in subsection (2).
- 5.3 A report under subsection (4) of Section 13 must be published; and a copy must be sent to the scheme manager and (if different) the responsible authority.
- 5.4 If a report under subsection (4) states that, in the view of the person making the report, any of the aims in that subsection has not been achieved—
- (a) the report may recommend remedial steps;
 - (b) the scheme manager must—
 - (i) take such remedial steps as the scheme manager considers appropriate, and
 - (ii) publish details of those steps and the reasons for taking them;
 - (c) the responsible authority may—
 - (i) require the scheme manager to report on progress in taking remedial steps;
 - (ii) direct the scheme manager to take such remedial steps as the responsible authority considers appropriate.

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

7. HUMAN RESOURCES IMPACT

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

Approved by: Vicki Richardson, Head of HR & Finance Service Centre on behalf of the Director of Human Resources

8. EQUALITIES IMPACT

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

9. ENVIRONMENTAL IMPACT

9.1 There are no environmental impacts arising from this report.

10. CRIME AND DISORDER REDUCTION IMPACT

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

11. DATA PROTECTION IMPLICATIONS

11.1 **WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?**
NO

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

Approved by: Vicki Richardson, Head of HR & Finance Service Centre on behalf of the Director of Human Resources

CONTACT OFFICER:

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

BACKGROUND DOCUMENTS:

None

APPENDICES:

Appendix A: London Borough of Croydon Pension Fund: Section 13 - Analysis of LGPS 2019 Actuarial Valuations, Hymans Robertson.

Section 13 - Analysis of LGPS 2019 Actuarial Valuations

Purpose and Scope

This paper has been commissioned by and is addressed to Croydon Council in its capacity as Administering Authority to the London Borough of Croydon Pension Fund (“the Fund”). Its purpose is to summarise and update the Fund’s Pensions Committee on the initial results provided by the Government Actuary’s Department (GAD) under section 13 of the Public Service Pensions Act 2013 (“Section 13”).

Background

As required under Section 13, GAD has been commissioned by MHCLG to carry out a review of all LGPS 2019 local funding valuations. This analysis is primarily to help provide comparison of actuarial valuation results across the 88 funds in the LGPS in England and Wales.

This GAD analysis is very analytical and presents various metrics in a “like-for-like” fashion (i.e. with local funding assumptions removed), so that reasonable comparisons can be made between LGPS funds. Section 13 requires GAD to ascertain whether each local fund valuation has achieved the following aims:

- The valuation **complies** with the LGPS regulations
- The valuation has been carried out in a way which is not **inconsistent** with other local fund valuations
- The valuation has set employer rates that ensure the **solvency** and the **long-term cost efficiency** of the fund

We previously submitted data and information regarding the 2019 valuation on the Fund’s behalf to GAD and they have used this data to carry out their analysis. GAD’s draft two-page initial results summary for the Fund can be found in the Appendix.

Croydon 2019 initial results

Initial results

The Fund has received a clean bill of health for every metric, with no ‘red flags’ being raised. In fact, based on the final figures (which are not publicly available yet), the Fund received a green flag in every test.

In summary:

- Using the LGPS Scheme Advisory Board standard ‘best estimate’ assumptions adopted by GAD for the analysis, the Fund is better funded at 31 March 2019 (98%) than it was at 31 March 2016 (81%).
- The funding position (on the same actuarial assumptions) relative to its peers has increased from 81st to 72th (of the 88 English and Welsh Funds).
- The investment return the Fund requires on its assets to achieve full funding in 20 years’ time has reduced from 4.0% to 3.5% p.a. (i.e. all else being equal, the Fund is better placed to meet the benefits promised to members and is relying less on the return expected to be generated from its assets).
- You may notice that the initial draft results had an amber flag under “Deficit Recovery Plan”. This flag is a result of GAD’s analysis indicating that the overall average employer contribution rate to the Fund reduced at the 2019 valuation, whilst the “deficit recovery end point” has increased (i.e. while the longest time horizon or deficit recovery period used in the Fund reduced from 22 to 20 years, this end point still increased from 2038 to 2039). However, we voiced our concerns on this metric and are pleased to say that GAD have subsequently removed this flag in the draft of the final report.

This positive picture provides an independent check that validates the Fund's strong funding strategy and the progress which has been made by the Fund in recent years.

Property Transfer Arrangement

GAD have raised questions about the Fund's proposed property transfer arrangement with Croydon Council. In particular, it points out the need for appropriate governance arrangements for any asset transfers in lieu of future contributions. While this arrangement is not currently in place between the Fund and Council, GAD may add general comment in their final report about their view of such arrangements in the LGPS.

Next steps

- There is currently no action for the Fund, and we would not expect any required actions when the final LGPS Section 13 report is published.
- At the time of writing, GAD had recently circulated a draft final version of their report to the Fund Actuaries for comment and have asked that this is not shared with other LGPS stakeholders (including the funds themselves).
- GAD have indicated that the final report will be published in "Autumn".

Reliances and limitations

This paper has been prepared for the Fund for the purpose of updating the Fund's Pensions Committee on the initial results provided by the Government Actuary's Department (GAD) under section 13 of the Public Service Pensions Act 2013. It has not been prepared for use for any other purpose and should not be so used. We accept no liability where the paper is used for any other purpose.

The paper is not addressed to any third party. We accept no liability where the paper is used by a third party unless we have expressly accepted such liability in writing.

This paper complies with Technical Actuarial Standard TAS 100 (Principles for Technical Actuarial Work) to a proportionate and relevant degree.

Prepared by:-

Robert McInroy

Richard Warden

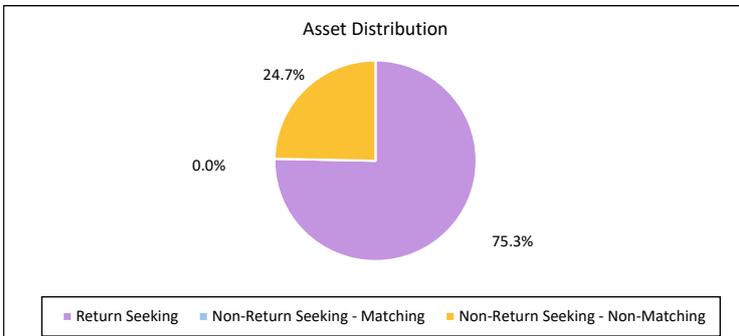
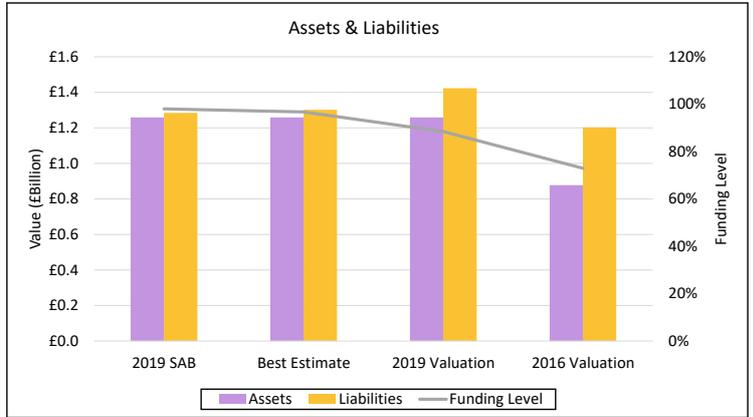
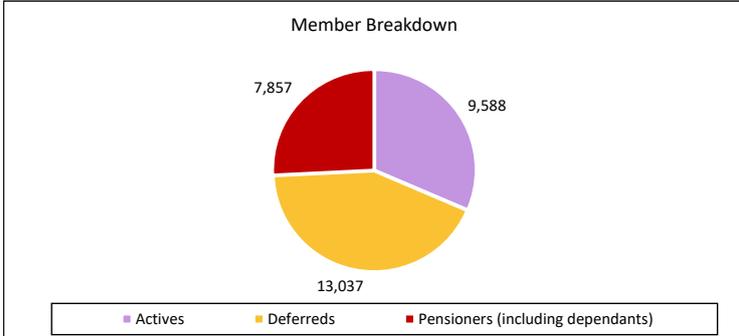
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For and on behalf of Hymans Robertson LLP

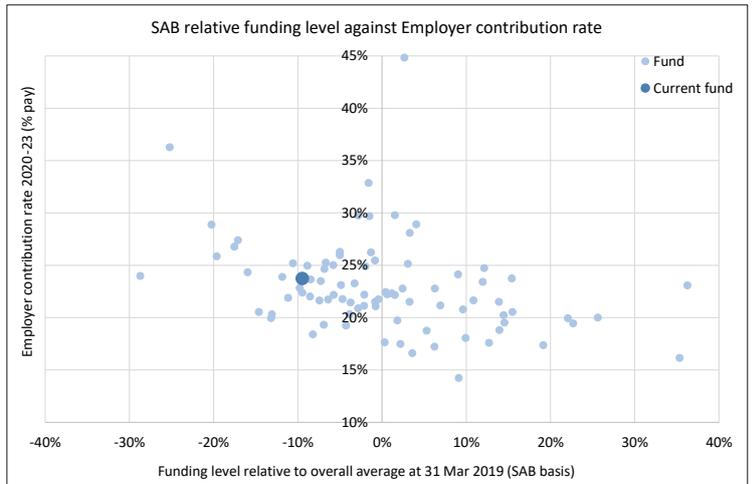
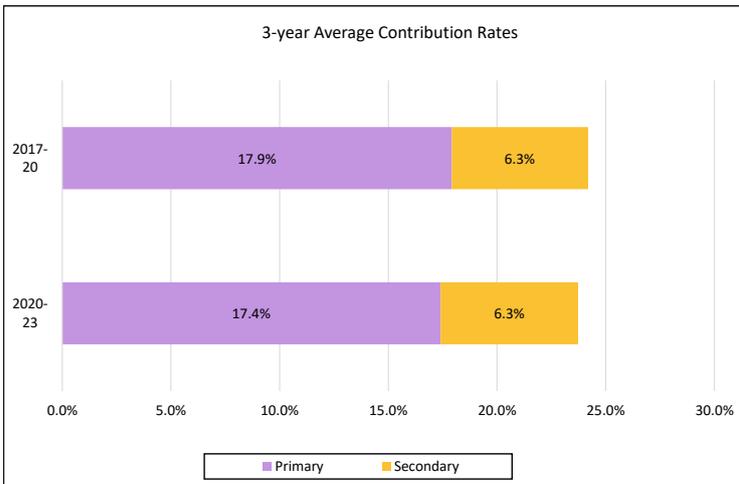
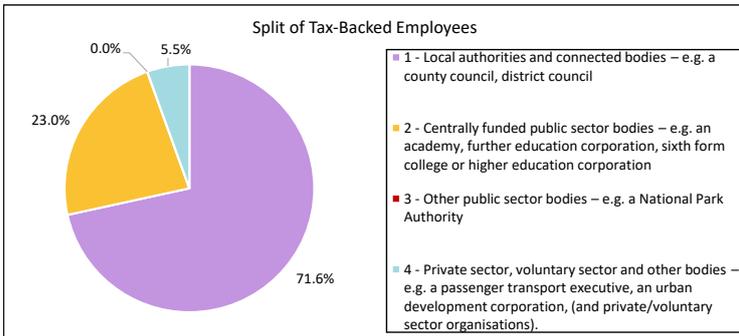
August 2021

Appendix – Schedule of 2019 draft Section 13 results

London Borough of Croydon Pension Fund



Local Authority	Core Spending (£m)	Core Spending (%)
Total	£367.5	100.0%
Croydon	£274.0	74.6%
Croydon GLA	£93.5	25.4%



London Borough of Croydon Pension Fund

Solvency Breakdown

Asset Shock	
<i>Assets are divided into the following classes:</i>	
Return seeking - Equity, Property, Infrastructure debt & other return seeking assets	
Non-return seeking - All other assets	
Return seeking assets are stressed by reducing them by 15%	
New deficit allocated to tax-raising authorities	
= (Pre-stress asset value - Post-stress asset value) × % Tax backed employees	
This deficit is then spread over 20 years of annual payments, and compared to the fund's core spending	
	£m
Pre-stress asset value	£1,258.2
Return seeking assets	£947.7
Non-return seeking assets	£310.5
Post-stress asset value	£1,116.0
Return seeking	£805.5
Non-return seeking	£310.5
Percentage of tax-backed employees (Group 1 + Group 3)	71.6%
New deficit allocated to tax raising authorities	£101.7
Annual deficit payment (spread over 20 years)	£5.5
Total core spending (pensionable payroll used where core spending unavailable)	£367.5
Deficit percentage of core spending	1.5%
Deficit percentage of core spending (allowing for post-asset shock surplus)	1.5%
Liability Shock	
<i>Non-matched liabilities are stressed by increasing them by 10%</i>	
<i>New deficit allocated to tax-raising authorities</i>	
<i>= (Post-stress liability value - Pre-stress liability value) × % Tax backed employees</i>	
<i>Deficit is spread over 20 years and compared to the fund's core spending</i>	
	£m
Liability value pre-stress (GAD's best estimate calculation)	£1,301.1
Liability value post-stress	£1,431.3
New deficit allocated to tax raising authorities	£93.1
Annual deficit Payment (spread over 20 years)	£5.0
Deficit percentage of core spending	1.4%
Deficit percentage of core spending (allowing for post-liability shock surplus)	1.4%
Employer Default Shock	
<i>Determine funding level on GAD's best estimate basis</i>	
<i>If the fund is in deficit, non-tax backed deficits are allocated to tax-backed</i>	
<i>The non-tax backed deficit is spread over 20 years and compared to the fund's core spending</i>	
	£m
Deficit on best estimate basis	£43.0
Proportion of deficit allocated to non-tax raising authorities	£2.4
Annual deficit payment (spread over 20 years)	£0.1
Deficit percentage of core spending	0.0%
Fund Open/Closed	Open
SAB Funding Level	98.0%
Percentage of Non-Statutory Employees (Group 3 + Group 4)	5.5%

Minor inconsistencies in totals may occur due to rounding.

Long Term Cost Efficiency

Deficit Recovery Period	
<i>Implied deficit recovery period calculated on a standardised market consistent basis</i>	
Recovery period (years)	4
Ranking of fund (out of 87 funds)	70
Required Return	
<i>Required investment return rates to achieve full funding in 20 years' time on the standardised market consistent basis</i>	
Required return under best estimate basis	3.5%
Ranking of fund (out of 87 funds)	60
Repayment Shortfall	
<i>Difference between the actual deficit recovery contribution rate and the annual deficit recovery contributions required as a percentage of payroll to pay off deficit in 20 years, where the deficit is calculated on a standardised market consistent basis</i>	
Annual deficit recovery payment as % of implied 31 March 2019 payroll	1.2%
Actual contribution rate paid less SCR on best estimate basis	6.0%
Difference	4.8%
Return Scope	
<i>Required investment return rates as calculated in required return, compared with the fund's expected best estimate future returns assuming current asset mix maintained</i>	
Expected return	4.4%
Required return	3.5%
Difference	0.9%
Ranking of fund (out of 87 funds)	56
Deficit Recovery Plan	
<i>Consideration of how the deficit recovery plan has changed compared to 2016 valuation</i>	
Valuation	2016
Deficit Recovery End Point	2038
2017-20 Average Contribution Rate	24.2%
2020-23 Average Contribution Rate	23.7%
Increase in contributions	
Difference in Average Contribution Rate between 2017-20 and 2020-23	-0.5%
Increase in deficit recovery end point (years)	1

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REPORT TO:	Pension Board 14 October 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, 5 items have been added to the log. They are concerning failure to pay refunds of scheme contributions within regulatory deadlines, failure to produce 100% of annual benefit statements within regulatory deadlines, failure to publish the Fund accounts for 2019/20 by 30 September 2020 and failure to produce meeting minutes.
- 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

4.2 Approved by: Nigel Cook on behalf of Richard Ennis, Interim Corporate Director of Resources and Section 151 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	Outcome of report and or investigations	Outstanding actions	Comments
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.		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. Stage 2 complaint upheld on 1 November 2019. Pension Ombudsman has closed the case as the member has now settled with her employer.		
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.		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.		
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.		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.		

Aug-21	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.	The team managed to issue 99.94% of annual benefit statements.	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.		Not reported. Officers will continue to attempt to resolve any outstanding issues so that the remaining notifications can be sent.		
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. Hyman Robertson have been engaged to provide administration services to clear this backlog.	The issue has been identified and action taken to rectify it. Outsourcing the historical backlog provides greater administrative capacity, mitigating the risk of recurrence. This has therefore been judged as not necessary to report to the Pensions Regulator.		Not reported to The Pensions Regulator.		
Sep-21	Administration	Failure to pay a refund of scheme contributions to members of the pension fund, who left after the 01 April 2014 with less than two years membership, within 5 years of leaving (regulation 18(5) of the LGPS Regulations 2013). Current number of cases as at 31 August 2021 is 240	Possible tax implications for the member if the refund is paid after 5 years. Burden of administration resources to repeatedly chase members.	Administration team use last known address or email address provided by the employer to send details to former members making them aware of their options and the 5 year deadline when leaver calculation processed. A quarterly check of the LGPS NI database is made to see if an automatic transfer is due to another LGPS fund. Reports run quarterly to find those approaching 5 year period/age 75 – admin team to try to make contact again – address searches carried out if required.	The matter has not been reported to the Pension Regulator. The fund has made all reasonable efforts to trace and inform members of their options. The fund is reliant on members responding in order to comply with the regulations. The Fund's approach is in line with Technical Group recommendations (see Technical Group minutes 28 September 2018)		N/A		https://www.lgpslibrary.org/assets/minutes/TG20180928.pdf

Sep-21	Finance	Failure of the Fund to publish the Fund Accounts for year 2019/20 by 30 September 2020.	Lack of accurate data available on which to base funding requirements. This could result in insufficient funds to pay all benefit liabilities.	The accounts have been prepared and submitted to audit for approval. However Audit have still not finished their work in preparing their opinion. The Head of Pensions is in regular contact with Audit to check on progress.	The matter has not been reported to the Pension Regulator. Progress has been delayed due to the issuing of the Section 114 notice applicable to Croydon and, more widely, to the impact of the Covid 19 pandemic. Many other LGPS Funds have been unable to finalise their accounts due to the impact of the pandemic. The failure to sign off the accounts does not relate to a failure on the part of the Fund to produce them but with delays in the audit process which is beyond the control of the Fund. The breach has been rated as green but a view on this is welcomed from Members.		N/A	Head of Pensions to continue to liaise with Audit on progress	
Oct-21	Administration	Failure to produce minutes for Pension Committee Meetings in contravention of the 1972 Local Government Act Regulation 100C (F16 (a))	Without minutes any decisions made are not recorded and so have no legal basis. Any actions taken as a result of those decisions have no legal authority. There is no public access to decisions taken, preventing openness and challenge.	The matter was discussed at the meeting on 14 September 2021. Democratic Services have been experiencing resourcing issues and backlogs of all Council Committee meeting minutes have arisen. The team are now fully resourced and will be trying to catch up on the backlog and produce future minutes in a more timely fashion moving forward. Members requested that officers look into sourcing external minuting provision in respect of Pension Meetings to safeguard Fund business.	Breach designated as amber. Whilst there is an impact on the administration of the Fund, action has been taken to resolve the issue. Members requested that officers look into sourcing external minuting provision in respect of Pension Meetings to safeguard Fund business.		Action is being taken to resolve the issue. Officers are actively procuring external minuting provision for all future meetings. The missing minutes should be available via Democratic Services in due course. Meetings are recorded providing back up records. Pension Officers take notes of decisions taken for action.	Officers to confirm procurement of external minute provision.	

Breaches Process

Type of Breach	Timescale for reporting	Internal actions	Further 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	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
Non urgent: Assess whether Material / Immaterial	Responsible officer informs Head of Pensions and Treasury and the governance team, the breach is considered and if deemed necessary it is reported to the Pensions Regulator within 30 days	Governance team to keep record of the breach and investigate options to prevent further occurrence	Report breach at next Pension Committee and Pension Board meeting
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	Report immaterial breach at next Pension Committee and Pension Board meeting

Rating	Description	Breach occurred	Breach identified		Action taken	Decision	
	Cause, effect, reaction and wider implications considered together ARE LIKELY to be of material significance	Error has occurred	PLUS	Errors not recognised	PLUS No action taken to rectify and tackle the cause	MUST Report to TPR	
	Cause, effect, reaction and wider implications considered together MAY be of material significance	Error has occurred	PLUS	Errors rectified	PLUS Systemic causes not addressed so issue may arise again	MAY Report to TPR	Consider the evidence and make a decision.
	Cause, effect, reaction and wider implications considered together ARE NOT Likely to be of material significance	Error has occurred	PLUS	Errors rectified	PLUS Systemic causes addressed to mitigate against issue arising again	DON'T Report to TPR	

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REPORT TO:	Pension Board 14 October 2021
SUBJECT:	The Collective Investment Vehicle for London Local Authorities Pension Funds: Compliance with pooling requirements and review of savings
LEAD OFFICER:	Nigel Cook, Head of Pensions Investment 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 extent to which the Fund is complying with the pooling requirements of Guidance issued by the, then, Department for Communities & Local Government in 2015 and of the savings made through pooling.

3. DETAIL

- 3.1 In 2015 the, then, Department for Communities & Local Government issued Guidance which set out how the Government expected funds to establish asset pooling arrangements. The stated objectives were to deliver:
- benefits of scale;
 - strong governance and decision making;
 - reduced costs and excellent value for money; and
 - improved capacity and capability to invest in infrastructure.
- 3.2 By the time of the Guidance, as a founder member, Croydon had already voluntarily joined the London Collective Investment Vehicle (London CIV). The London CIV's stated objectives are to deliver broader investment opportunities and enhanced cost efficiencies than funds can achieve individually and overall better risk adjusted performance. It is FCA regulated and was the first of the eight asset pools in England and Wales to become established. All the London borough funds are members.

- 3.3 Since it was founded in 2014 the London CIV has developed its governance structure with a new Corporate Governance and Controls framework being agreed at the Annual General Meeting in July 2018. The key components of the framework are the Shareholder Committee, comprising Leaders and Treasurers of twelve of the London boroughs, and a Board made up of executive and non-executive directors all of whom must meet FCA fitness to serve requirements.
- 3.4 During the development of the pooling concept funds estimated how they could comply with its requirements in the context of their own asset allocation policies. The Council Fund's Investment Strategy Statement, as agreed on 18 September 2018, includes the following:
- 5.3 *The Fund holds illiquid assets outside of the London CIV pool. The cost of exiting these strategies early would have a negative financial impact on the Fund. These will be held as legacy assets until such time as they mature. The Fund will continue to invest in illiquid assets outside of the London CIV pool, until suitable strategies are made available by the London CIV pool, in order to meet its asset allocation target.*
- 5.4 *Therefore, the proportion of assets that will be invested through the pool will be circa. 65%*
- 3.5 At their meeting on 17 March 2020 the Pension Committee agreed a revised asset allocation with the combined equities and fixed interest allocations totalling 60% which became a more realistic target for pooling.
- 3.6 At 31 March 2021 the Fund had investments of £168.8m (12.2% of its investments) invested in sub-funds managed by the London CIV and a further £617.1m (40.8%) within the pooling umbrella but not managed by the London CIV.

3.7 The table below shows a significant increase within the pooled umbrella between 31 March 2020 and 31 March 2021. This was mainly due to an investment of £55m in the London CIV Sustainable Equity Exclusion Fund managed by RBC Global Asset Management (UK) and the fact that during 2020/21 equities substantially outperformed most other asset classes.

INVESTMENT	31 March 2020	31 March 2020	31 March 2021	31 March 2021
	£m	%	£m	%
CIV related				
Legal and General Equities	426.0	36.0	617.1	40.8
RBC Equities			76.7	5.1
PIMCO Fixed interest bonds	84.1	7.1	92.1	6.1
CIV related total	510.1	43.1	785.9	52.0
Non CIV related total	675.1	56.9	727.0	48.0
TOTAL	1,185.2	100.0	1,512.9	100.0

3.8 The Committee are satisfied with the progress to date and consider that they continue to show a significant commitment to the pooling concept.

3.9 In January 2019 the Ministry of Housing, Communities & Local Government issued a consultation and draft guidance document on asset pooling setting out proposed changes to the framework. Further consultation was promised with draft guidance to be in place in early 2020 but this has not yet been published.

3.10 Estimated savings made against assumptions of standard fees and costs incurred from the pool investments during 2020/21 were as follows:

	Assets under management at 31 March 2020	Estimated gross fees savings	Management fees and development funding charge	Estimated net fees savings
	£'000	£'000	£'000	£'000
Legal and General Equities	617,105	321	21	300
RBC Equities	76,675	92	20	72
PIMCO Fixed interest	92,084	216	7	209
Development funding charge			110	(110)
TOTAL	785,864	629	158	471

3.11 The Board are invited to note this report

4 DATA PROTECTION IMPLICATIONS

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

NO.

4.2 Approved by: Nigel Cook on behalf of Richard Ennis, Interim Corporate Director of Resources and Section 151 Officer.

CONTACT OFFICER:

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

BACKGROUND DOCUMENTS:

None.

APPENDIX:

Appendix A - Croydon Pension Fund: Medium Term Business Plan 2021-24

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CROYDON PENSION FUND

Medium Term Business Plan 2021-24

**Croydon Pension Fund
5A Bernard Weatherill House
8 Mint Walk
Croydon CRO 1EA**

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1. INTRODUCTION

- 1.1 The London Borough of Croydon (the Council) is the Administering Authority of the Croydon Pension Fund (the Fund), responsible for the management of the Local Government Pension Scheme (the Scheme) in its area. The Fund is one of about ninety funds in the national Scheme offering benefits on a career average basis and funded by its constituent employers, members and investment income.

2. PURPOSE OF THE BUSINESS PLAN

- 2.1 Although not specifically required under Scheme regulations, it is recommended in guidance and considered best practice to have a business plan setting out the future direction of the Fund.
- 2.2 The Business Plan sets out the aims and objectives of the Fund and provides an overview of its key activities over the medium term. It includes a review of important developments during 2020/21, the work plan of the Committee, the Board and officers for 2021/22 – 2023/24 and the planned training activity as set out in the Fund training plan. It also includes the estimated financial position over the three years' up to 2023/24.
- 2.3 The Plan is reviewed and updated annually.

3. GOVERNANCE AND MANAGEMENT

- 3.1 The Council has delegated responsibility for the governance and management of the Fund to the Pension Committee and the S151 Officer. In the Council's Constitution the Purpose of the Committee is defined as:

to discharge the responsibilities for Croydon Council in its role as lead authority for the administration of the Croydon Pension Fund

- 3.2 The Committee receives appropriate advice from the S151 Officer, the Fund Actuary, its Investment Adviser and other officers and advisers as necessary.

- 3.3 Since 2015 a Local Pension Board has been in place the purpose of which, as laid down in Regulations, is

....to assist the Administering Authority in its role as a scheme manager of the Scheme. In particular to assist the Administering Authority:

- 1. to secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme; and*

2. to ensure the effective and efficient governance and administration of the Scheme.

- 3.4 Under the “pooling” regulations the Fund, along with all other London borough funds, is a member of the London Collective Investment Vehicle (CIV). Over the next few years it will continue to seek opportunities to transfer investments to the CIV in order to achieve reductions in investment management costs. It will continue to hold the CIV to account through its role as a shareholder.
- 3.5 At the request of the Pension Board, in 2015, the Fund commissioned a Governance Review from its independent Governance Adviser, Aon Hewitt Limited. During the spring and summer of 2016 the Board and Committee considered the Report and accepted the Adviser’s recommendations. The Board agreed an action plan to plot progress in their implementation. In 2019 Aon Hewitt were invited to carry out a further Review to assess progress against their earlier recommendations. The Review and associated action plan was considered by the Board and Committee during late 2019 and the early part of 2020 and the implementation of the recommendations plays a significant part in the workplan for 2021/22 and subsequent years.
- 3.6 Apart from payroll, all administration services are carried out in-house by Council staff.

4. AIMS, PURPOSES AND FUNDING OBJECTIVES

4.1 As set out in the Funding Strategy Statement agreed in March 2020:

The aims of the Fund are to balance:

- affordability of employer contributions;
- transparency of processes;
- stability of employers’ contributions; and
- prudence in the funding basis.

The purposes of the Fund are to:

- receive the proper amount of contributions from employees and employers, and any transfer payments;
- invest the contributions appropriately, with the aim that the Fund’s assets grow over time with investment income and capital growth; and

- use the assets to pay Fund benefits, to the members (as and when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

The funding objectives are:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return;
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

5. STATISTICS

5.1 Key statistics as at 31 March 2021 were as follows:

- Assets of the Fund were £1,489m (as at 31 December 2020) predominantly invested in equities, bonds, property, infrastructure and private equity;
- The Fund was 88% funded (based on 31 March 2019 data);
- The Fund had approximately 100 contributing employers;
- Approximately 10,000 members were contributing to the Fund;
- Approximately 11,000 former employees had their benefits deferred;
- Approximately 8,400 members were in receipt of a pension;
- Benefit payments in the previous year totalled £56.1m;
- Contributions from members in the previous year were £14.7m; and
- Contributions from employers in the previous year totalled £54.7m.

6 REVIEW OF 2020/21

6.1 At the time of writing the impact of the Coronavirus crisis on the Fund is unclear and may never be fully understood. It was discussed by the Committee at their meeting in March 2020 and caused two of the five meetings during 2020/21 to be cancelled. Its financial impact will be seen in the Annual Report and Accounts for 2019/20 and 2020/21. Partly because of its effect the Annual Report and Accounts for 2019/20 remain subject to audit.

6.2 Nevertheless, most of the normal routines were successfully completed including the regular monitoring of investment and administration performance, the distribution of annual benefit statements and the consideration of various policy statements and the Risk Register.

Specific projects included:

- Investment in “Sustainable Equity Exclusion Fund”
- Adoption of a Medium Term Business Plan
- Review of Breaches of the Law Policy and returns
- Consideration of independent Governance Review Action Plan
- Consideration of implications of Exit Payment Cap
- Review of Governance Policy and Compliance Statement

6.3 On 15 October 2020 the Pension Board received a report, including a report from the Fund Actuary, analysing the practical implications of the McCloud judgement.

7. WORK PROGRAMME

7.1 The work programme for Members, officers and advisers envisaged over the next three years will be along the following lines.

	2021/22	2022/23	2023/24
Governance			
Review implementation of Governance Action Plan	Ongoing	Ongoing	Ongoing
Produce Fund Accounts	April to September	April to September	April to September
Produce Fund Annual Report	July to September	July to September	July to September
Produce Pension Board Annual Report	July to October	July to October	July to October
Review Business Plan	March	March	March
Review Governance Policy and Compliance Statement		September	

Review Governance Best Practice Compliance Statement	March	March	March
Review Communications Policy		September	
Review Administration Strategy	September		March
Review Internal Disputes Resolution Procedure		January to March	
Review Conflicts of Interest Policy	September		March
Review Breaches of the Law Policy / Procedure			September
Record and report breaches of the law	Ongoing	Ongoing	Ongoing
Review Administering Authority Discretionary Policy	September		March
Review Risk Management Policy and Strategy		March	
Maintain Risk Register	Ongoing	Ongoing	Ongoing
Review Knowledge and Skills/ Training Policy		January to March	
Review and deliver training programmes	Ongoing	Ongoing	Ongoing
Review budget including London CIV costs	March	March	March
Review Fund Actuary contract	September		
Review Governance Consultancy contract	September		
Monitor performance of Investment Adviser against agreed strategic objectives	Ongoing	Ongoing	Ongoing
Respond to legislative changes	As required	As required	As required
Respond to reports of Scheme Advisory Board and The Pensions Regulator	Ongoing	Ongoing	Ongoing
Review staffing numbers and structure	Ongoing	Ongoing	Ongoing

Funding			
Triennial valuation consultations and calculations		May to December	
Consultations and calculations for employers rates arising from triennial valuation		November to December	
Triennial valuation certificate issued		March	
Prepare Funding Strategy Statement		November to March	
Interim valuation	December		
Provision of actuarial valuation information for review by Government Actuary's Department	As required	As required	As required
Investments			
Review Investment Strategy Statement			April
Produce performance review reports for Committee	Quarterly	Quarterly	Quarterly
Carry out asset allocation review and investigate new investment vehicles	Ongoing	Ongoing	Ongoing
Develop Environmental, Social and Governance investment policy	Ongoing	Ongoing	Ongoing
Meet investment managers in rotation	Ongoing	Ongoing	Ongoing
Comply with "pooling" requirements	Ongoing	Ongoing	Ongoing
Review savings achieved by CIV	July	July	July
Implementation of SAB Code of Transparency and analysis of investment costs	Ongoing	Ongoing	Ongoing

Administration			
Triennial valuation – consultation with and results to employers		May to February	
Review of Employer (admission/cessation/bulk transfer) Policy	September		
Bulk transfers, academy conversions and new admitted bodies – provision of data for employers	Ongoing	Ongoing	Ongoing
Implement implications of McCloud judgement	As required	As required	As required
Review Record Management Policy			March
Reporting and Monitoring Contributions	Quarterly	Quarterly	Quarterly
FRS102 – provision of data for employers	July to September	July to September	July to September
Administer pension increase	January to March	January to March	January to March
Issue Annual Benefit Statement	May to August	May to August	May to August
Monitor Key Performance Indicators	Ongoing	Ongoing	Ongoing
Produce Data Improvement Plan			January to March
Organise and facilitate Employers' Forum	Quarterly	Quarterly	Quarterly
Focus on information technology efficiencies	Ongoing	Ongoing	Ongoing
Review any service areas failing to meet agreed performance standards	As required	As required	As required
Clear backlog of deferred pensioners work	May to March		
Organise voting for Pensioners' Representatives on Pension Committee	As required	As required	As required
Make appointments to fill any vacancies arising on Pension Board	As required	As required	As required

Auto re-enrolment	January		
Roll-out of I-connect project	Ongoing		
Develop use of Employer Relationship Management software	Ongoing		
Publicise upgrade of Members Self Service	August		

7.2 Progress on relevant parts of the Programme will be regularly reported to meetings of the Committee and Board.

7.3 Programmes of work arising from the Business Plan specific to the Committee and the Board will be presented to the two bodies as an updated Forward Plan.

8. INVESTMENTS

8.1 As at the end of December 2020 the Fund had £1,489m assets under management by 15 different fund managers investing in equities, bonds, property, infrastructure and private equity.

8.2 The Fund's asset allocation is shown in the table below.

Fund Manager	Managed by CIV	Value at 30 Dec 2020	Actual Allocation	Strategic Allocation
		£m	%	%
Equities				
LGIM	Counts towards allocation	586.5		
RBC	Yes	75.6		
Total		662.1	44.5	40.0
Fixed Interest				
Aberdeen Standard		144.9		
Wellington		75.0		
PIMCO	Yes	95.0		
Total		314.9	21.2	20.0
Property				
Schroders		126.3		
M & G		62.0		
Total		188.3	12.7	16.0
Private Equity				
Pantheon		66.1		
Knightsbridge		40.2		
Access		17.1		
North Sea Capital		8.0		
Total		131.4	8.8	10.0
Infrastructure				
Equitix		82.8		
Temporis		29.5		
GIGM		21.0		
Access		27.0		
I Squared		17.5		
Total		177.8	11.9	14.0
Cash				
		14.1	0.9	0.0
TOTAL		1,488.6	100.0	100.0

9. CASHFLOW

9.1 The table below summarises the relatively predictable items of income and expenditure included in the Fund Annual Accounts. The data suggests that in the medium term the Fund's predictable income will comfortably exceed its expenditure. The large increase in the actual surplus in 2020/21 is due to a lump sum of £32.2m being received in 2016/17 in lieu of three annual payments of £11.8m in the subsequent three years and the amount in 2020/21 reverting to a more normal annual level.

	2019/20 Actual	2020/21 Forecast Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
	£'000	£'000	£'000	£'000	£'000
Contributions receivable	52,208	69,373	70,000	71,000	71,000
Benefits payable	-46,540	-46,500	-47,000	-47,500	-48,000
Management expenses*	-11,425	-13,500	-14,030	-14,680	-15,090
Investment income	9,425	8,000	8,000	8,000	8,000
Net income	3,668	17,373	16,970	16,820	15,910

*See table in paragraph 10.1 below

There are several items within the Fund Accounts which have a significant impact on the financial standing of the Fund but which cannot be estimated with confidence. As an indication, some of these are detailed below for the years 2019/20 and 2020/21.

	2019/20 Actual	2020/21 Forecast Actual
	£'000	£'000
Individual transfers in from other funds	14,179	6,770
Individual transfers out to other funds	-10,769	-6,840
Commutations, refunds and lump sum retirement and death benefits	-10,310	-9,550

10. RESOURCES

Finance

10.1 The following table provides actuals and estimates of the Fund Management Expenses over the five years from 2019/20.

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

Staff

10.2 The Fund has the following staffing resource available to deliver the Plan

	FTE	Vacancies
Investment & Treasury	6	2
Governance & Compliance	3	1
Pensions Administration	15	2
Pensions Technical Support	2	0

10.3 In order to make the optimum contribution to the delivery and administration of Fund services staff have:

- Development plans and key objectives set on an annual basis, linked to outcomes and objectives set out in this Business Plan
- Regular one-to-one meetings to review progress and to identify development issues
- Opportunities to put forward ideas and suggestions to help to shape the future development of the service

11. TRAINING AND DEVELOPMENT

11.1 The CIPFA Knowledge and Skills Framework and a Knowledge and Skills / Training Policy have been adopted by Fund.

11.2 Members of both the Pension Committee and the Board and officers are given access to a range of opportunities to develop their skills in keeping with the Framework. These include, specifically, on-line programmes provided by Aon Hewitt and Hymans Robertson and events hosted by the Local Government Association.

11.3 Training opportunities are provided at meetings of the Committee and Board.

11.4 The Fund is a member of the CIPFA Pensions Network which gives officers access to an extensive programme of events, training, weekly newsletters and documentation including briefing notes on the latest topical issues. Officers attend quarterly forum meetings with peers from other London boroughs which provide further access to opportunities for knowledge sharing and benchmarking data.

11.5 Officers also attend seminars arranged by fund managers and other third parties who specialise in public sector pensions. Any relevant sessions are shared with the Committee and Board members.

12. KEY POLICY DOCUMENTS

12.1 Key policy documents which support the Business Plan and, in turn, are supported by it which can be found on the Fund's website include:

- Annual Report and Accounts
- Triennial Valuation Report
- Investment Strategy Statement
- Funding Strategy Statement
- Governance Policy and Compliance Statement
- Communications Policy Statement
- Administration Strategy
- Risk Management Strategy and Risk Register
- Knowledge and Skills Policy

- Conflicts of Interest Policy
- Breaches log
- Discretions Policy Statement
- Record Management Policy
- Key Performance Indicators

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REPORT TO:	Pension Board 14 October 2021
SUBJECT:	The Collective Investment Vehicle for London Local Authorities Pension Funds: Compliance with pooling requirements and review of savings
LEAD OFFICER:	Nigel Cook Head of Pensions Investment 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 extent to which the Fund is complying with the pooling requirements of Guidance issued by the, then, Department for Communities & Local Government in 2015 and of the savings made through pooling.

3. DETAIL

3.1 In 2015 the, then, Department for Communities & Local Government issued Guidance which set out how the Government expected funds to establish asset pooling arrangements. The stated objectives were to deliver:

- benefits of scale;
- strong governance and decision making;
- reduced costs and excellent value for money; and
- improved capacity and capability to invest in infrastructure.

3.2 By the time of the Guidance, as a founder member, Croydon had already voluntarily joined the London Collective Investment Vehicle (London CIV). The London CIV's stated objectives are to deliver broader investment opportunities and enhanced cost efficiencies than funds can achieve individually and overall better risk adjusted performance. It is FCA regulated and was the first of the eight asset pools in England and Wales to become established. All the London borough funds are members.

3.3 Since it was founded in 2014 the London CIV has developed its governance structure with a new Corporate Governance and Controls framework being agreed at the Annual General Meeting in July 2018. The key components of the framework are the Shareholder Committee, comprising Leaders and Treasurers

of twelve of the London boroughs, and a Board made up of executive and non-executive directors all of whom must meet FCA fitness to serve requirements.

- 3.4 During the development of the pooling concept funds estimated how they could comply with its requirements in the context of their own asset allocation policies. The Council Fund's Investment Strategy Statement, as agreed on 18 September 2018, includes the following:

5.3 The Fund holds illiquid assets outside of the London CIV pool. The cost of exiting these strategies early would have a negative financial impact on the Fund. These will be held as legacy assets until such time as they mature. The Fund will continue to invest in illiquid assets outside of the London CIV pool, until suitable strategies are made available by the London CIV pool, in order to meet its asset allocation target.

5.4 Therefore, the proportion of assets that will be invested through the pool will be circa. 65%

- 3.5 At their meeting on 17 March 2020 the Pension Committee agreed a revised asset allocation with the combined equities and fixed interest allocations totalling 60% which became a more realistic target for pooling.
- 3.6 At 31 March 2021 the Fund had investments of £168.8m (12.2% of its investments) invested in sub-funds managed by the London CIV and a further £617.1m (40.8%) within the pooling umbrella but not managed by the London CIV.
- 3.7 The table below shows a significant increase within the pooled umbrella between 31 March 2020 and 31 March 2021. This was mainly due to an investment of £55m in the London CIV Sustainable Equity Exclusion Fund managed by RBC Global Asset Management (UK) and the fact that during 2020/21 equities substantially outperformed most other asset classes.

INVESTMENT	31 March 2020	31 March 2020	31 March 2021	31 March 2021
	£m	%	£m	%
CIV related				
Legal and General Equities	426.0	36.0	617.1	40.8
RBC Equities			76.7	5.1
PIMCO Fixed interest bonds	84.1	7.1	92.1	6.1
CIV related total	510.1	43.1	785.9	52.0
Non CIV related total	675.1	56.9	727.0	48.0
TOTAL	1,185.2	100.0	1,512.9	100.0

- 3.8 The Committee are satisfied with the progress to date and consider that they continue to show a significant commitment to the pooling concept.
- 3.9 In January 2019 the Ministry of Housing, Communities & Local Government issued a consultation and draft guidance document on asset pooling setting out proposed changes to the framework. Further consultation was promised with draft guidance to be in place in early 2020 but this has not yet been published.
- 3.10 Estimated savings made against assumptions of standard fees and costs incurred from the pool investments during 2020/21 were as follows:

	Assets under management at 31 March 2020	Estimated gross fees savings	Management fees and development funding charge	Estimated net fees savings
	£'000	£'000	£'000	£'000
Legal and General Equities	617,105	321	21	300
RBC Equities	76,675	92	20	72
PIMCO Fixed interest	92,084	216	7	209
Development funding charge			110	(110)
TOTAL	785,864	629	158	471

3.12 The Board are invited to note this report

4 DATA PROTECTION IMPLICATIONS

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

No.

Approved by: Nigel Cook on behalf of Richard Ennis, Interim Corporate Director of Resources and Section 151 Officer.

CONTACT OFFICER:

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

BACKGROUND DOCUMENTS:

None

APPENDICES:

None

REPORT TO:	Local Pension Board 14 October 2021
SUBJECT:	Data Quality Assessment
LEAD OFFICER:	Vicki Richardson Head of HR & Finance Service Centre
1. RECOMMENDATIONS The Board is asked to: 1.1 Note the quality assessment of common data set out in Appendix A and scheme-specific data set out in Appendix B to this report.	

2. EXECUTIVE SUMMARY

- 2.1 This report sets out the results of the quality assessment of common and scheme-specific data undertaken in August 2021.

3. DETAIL

- 3.1 In 2015, the Pensions Regulator (TPR) assumed responsibility for Public Sector Pension Schemes. Prior to this, in June 2010, TPR issued guidance on the approach that they consider to be good practice for measuring the presence of member data. Specific targets were set for data TPR deemed as 'common'. TPR also outlined 'scheme-specific' data but did not set prescriptive targets as the data is deemed to be scheme-specific. The guidance did target Pension Scheme Trustees to ensure that 'reasonable endeavours' were undertaken to provide evidence of assessment and measurement, together with an action plan to meet the scheme specific targets.

Commentary

- 3.1 Aquila Heywood Ltd, the provider for the fund's Pension Administration Software System were engaged to assist in undertaking a practical assessment of the fund's common and specific data in August 2021.
- 3.2 In relation to common data TPR have set targets of 100% accuracy for data created after June 2010 and 95% accuracy for data created beforehand. The data quality assessment undertaken measures data as a whole as updates for many members are continuous and alter the last updated date on the system. The overall percentage of tests passed for Croydon's common data is 98.8% which is the same score that was achieved in 2020. The 2021 tests were conducted on 53,503 member records, an increase of 2,337 on 2020. The full common data report is shown as Appendix A.

- 3.2 A review of the funds scheme specific data pension data has been undertaken in line with the guidance notes set down by TPR. The overall percentage of tests passed for Croydon's scheme-specific data is 97.2%, an increase of 5.3% on the 2020 score of 91.9%. The percentage of member records without a single scheme-specific data failure is 87.6%. This represents a significant increase of 25.7% over the 2020 score of 61.9%. The full scheme specific data report is shown as Appendix B.
- 3.3 The Common Data scores are broadly comparable to 2020 and many of the issues highlighted have been investigated in previous years. The Fund will contact scheme employers for status 1 (Active) members for any missing Common Data. We will use existing processes to trace and contact status 4 (Deferred), status 5 (Pensioner), status 6 (Dependant) and status 9 (Frozen Refunds) members in order to update their Common Data. The Fund will not be resourcing efforts to update member records that are in status 3 and status 7 (Exit – No Liability and Death respectively).
- 3.4 National Insurance Number (NI) errors have been investigated following previous Data Quality reports. The majority of errors relate to children's pensions, overseas dependants or test records created by the Fund for testing purposes. There are existing processes in place to contact children as they approach their 16th birthday to obtain their NI number.
- 3.5 Many of the Common Data issues regarding invalid Data Views will be resolved by completion of the Backlog of Deferred Benefits Project being undertaken by Hyman Robertson Llp.
- 3.6 The Scheme-specific Data views have seen a marked improvements from 2020. This is largely due to the timing of the data quality report. The report was run before Pension Increase for Deferred members was applied in 2020. This caused a large volume of failed members in the Total Original Deferred Benefits test. The Fund was able to work with the software provider to ensure the 2021 report was run after Pension Increase was applied.
- 3.7 The results of the Scheme-specific data are being analysed and an improvement plan is in development. The basis of the plan will be the suggested Data Correction Plan provided by Aquila Heywood in their report. Errors that will be resolved as part of the Backlog Project will be excluded from the plan to allow the Fund to focus on clearing the remaining errors. Special attention will be given to errors included in the TPR scoring and errors that have not been previously investigated by the Fund.

4. DATA PROTECTION IMPLICATIONS

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

NO

Approved by: Nigel Cook on behalf of Richard Ennis, Interim Corporate Director of Resources and Section 151 Officer.

CONTACT OFFICER:

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

BACKGROUND DOCUMENTS:

None

APPENDICES:

Appendix A: Local Government Pension Scheme Common Data Quality Report -
Croydon Pension Fund

Appendix B: Local Government Pension Scheme Scheme-specific Data Quality
Report Croydon Pension Fund

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Aquila Heywood

Local Government Pension Scheme Common Data Quality Report Croydon Pension Fund



August 2021

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1 Executive Summary

1.1 Introduction

In 2015, the Pensions Regulator (TPR) assumed responsibility for Public Sector Pension Schemes. Prior to this, in June 2010, TPR issued guidance on the approach that they consider to be good practice for measuring the presence of member data. Specific targets were set for data TPR deemed as 'common' and Aquila Heywood has assisted customers in the collection and qualification of this data.

To assist customers in undertaking a practical assessment of their common data, Aquila Heywood offers a Data Quality service.

1.2 Data Quality Service

Working with the Croydon Pension Fund (Croydon), Aquila Heywood has completed a review of Croydon's common pension data in line with the guidance notes set down by TPR. Aquila Heywood's understanding of the Local Government Pension Scheme data, benefit calculations, interfaces and processes, has assisted in the agreement of which items to test. The tests to satisfy each condition have been run and the results quantified to provide guidance on any corrective action required.

The service incorporates data items tested against the data conditions agreed with Croydon. To provide focus on the key areas of common data to be addressed, each data category is measured against an agreed benchmark.

In 2020, a set of "core" tests were identified for reporting to TPR. The results to be quoted to TPR are quoted separately from the overall test scores. For details of where the TPR tests differ from the overall tests, please refer to appendix B.

1.3 Benchmark

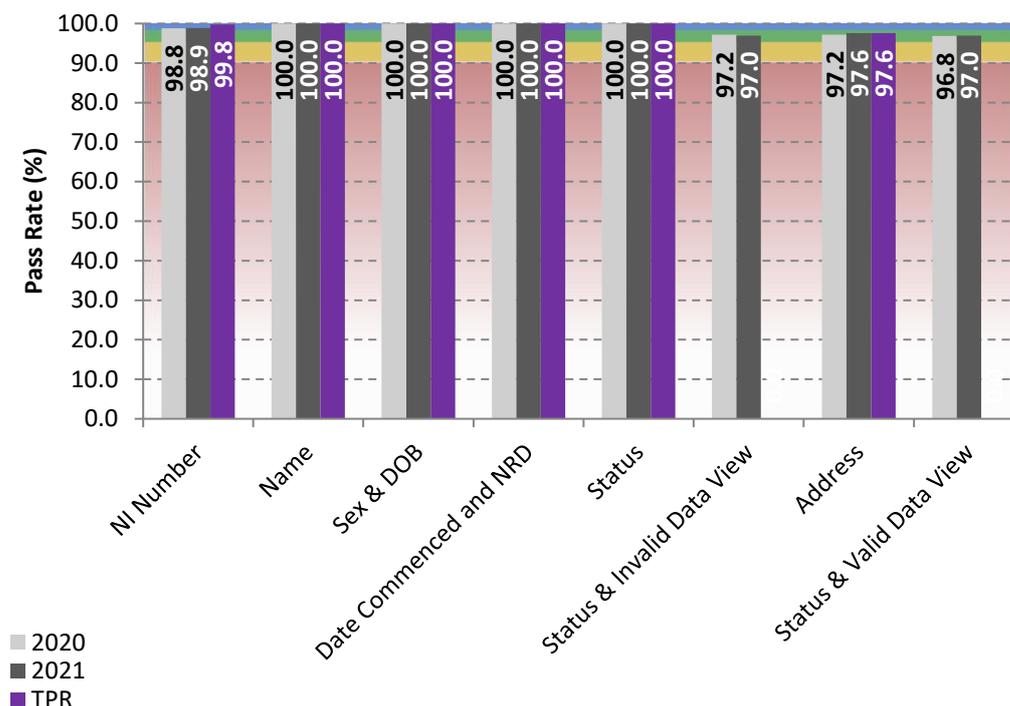
The benchmarks applied to the results presented in this report were agreed between Croydon and Aquila Heywood. The categories and thresholds are as follows:

Category	Pass Threshold
Blue	Pass rate \geq 98%
Green	95% \leq Pass rate $<$ 98%
Amber	90% \leq Pass rate $<$ 95%
Red	Pass rate $<$ 90%

These benchmarks are illustrated in the background of the results graphs. TPR have set targets of 100% accuracy for data created after June 2010 and 95% accuracy for data created beforehand. The Aquila Heywood data quality service measures data as a whole as updates for many members are continuous and alter the last updated date on the system.

1.4 Summary of Common Data Results

The graph below indicates Croydon’s performance for each data category against the agreed scheme benchmarks together with the results from the 2020 tests. The results presented herein are generated from data extracted from Croydon’s Live Altair service on 5th August 2021 for all tests. The 2020 tests were generated from data extracted on 24th July 2020. The overall percentage of tests passed for Croydon’s common data is **98.8%** which is the same score that was achieved in 2020. The 2021 tests were conducted on 53,503 member records, an increase of 2,337 on 2020.

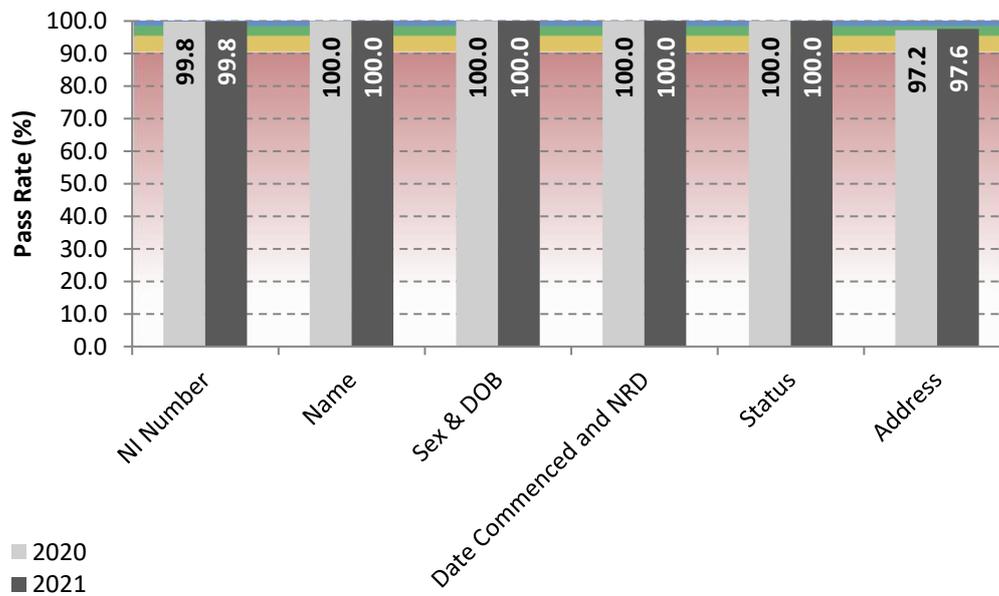


5 of the 8 categories met the highest benchmark of greater than 98% with 3 categories not recording a single failure. A further category has been rounded to 100% with a score greater than 99.95%. The lowest scoring categories concerned member **Status and Invalid Data Views** and **Status and Data Views**. Both of these categories scored 97.0%. The general quality of the common data tested at Croydon is of a high standard.

The percentage of member records without a single common data failure is **91.0%**. This represents an increase of 0.8% on the 2020 score of 90.2%.

1.5 TPR Common Data Core Test Results

The percentage of member records that did not fail any of the tests deemed to be in the core list of TPR tests is **97.5%**. This is the figure to be quoted on the scheme return to TPR. This score represents a 0.5% improvement over the 2020 score of 97.0%. The core test scores for each category are shown below.



Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
Name <u>Eligible for Testing:</u> All members	53503 (+2337)	53503 (+2337)	100% (0%)	100% (0%)	Fail A: 0 Fail B: 0 Fail C: 0	All members tested pass all tests in this category for the second consecutive year.
Sex and Date of Birth <u>Eligible for Testing:</u> All members (Leavers and deaths excluded from test D)	53503 (+2337)	53503 (+2338)	100% (+0%)	100% (+0%)	Fail A: 0 Fail B: 0 Fail C: 0 Fail D: 0	All members tested pass all tests in this category. In 2020, 1 member had an incorrect Date of Birth.
Date commenced and NRD <u>Eligible for Testing:</u> All members	53503 (+2337)	53502 (+2339)	100% (+0%)	100% (+0.01%)	Fail A: 0 Fail B: 1	<p>The number of members failing a test has reduced by 2 to 1 since 2020.</p> <p>1 member has a date joined fund earlier than their 15th birthday. This test is not included in the TPR core tests.</p>
Status <u>Eligible for Testing:</u> All members	53503 (+2337)	53503 (+2338)	100% (+0%)	100% (0%)	Fail A: 0 Fail B: 0 Fail C: 0	All members tested have a valid status recorded. In 2020, 1 member had a status mismatch.

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
Status and invalid data view <u>Eligible for Testing:</u> All members	53503 (+2337)	51880 (+2170)	97% (-0.19%)	N/A	Fail A: 245 Fail B: 1145 Fail C: 198 Fail D: 52	<p>The number of members failing a test has increased by 167 to 1623 since 2020 and the reason should be investigated. This category does not count towards the core tests.</p> <p>245 members have an 'Exit' data view which is not in line with their status history. 1145 members have an unexpected 'deferred' data view. 198 members have a 'pensions' data view which is not reflected in their status history. 52 members have an unexpected 'dependants' data view which is not in line with their status history. All tests have seen an increase in the number of fails.</p> <p>A total of 1623 members have unexpected data views:</p> <ul style="list-style-type: none"> - 237 leavers and 832 deceased, that are a lower priority; - 114 are active members; - 5 are undecided leaver; - 95 are deferred pensioners; - 86 are pensioners; - 3 are dependants; - 18 are frozen refund cases; - 204 are for aggregated records; - 29 are for optants out who would not be expected to have any data of this kind. <p>17 members have more than 1 unexpected data view. Fails in this category should be investigated to ensure correct benefits are calculated as a priority.</p>

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
Address <u>Eligible for Testing:</u> All members except leavers and deaths (status 3 and 7)	53503 (+2337)	52229 (+2493)	97.6% (+0.41%)	97.6% (+0.41%)	Fail A: 392 Fail B: 229 Fail C: 633 Fail D: 24 Fail E: 1	<p>The number of members failing a test has reduced by 156 to 1274 resulting in an improvement of 0.41% in the pass rate since 2020.</p> <p>392 members have no address recorded and 229 members have an address recorded but the first line is blank. 633 members are recorded as “gone away”. 24 members have no Postcode recorded.</p> <p>A further 1 postcode is in an incorrect format. This test does not count towards the TPR core tests.</p> <p>Of the 24 members with a missing postcode, 5 are also recorded as “gone away”. Some of the remaining members may be overseas without having the overseas indicator set.</p>

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
<p>Status and valid data view</p> <p><u>Eligible for Testing:</u> Members with deferred benefits or benefits in payment (Status 4, 5, 6, 7, 9 and T)</p>	53503 (+2337)	51881 (+2333)	97% (+0.13%)	N/A	Fail A: 26 Fail B: 0 Fail C: 0 Fail D: 128 Fail E: 1057 Fail F: 411	<p>The number of members failing a test has increased by 4 to 1622, however due to an increase in eligible members the pass rate has increased by 0.13%. This category is not included in the TPR core results.</p> <p>26 deferred members are missing deferred details, 2 more than in 2020, and should be investigated urgently.</p> <p>128 deceased cases from either active or deferred status are missing exit details where the death grant is recorded; 67 were active, 1 was undecided leaver and 60 were deferred.</p> <p>1057 deceased members who were pensioners do not have a date recorded for when the pension ceased. Similarly, 411 dependant members are missing dependant details.</p>

3 Data Correction Plan

The table below provides Croydon with suggestions for resolving the issues identified. This table is deliberately high-level as the detail and dates should be agreed once the results have been thoroughly reviewed. This table represents a summary of the recommended actions outlined in Section 2.

Data Category	Recommendation	Suggested Priority
NI Number	<ul style="list-style-type: none"> Investigate as a priority the 30 cases with blank NI numbers Obtain correct NI numbers for the members with temporary numbers or those in the incorrect format 	<ul style="list-style-type: none"> High Low
Name	<ul style="list-style-type: none"> No issues found 	
Sex and Date of Birth	<ul style="list-style-type: none"> No issues found 	
Date commenced and NRD	<ul style="list-style-type: none"> Investigate the incorrect date joined fund for the 1 member 	<ul style="list-style-type: none"> Medium
Status	<ul style="list-style-type: none"> No issues found 	
Status and invalid data view	<ul style="list-style-type: none"> Invalid data should be removed where necessary or the member status history corrected where appropriate. These cases should be treated as a high priority where the member is not a leaver or deceased as the presence of the data may affect benefits 	<ul style="list-style-type: none"> High
Address	<ul style="list-style-type: none"> Current addresses should be sought and uploaded for the members that failed this category 	<ul style="list-style-type: none"> Medium

Data Category	Recommendation	Suggested Priority
Status and valid data view	<ul style="list-style-type: none">• Correct the 26 deferred members with missing benefit details• Investigate the 128 death, from active, undecided leaver and deferred status with missing exit details• The 1468 pensioner and dependant deaths with missing cease dates should be investigated and corrected	<ul style="list-style-type: none">• VERY HIGH• Low• Low

4 Appendices

4.1 Appendix A – TPR Guidance

Data Field	TPR Comment
National Insurance Number	'TN' formats should be regarded as missing data. The final character of NI numbers is not essential.
Surname	Check that surname is present.
Forename(s) or initials	Forenames are preferable but initials are an acceptable alternative.
Sex	Check that sex is present.
Date of birth	Check that date of birth is present and consistent (earlier than date joined scheme, retirement, date of leaving). False dates should be classed as missing data.
Date pensionable service started/policy start date/first contribution date	For trust-based schemes this will be date pensionable service started. For contract-based schemes this will effective start date of the policy or the first contribution date, depending on the provider's requirements.
Expected retirement/maturity date (target retirement age)	This field may be derived or explicit; for most DB schemes it will probably be derived as the scheme's normal retirement date. Need to check that it is populated if that is a scheme/system requirement, that it is consistent with scheme rules and statutory requirements and is later than date of birth and pensionable service date/first contribution date.
Membership status	Check that a current valid status is recorded for each member. This may be a dual status, eg active or deferred member with partial retirement. For contract-based schemes this may be 'active' or 'inactive'.
Last status event	Check that benefits taken are consistent with status, and, if status history is recorded, that the latest status is the same as the explicitly recorded current status.

Data Field	TPR Comment
Address	An address should be present for all members of all schemes. Because of DPA requirements an exception is permissible for active members of those trust-based schemes in which communication with members is normally sent via the employer. 'Gone away', 'unknown' or similar should be treated as missing data.
Postcode	Check that a postcode is present if address is not identifiable as being overseas. Will assist with valuations for actives, for whom storing full address may breach DPA principles.

4.2 Appendix B – Common Data and Fail Criteria

Common Data

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
<p>NI Number</p> <p><u>Eligible for Testing:</u> All members</p>	NI Number (NI-NUMBER) is blank	<p>NI number is temporary (commences TN) and is not a child pension (DEPND-TYPE = 'C')</p> <p>Leavers (3) and deaths (7) are excluded from the TPR results</p>	<p>NI number does not adhere to standard (Neither of the first two letters can be D, F, I, Q, U or V. The second letter cannot be O. Prefixes BG, GB, KN, NK, NT, TN (checked in fail B) and ZZ are not used. Suffix must be A, B, C or D. Characters 3-8 must be numbers)</p> <p>Test is excluded from the TPR results</p>			
Tested: 53503	Failed: 30	Failed: 559	Failed: 18			
<p>Name</p> <p><u>Eligible for Testing:</u> All members</p>	Surname (SURNAME) is blank	Forenames (FORENAMES) is blank	<p>Initials (INITIALS) is blank</p> <p>Test is excluded from the TPR results</p>			
Tested: 53503	Failed: 0	Failed: 0	Failed: 0			

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
Sex and Date of Birth <u>Eligible for Testing:</u> All members *	Sex (SEX) is blank	Sex is not Male or Female	Date of Birth (DOB) is blank	Date of Birth is earlier than or equal to 01/01/1900 (* Leavers and deaths excluded from this test) (Status 3 and 7)		
Tested: 53503	Failed: 0	Failed: 0	Failed: 0	Failed: 0		
Date commenced and NRD <u>Eligible for Testing:</u> All members	Date Joined fund (DJF) is blank	Date Joined Fund is earlier than Date of Birth plus 15 years Test is excluded from the TPR results	NRD checks are not required as these are always calculated			
Tested: 53503	Failed: 0	Failed: 1	Failed:			
Status <u>Eligible for Testing:</u> All members	Status (STATUSKEYF) is blank	Status is not 1-9, T or O	Status on member summary (STATUSKEYF) does not match that on basic details (STATUS[1]) Test is excluded from the TPR results			
Tested: 53503	Failed: 0	Failed: 0	Failed: 0			

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
<p>Status and invalid data view</p> <p><u>Eligible for Testing:</u></p> <p>All members</p> <p>Category is excluded from the TPR results</p>	Exit details should not be present unless status is 3, 7 or 9 or a previous status is 9 and the current status is 1, 2, 4, 5 or T	Deferred details should not be present unless status is 4 or a previous status is 4 and the current status is 1, 2, 3, 5, 7 or T	Pension details should not be present unless status is 5 or T or a previous status is 5 or T and the current status is 1, 2, 3, 4 or 7	Dependant details should not be present unless status is 6 or a previous status is 6 and the current status is 3 or 7		
Tested: 53503	Failed: 245	Failed: 1145	Failed: 198	Failed: 52		
<p>Address</p> <p><u>Eligible for Testing:</u></p> <p>All members except leavers and deaths (status 3 and 7)</p>	Address record does not exist	Address record exists, but line 1 (ADD-LINE-1) is blank	Gone Away (ADD-GONAWY) indicator is set	If the address is not overseas, the Postcode (POSTCODE) is blank	If the address is not overseas, the Postcode is not the correct format (1 st letter =Q, V or X, 2 nd letter is I, J or Z, 3 rd , 4 th or 5 th character is not a space)	Test is excluded from the TPR results
Tested: 53503	Failed: 392	Failed: 229	Failed: 633	Failed: 24	Failed: 1	

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
<p>Status and valid data view</p> <p><u>Eligible for Testing:</u> Members with deferred benefits or benefits in payment (Status 4, 5, 6, 7, 9 and T)</p> <p>Category is excluded from the TPR results</p>	Status 4 does not have deferred details	Status 5 or T do not have pension details	Status 6 does not have dependant details	Status 7 or 9, with a previous status of 1 or 4 do not have exit details	Status 7 with a previous status of 5 should have a relevant date pension ceased	Status 7 with a previous status of 6 should have a relevant date pension ceased
Tested: 53503	Failed: 26	Failed: 0	Failed: 0	Failed: 128	Failed: 1057	Failed: 411





Aquila Heywood

Local Government Pension Scheme Scheme-specific Data Quality Report Croydon Pension Fund



August 2021

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1 Executive Summary

1.1 Introduction

In 2015, the Pensions Regulator (TPR) assumed responsibility for Public Sector Pension Schemes. Prior to this, in June 2010, TPR issued guidance on the approach that they consider to be good practice for measuring the presence of member data. Specific targets were set for data TPR deemed as 'common' and Aquila Heywood has assisted customers in the collection and qualification of this data. TPR also outlined 'scheme-specific' data but did not set prescriptive targets as the data is deemed to be scheme-specific. The guidance did target Pension Scheme Trustees to ensure that 'reasonable endeavours' were undertaken to provide evidence of assessment and measurement, together with an action plan to meet the scheme specific targets.

To assist customers in undertaking a practical assessment of their scheme-specific data, Aquila Heywood offers a Data Quality service.

1.2 Data Quality Service

Working with Croydon Pension Fund (Croydon), Aquila Heywood has completed a review of Croydon's scheme-specific pension data in line with the guidance notes set down by TPR detailed in appendix A. Aquila Heywood's understanding of the Local Government Pension Scheme data, benefit calculations, interfaces and processes, has assisted in the agreement of which items to test. The tests to satisfy each condition have been run and the results quantified to provide guidance on any corrective action required.

The following terms should be understood to aid understanding of the conditions used and the results obtained:

- **Data condition** – identified TPR condition, for example check that an active member does not have a date of leaving
- **Data category** – grouping of relevant data conditions, for example **Member Benefits** (see section 1.4 below)
- **Data item** – item of data which forms part of a data condition for example 'date of leaving'

The service incorporates in the order of 100 individual tests against the data conditions agreed with Croydon. To provide focus on the key areas of scheme-specific data to be addressed, each data category is measured against an agreed benchmark.

In 2020, a set of “core” tests were identified for reporting to TPR. The results to be quoted to TPR are quoted separately from the overall test scores. For details of where the TPR tests differ from the overall tests, please refer to appendix C.

1.3 Benchmark

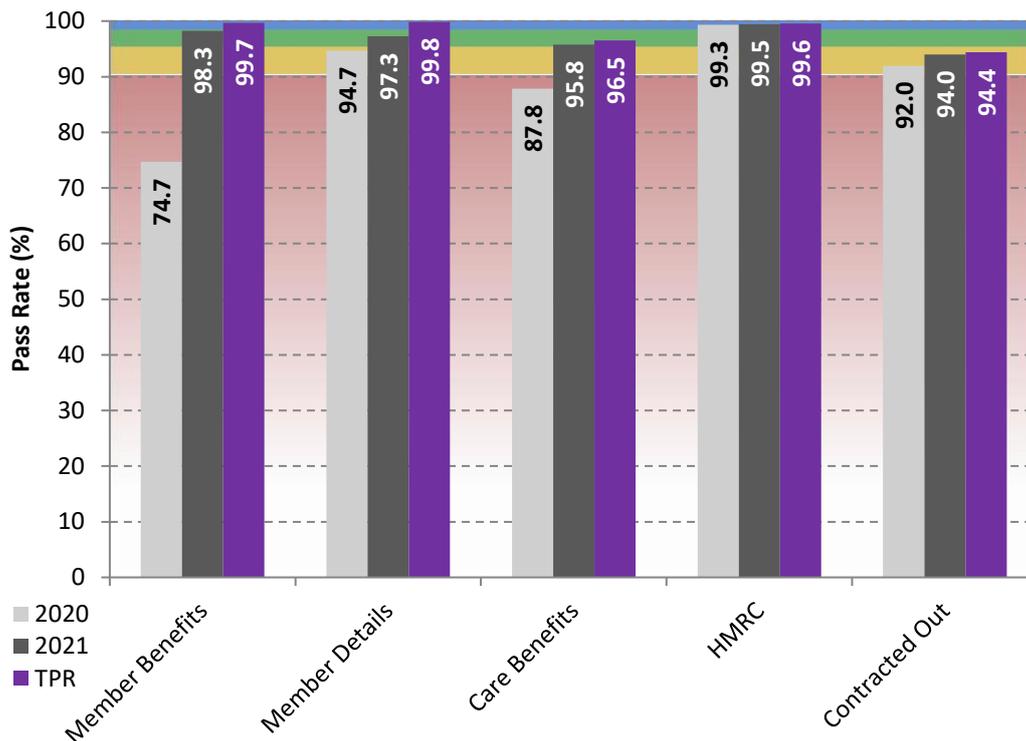
The benchmarks applied to the results presented in this report were agreed between Croydon and Aquila Heywood. The categories and thresholds are as follows:

Category	Pass Threshold
Blue	Pass rate \geq 98%
Green	95% \leq Pass rate $<$ 98%
Amber	90% \leq Pass rate $<$ 95%
Red	Pass rate $<$ 90%

These benchmark ranges are illustrated in the background of subsequent results graphs.

1.4 Summary of Scheme-specific Data Results

The graph below indicates Croydon’s performance for each data category against the agreed scheme benchmarks together with the results from the 2020 tests. Also, below is an explanation as to the data conditions relevant to each data category. The results presented herein are generated from data extracted from Croydon’s Live Altair service on 5th August 2021 for all tests. The 2020 tests were generated from data extracted on 24th July 2020. The overall percentage of tests passed for Croydon’s scheme-specific data is **97.2%**, an increase of 5.3% on the 2020 score of 91.9%. The percentage of member records without a single scheme-specific data failure is 87.6%. This represents a significant increase of 25.7% over the 2020 score of 61.9%.



The total number of member records tested is 53,503, an increase of 2,337 records from the number tested in 2020.

1.4.1 Member Benefits Data

This category includes those data conditions for members that directly relate to the details of benefits in payment or to the calculation of benefits yet to be paid.

A total number of 23,688 members qualified for one or more checks as part of the in-scope conditions under this category, an increase of 1,039 on 2020. Croydon set a minimum 90% benchmark target and achieved a **98.3%** pass rate, placing it in the highest blue benchmark. This pass rate is a **23.6%** increase on 2020. The detailed analysis of each condition is in Section 2.1, but 7 of the 10 Data Conditions specified attained the highest benchmark category (Blue, >98%). The lowest scoring condition was **Transfer In Details 1** with a score of **81.2%**, an increase of **0.8%**. The biggest improvement was in **Total Original Deferred Benefit** with a score of **99.3%**, an increase of **94.7%**.

1.4.2 Other Member Data

This category includes those data items that may be used in the calculation of member benefits.

A total number of 31,610 members qualified for one or more checks as part of the in-scope conditions under this category, an increase of 936 on 2020. Croydon set a minimum 90% benchmark target and achieved a **97.3%** pass rate, attaining the green benchmark. This pass rate is a **2.6%** increase over 2020. The detailed analysis of each condition is in Section 2.2 with 5 of the 7 Data Conditions specified attained the highest benchmark category (Blue, >98%). The two conditions not to meet the highest benchmark are; **Contributions**, where **88.0%** of members passed, representing a **13.9%** increase on 2020 and **Salary**, where **94.3%** of members passed, representing a **2.9%** increase on 2020.

1.4.3 CARE Benefits

This category includes those data items required to calculate Career Average Revalued Earning (CARE) benefits.

A total number of 18,714 members qualified for the checks as part of the in-scope conditions under this category, an increase of 1,235 on 2020. Croydon set a 90% minimum benchmark target and achieved a **95.8%** pass rate, placing CARE benefits in the green benchmark. This pass rate represents a **7.9%** increase on 2020. Failures in this category require investigation as CARE data directly affects member benefits.

As CARE revaluation is calculated for each member from a single factor table, the table itself is checked for a complete list of factors and was given a 100% pass. The detailed analysis of the conditions is in Section 2.3. Fails in this category directly affect the calculation of member benefits and so should be resolved as a priority.

1.4.4 HMRC

This category includes those values recorded as a result of the Finance Act 2004 as well as Pre A-Day limits.

A total number of 26,995 members qualified for one or more checks as part of the in-scope conditions under this category an increase of 677 on 2020. The conditions within this category have been expanded for clarity and are detailed in Appendix B.

Croydon set a 90% minimum benchmark target and achieved a **99.5%** pass rate placing the category in the highest blue category. This pass rate is an increase of **0.2%** on 2020. The detailed analysis of each condition is in Section 2.4. The highest benchmark was achieved in 6 of the 7 categories. The one category not to achieve the highest benchmark was **BCE 7**, where **78.6%** of members passed placing it in the red benchmark.

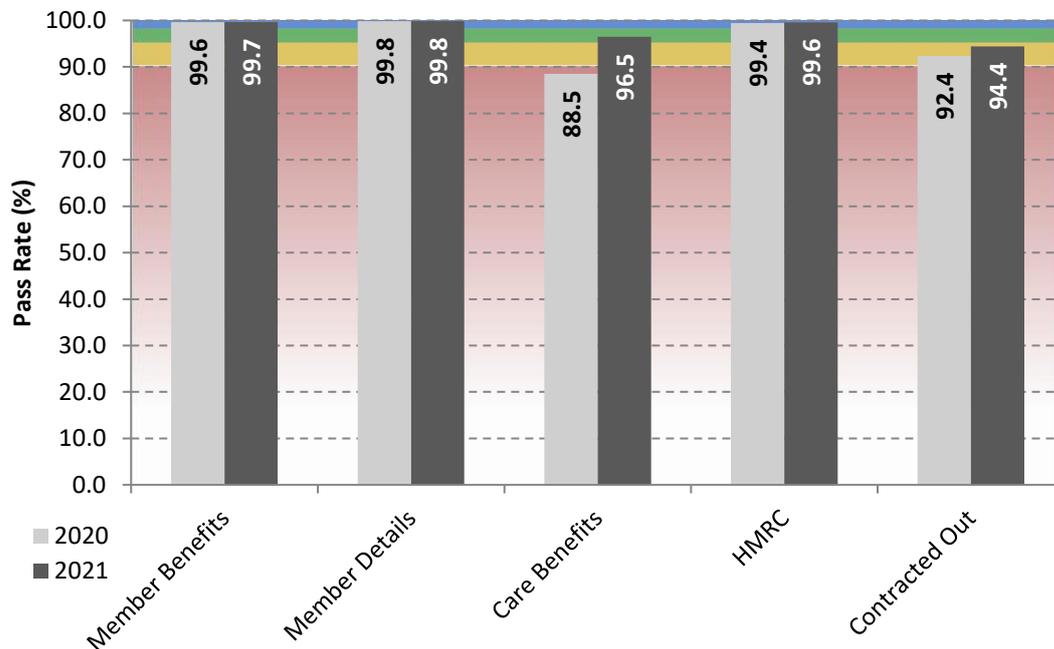
1.4.5 Contracting Out

This category includes those data items required to meet scheme contracting out conditions.

A total number of 28,833 members qualified for one or more checks as part of the in-scope conditions under this category, an increase of 283 on 2020. Croydon set a 90% minimum benchmark target and achieved a **94.0%** pass rate, placing Contracting Out in the amber benchmark. This pass rate is **2.0%** higher than in 2020. The detailed analysis of each condition is in Section 2.5 but the highest individual score was achieved in the condition **Date Contracted Out**, where **98.7%** of members passed. The remaining three categories in Contracting Out were benchmarked as red with scores between **81.1%** and **87.8%** with all 3 categories increasing between 4.0% and 7.0%. Fails in this category are likely to have an impact on GMP Reconciliation and so should be resolved either in advance, or as part of the GMP Reconciliation process.

1.5 TPR Scheme-specific Data Core Test Results

The percentage of member records that did not fail any of the tests deemed to be in the core list of TPR tests is **95.3%**. This represents an 3.4% increase over the 2020 score of 91.9%. This is the figure to be quoted on the scheme return to TPR. The results for each qualifying category are shown below:



1.6 Other Information

The remainder of this report is split into the following sections:

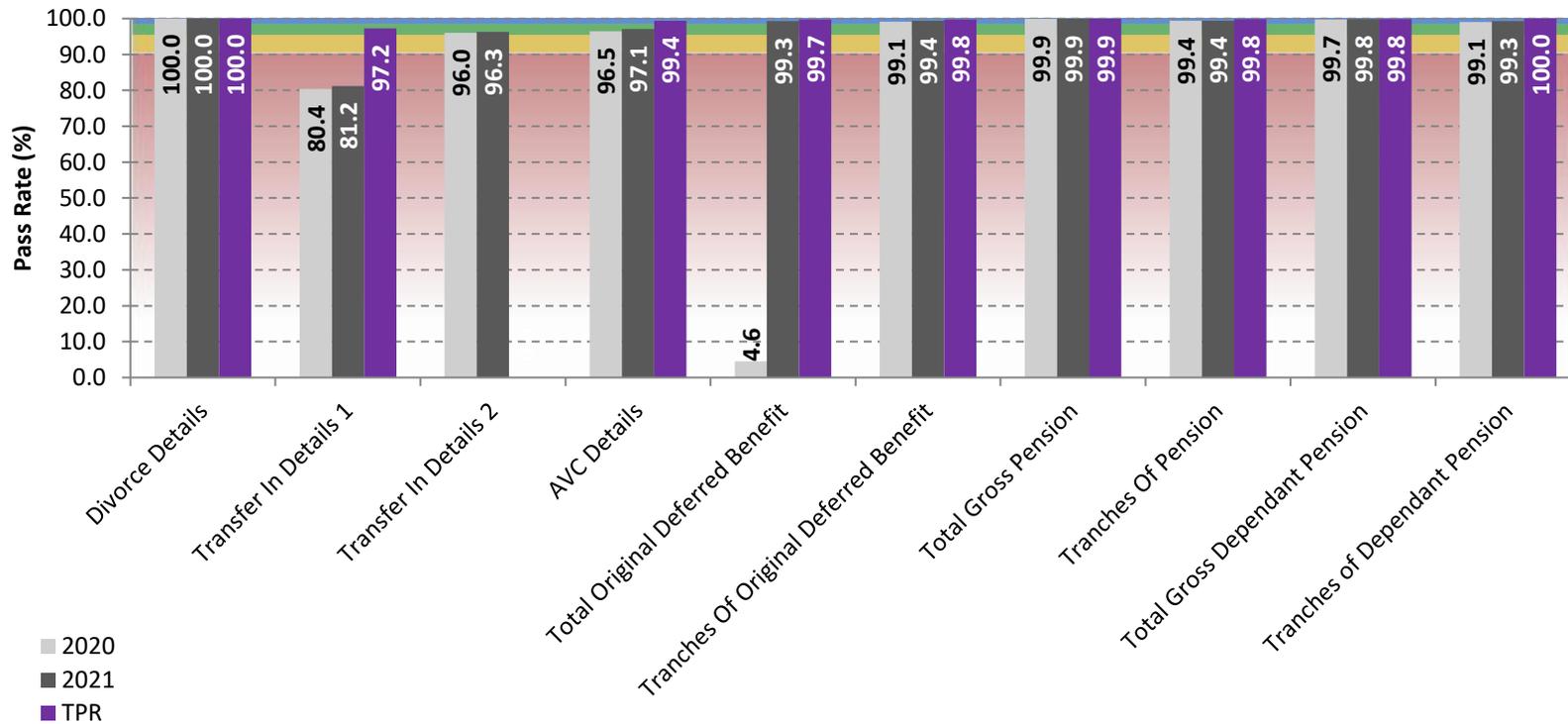
- **Scheme-specific Data Results** – results of each in-scope condition per category along with the number of members tested, main failures and suggested risks and actions
- **Appendices** – details to qualify failures against each condition, along with a list of TPR’s guidance relating to the Local Government Pension Scheme

Where possible, Aquila Heywood has provided advice and suggested next actions to work with Croydon in implementing a solution to any data anomalies. This document is the start point for Croydon data management policy and Aquila Heywood will agree with Croydon the appropriate frequency to repeat these conditions and demonstrate progress in scheme-specific data cleansing.

2 Scheme-specific Data Results

2.1 Member Benefits Data Category

2.1.1 Results



2.1.2 Analysis of Results

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
Divorce Details	9	9	100%	100%	Fail A: 0 Fail B: 0 Fail C: 0 Fail D: 0 Fail E: 0 Fail F: 0	All members tested have passed all tests for the fourth year running.
<u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T where Calculation Date (DVC-CALDTE) has a value	(0)	(0)	(0%)	(0%)		

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
Transfer In Details 1 <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T where transfer In details exist	2541 (+89)	2063 (+91)	81.2% (+0.76%)	97.2% (+0.22%)	Fail A: 171 Fail B: 16 Fail C: 102 Fail D: 228 Fail E: 10 Fail F: 171	<p>The number of members failing a test has reduced by 2 to 478 since 2020</p> <p>171 transfers are missing the date of transfer. 16 are missing a transfer value. 1 transfer is missing both. 69 of the members failing these tests are either active or deferred and count towards the TPR core tests.</p> <p>There are also 102 failures where there is no service credit or pension credit recorded from the transfer that will require investigation. Providing service was recorded correctly on the service history, member benefits will be correct.</p> <p>A common fail with 228 instances are where there is a service credit, but no corresponding service dates on the service history that should be investigated urgently.</p> <p>10 instances concerned invalid transfer types that do not match those calculations write-back or have no transfer type selected. The latest transfer with no type selected was in 2020. This fault may lead to incorrect reporting but will not affect benefits for these members.</p> <p>Additionally, there were 171 cases where the transfer date was prior to the date of commencement.</p>

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
Transfer In Details 2 <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T where transfer In details exist	2541 (+89)	2447 (+92)	96.3% (+0.26%)	N/A	Fail A: 116	116 transfers across 94 members are missing both the name and the location number of the previous scheme. In 2020, 119 transfers across 97 members failed this test.
AVC Details <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T where AVC details exist	859 (-19)	834 (-13)	97.1% (+0.62%)	99.4% (+0.1%)	Fail A: 6 Fail B: 20 Fail C: 0 Fail D: 5	<p>The number of members failing a test has reduced by 6 to 25 since 2020.</p> <p>6 pensioner members are missing both a start date and end date for their AVC contract. A further 14 pensioner members are missing only the end date for the contract. These cases should be investigated as a priority as incorrect benefits may be calculated. The status for these tests does not count towards the TPR core results.</p> <p>3 active members, and 2 deferreds, have an additional pension purchase contract without an amount of pension being purchased, which count towards the TPR core tests.</p>

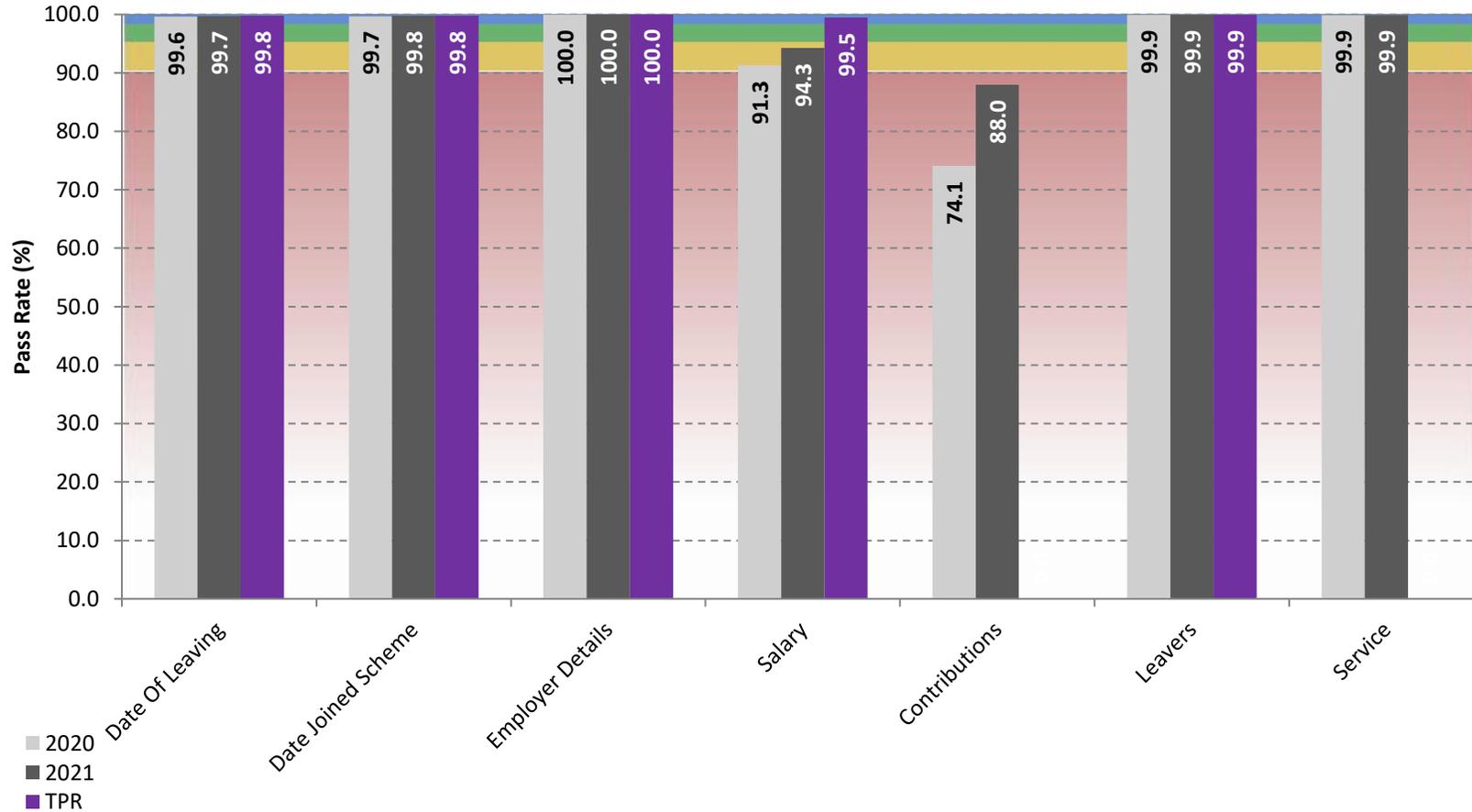
Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
Total Original Deferred Benefit <u>Eligible for Testing:</u> Status 4	11579 (+603)	11493 (+10993)	99.3% (+94.7%)	99.7% (+0.01%)	Fail A: 28 Fail B: 27 Fail C: 28 Fail D: 27 Fail E: 27 Fail F: 80	<p>The number of members failing tests in this condition has decreased by 10,390 to 86 since 2020 translating to a 94.7% increase in the pass rate.</p> <p>28 members failed on 2 occasions (tests A and C) due to lack of an initial pension value and current pension value. 27 members, including 26 of the members above, have a blank PI effective date or one that is earlier than date joined fund. These tests are included in the TPR core results.</p> <p>80 members, including 28 of the members above, have a latest PI date earlier than the latest PI date processed. These cases should be investigated ahead of producing deferred ABS. 27 members have a value in initial and current pension that is less than £1.</p>
Tranches of Original Deferred Benefit <u>Eligible for Testing:</u> Status 4	11579 (+603)	11511 (+631)	99.4% (+0.29%)	99.8% (+0.02%)	Fail A: 28 Fail B: 24 Fail C: 0 Fail D: 0 Fail E: 0 Fail F: 16	<p>The number of members failing tests in this condition has reduced by 28 to 68 leading to a 0.29% improvement to the pass rate.</p> <p>28 members failed with a missing or small PEN tranche which is mandatory amount. This test counts towards the TPR core tests.</p> <p>24 members have a total pension that is not the total of the protected, unprotected and tapered tranches. 16 members with pre-08 service did not have a scheme lump sum recorded. These cases should be investigated ahead of producing deferred ABS. Neither of these tests are included in the TPR core tests.</p>

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
Total Gross Pension <u>Eligible for Testing:</u> Status 5 & T	7570 (+319)	7565 (+318)	99.9% (-0.01%)	99.9% (-0.02%)	Fail A: 0 Fail B: 0 Fail C: 1 Fail D: 0 Fail E: 4	<p>The number of members failing tests in this condition has increased by 1 to 5 leading to a very small decrease in the pass rate.</p> <p>4 members have a missing PI effective date or one that is earlier than date joined fund. This test is included in the TPR core results.</p> <p>1 member has a small current pension value.</p>
Tranches of Pension <u>Eligible for Testing:</u> Status 5& T	7570 (+319)	7526 (+319)	99.4% (+0.03%)	99.8% (+0.04%)	Fail A: 0 Fail B: 0 Fail C: 1 Fail D: 0 Fail E: 14 Fail F: 29	<p>The number of members failing tests in this condition has remained the same at 44 since 2020.</p> <p>14 members have a latest PI date earlier than the latest processed. 1 member has failed with a missing CARE tranche where one is expected. These tests are included in the TPR core results.</p> <p>29 members do not have PEN or GMP as the first component.</p> <p>These cases should be investigated as a high priority.</p>
Total Gross Dependent Pension <u>Eligible for Testing:</u> Status 6	1130 (+47)	1128 (+48)	99.8% (+0.1%)	99.8% (+0.1%)	Fail A: 0 Fail B: 0 Fail C: 0 Fail D: 0 Fail E: 2	<p>The number of members failing tests in this condition has decreased by 1 to 2 leading to a very small increase in the pass rate.</p> <p>2 members have a missing PI effective date or one that is earlier than date joined fund. This test counts towards the TPR core results.</p>

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
Tranches of Dependant Pension <u>Eligible for Testing:</u> Status 6	1130 (+47)	1122 (+49)	99.3% (+0.22%)	100% (0%)	Fail A: 0 Fail B: 8	<p>The number of members failing tests in this condition has decreased by 2 to 8 leading to an increase of 0.22% in the pass rate.</p> <p>No members failed the only test included in the TPR core results.</p> <p>8 members have a last PI date earlier than the latest date processed by Croydon and should be investigated as a high priority to ensure correct benefits are in payment.</p>

2.2 Other Member Data Category

2.2.1 Data Results



2.2.2 Analysis of Results

Pension Credit members are excluded from tests in this category.

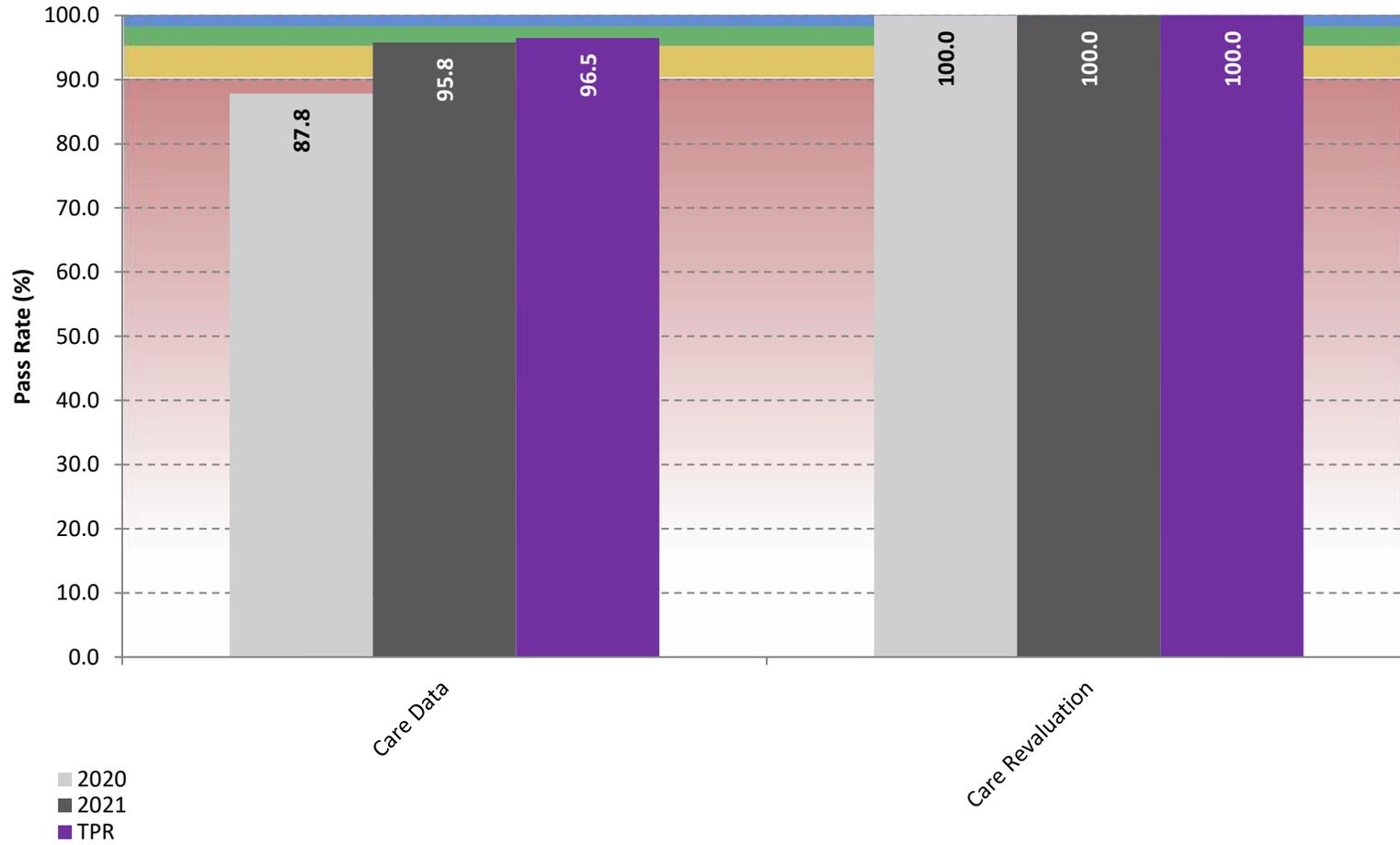
Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
Date of Leaving <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	31610 (+936)	31521 (+968)	99.7% (+0.11%)	99.8% (+0.03%)	Fail A: 22 Fail B: 0 Fail C: 45 Fail D: 22	<p>The number of members failing a test in this condition has decreased by 32 to 89 from 2020 leading to a 0.11% improvement in the pass rate.</p> <p>22 members have a blank or invalid data joined fund and this should be investigated as their benefits may be incorrect. This has increased by 6 members. 45 members, a reduction of 13 members, have a date joined fund that is later than or equal to date left. These 2 tests are included in the TPR core results.</p> <p>22 members have a date of leaving present without a previous deferred or frozen leaver status. The number of fails has decreased by 25 since last year.</p>
Date Joined Scheme <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	31610 (+936)	31533 (+954)	99.8% (+0.07%)	99.8% (+0.07%)	Fail A: 77 Fail B: 0	<p>There are 18 fewer members failing a test in this condition since 2020.</p> <p>77 members are missing their date commenced pensionable service. This should be investigated immediately as it can affect benefits paid. This test is included in the TPR core tests.</p>

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
Employer Details <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	31610 (+936)	31602 (+936)	100% (+0%)	100% (+0%)	Fail A: 0 Fail B: 7 Fail C: 1 Fail D: 0	<p>8 members have failed a test in this condition the same as in 2020.</p> <p>7 members are either missing a date joined employer or has one earlier than 01/01/1900. This test is included in the TPR core results.</p> <p>1 member has a 'date joined employer value' that is earlier than, or the same, as their date of birth plus 15 years.</p>
Salary (Final Salary members) <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	29556 (+605)	27858 (+1431)	94.3% (+2.97%)	99.5% (+0.13%)	Fail A: 1003 Fail B: 0 Fail C: 21 Fail D: 133 Fail E: 235 Fail F: 618	<p>The number of members failing tests in this condition has decreased by 826 to 1698 representing an increase in the pass rate of 2.97%.</p> <p>1003 members, with pre-2014 membership, are missing a pensionable salary entry. This has fallen by 89 since last year. This test counts towards the TPR core results.</p> <p>21 have a blank pay as their latest entry the same as last year.</p> <p>133 deferred members have a blank or small pensionable pay on their deferred details. Similarly, 235 pensioners, a reduction of 35 on last year, have a blank or small entry in the pensionable pay field on the pension details.</p> <p>618 members had a latest salary recorded that was earlier than the latest bulk update by Croydon and should be investigated to determine if they are still active members. This has reduced by 769 since last year.</p> <p>Annual benefit statements cannot be processed for members with final salary service without a pay recorded and therefore investigation should be made to ensure no members are affected in this way.</p>

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
Contributions <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	31610 (+936)	27810 (+5082)	88% (+13.88%)	N/A	Fail A: 3259 Fail B: 723	<p>The number of failed tests in this condition has reduced by 4146 to 3800 representing an increase in the pass rate of 13.88%.</p> <p>This condition is excluded from the TPR core results.</p> <p>3259, a decrease of 3698 members, are missing the rolled-up contribution total. The bulk contribution totalling calculation will populate the rolled-up contribution total where contributions exist. 723 members, a decrease of 876 members, did not have a contribution posting for the latest bulk update by Croydon and these should be investigated to determine if they are still active members.</p>
Leavers <u>Eligible for Testing:</u> Status 4, 5, 9 & T	21554 (+1213)	21543 (+1217)	99.9% (+0.02%)	99.9% (+0.02%)	Fail A: 11 Fail B: 0 Fail C: 0	<p>The number of failed tests in this condition has reduced by 4 to 11 representing an increase in the pass rate of 0.02%.</p> <p>11 members are missing a date of leaving. This test is included in the TPR core test results.</p>
Service <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	31610 (+936)	31574 (+941)	99.9% (+0.02%)	N/A	Fail A: 36	<p>The number of members failing tests in this condition has reduced by 5.</p> <p>This condition is excluded from the TPR core results.</p> <p>36 members have dates on the basic details that suggest a service change since commencement, but do not have a service history to detail the change. Of these; 11 are active, 11 are deferred, 13 are pensioners and 1 is a frozen refund.</p>

2.3 CARE Benefits

2.3.1 Data Results

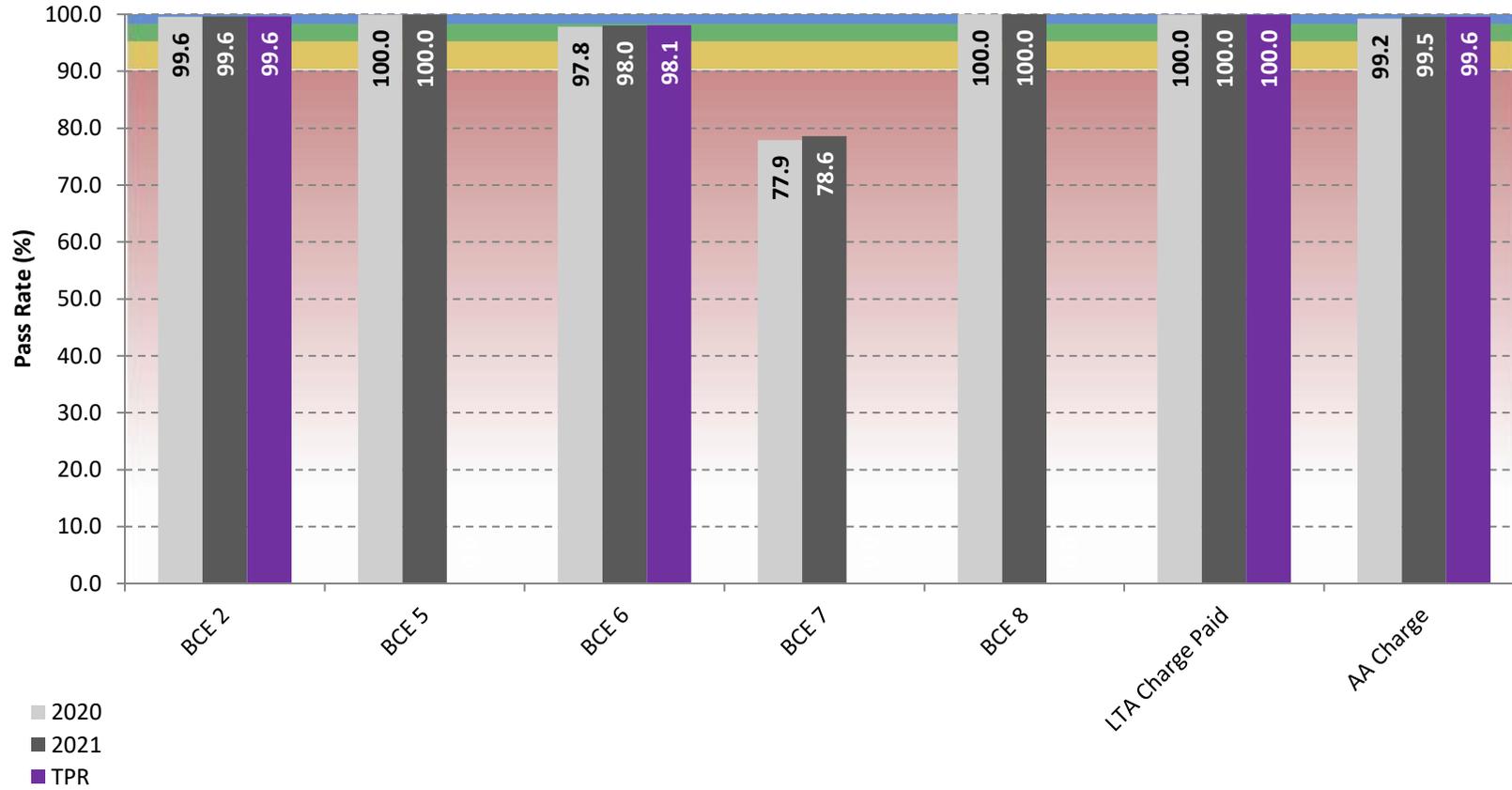


2.3.2 Analysis of Results

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
CARE data <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	18714 (+1235)	17925 (+2572)	95.8% (+7.95%)	96.5% (+8%)	Fail A: 198 Fail B: 654 Fail C: 110	<p>The number of failed tests in this condition has decreased from 2126 to 789 translating to a 6.21% reduction in the pass rate.</p> <p>654, a reduction of 1356 members, appear to be missing at least one year-end entry of CARE data. Some members failing this test joined the fund in March and may not have been received payment in the scheme year of entry so may be genuine exceptions. This test is included in the TPR core results.</p> <p>There are 198 members without CARE data where some is expected.</p> <p>110 members have a contribution entry recorded for a year in which there are no CARE benefits recorded.</p> <p>This data is crucial to the calculation of member benefits and the employers with missing data should be reminded of the importance of providing this data as soon as possible. Annual Benefits Statements cannot be processed without this information.</p>
CARE Revaluation <u>Eligible for Testing:</u> Revaluation Factor Table	1	1	100% (0%)	100% (0%)	None	The revaluation table is present and correct

2.4 HMRC

2.4.1 Data Results



2.4.2 Analysis of Results

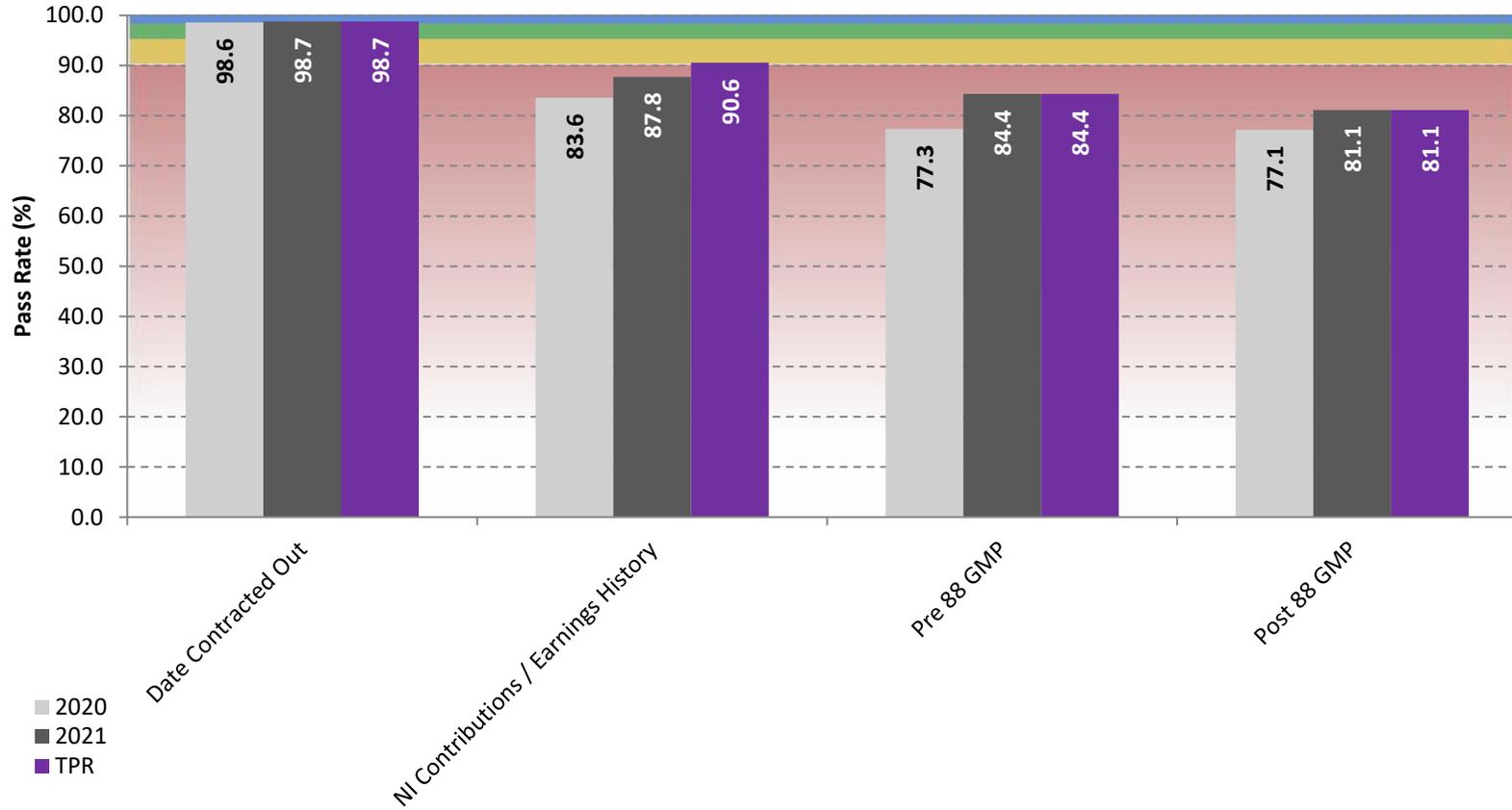
Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
BCE 2 <u>Eligible for Testing:</u> Status 5 & T where Date Retired > 6/4/2006	5429 (+485)	5408 (+486)	99.6% (+0.06%)	99.6% (+0.04%)	Fail A: 3 Fail B: 17 Fail C: 18	The number of members failing a test in this condition has decreased from 22 to 21 since 2020. 3 have a crystallisation date that is either invalid or earlier than the date of leaving. 17 members have a blank personal lifetime allowance recorded. These tests are part of the TPR core tests. 18 members, including the 17 members above, have a blank personal lifetime allowance percentage recorded.
BCE 5 <u>Eligible for Testing:</u> Status 4 & T	11580 (+604)	11576 (+604)	100% (+0%)	N/A	Fail A: 4	The number of members failing a test in this condition has remained the same at 4 since 2020. 4 members with deferred benefits are over the age of 75.
BCE 6 <u>Eligible for Testing:</u> Status 5 & T members where Date Retired > 6/4/2006 and Age at Date Retired < 75	5420 (+486)	5313 (+488)	98% (+0.23%)	98.1% (+0.23%)	Fail A: 3 Fail B: 104 Fail C: 0	The number of members failing a test in this condition has decreased from 109 to 107 since 2020. 104 members do not have a PCLS recorded despite having a lump sum on the pension details. This test is included in the TPR core results. 3 have a crystallisation date that is either invalid or earlier than the date of leaving.

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
BCE 7 <u>Eligible for Testing:</u> Status 7 members where Date of Death (from Exit Details) is after 6/4/06 and within 5 years of Date Retired	98 (+3)	77 (+3)	78.6% (+0.68%)	N/A	Fail A: 21 Fail B: 0	The number of members failing a test in this condition has remained the same at 21 since 2020. 21 members have a death grant of zero where a value was expected.
BCE 8 <u>Eligible for Testing:</u> Status 3 members where Date Left is > 6/4/2006 and there is a value in QROPS Transfer Date	5 (0)	5 (0)	100% (0%)	N/A	Fail A: 0 Fail B: 0 Fail C: 0 Fail D: 0	All members tested passed all tests in this condition for the third consecutive year.

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
Lifetime Allowance Charge Paid <u>Eligible for Testing:</u> Status 5 & T where Date Retired is after 6/4/2006 (ignoring members where Date, Amount & Indicator) are ticked in either Enhanced Protection or Payment of PCLS Reportable Events (Reportable Events 1 & 2 on Crystallisation screen)	5419 (+482)	5417 (+482)	100% (+0%)	100% (+0%)	Fail A: 2	The number of members failing a test in this condition has remained the same at 2 since 2020. 2 members appear to have exceeded the Lifetime Allowance and does not have a tax charge recorded. This test is included in the TPR core results.
Annual Allowance <u>Eligible for Testing:</u> Status 1 members	9883 (-415)	9838 (-380)	99.5% (+0.32%)	99.6% (+0.35%)	Fail A: 41 Fail B: 4	80 members failed tests in this condition in 2020. This has now reduced to 45 resulting in a 0.32% increase in the pass rate. There are 41 active members without the latest AA data recorded that was processed by Croydon which was tested against period ending 05/04/2020. This test is included in the TPR core results. 4 additional members have invalid scheme pays data and should be investigated as a priority.

2.5 Contracting Out

2.5.1 Data Results



2.5.2 Analysis of Results

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
Date Contracted Out <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T members	28833 (+283)	28472 (+331)	98.7% (+0.18%)	98.7% (+0.18%)	Fail A: 361 Fail B: 0 Fail C: 0	409 members failed tests in this condition in 2020. 361 members now have a blank DCO and joined prior to 6/4/16. 170 are active members, 5 are undecided leavers. 127 are deferred and the remaining 59 are pensioners.
NI Contributions / Earnings History <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T members where NI-Table is not E and date contracted out is on or after 6/4/78 AND before 6/4/1997	6074 (-444)	5330 (-120)	87.8% (+4.14%)	90.6% (+4.07%)	Fail A: 1 Fail B: 207 Fail C: 0 Fail D: 0 Fail E: 573	The number of members failing tests in this condition has reduced by 324 to 744, translating to an increase of 4.14% in the pass rate. 1 member has an inconsistent leaving date. 573 members have neither a full NI earnings history nor a GMP recorded (failed both C and D simultaneously). These tests are included in the TPR core results. 207 members do not have values that correspond with Period End Dates. If there are GMP details for these members, the data will not be required. This test is excluded from the TPR core results. This data is key for correct assessment and payment of benefits.

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
Pre 88 GMP <u>Eligible for Testing:</u> Status 4, 5 & T members where Contract Out SSPA75 is before 6/4/88	2826 (-361)	2384 (-81)	84.4% (+7.01%)	84.4% (+7.01%)	Fail A: 438 Fail B: 1 Fail C: 3	<p>The number of members failing tests in this condition has fallen by 280 to 442. The number of members qualifying for these tests has fallen by 361. Both of these factors have led to a 7.01% increase in the pass rate.</p> <p>438 members, that have left with pre-1988 service, are missing a GMP at exit. 1 member has a Post 88 GMP that is greater than the Total GMP, while 3 members have a Pre 88 GMP that is not divisible by 52. These tests are included in the TPR core results.</p>
Post 88 GMP <u>Eligible for Testing:</u> Status 4, 5 & T members where Contract Out SSPA75 is before 6/4/97 and Date Left is after 6/5/1988	5544 (-390)	4498 (-80)	81.1% (+3.98%)	81.1% (+3.98%)	Fail A: 960 Fail B: 1044 Fail C: 1	<p>The number of members failing tests in this condition has decreased by 310 to 1046, leading to an increase of 3.98% in the pass rate.</p> <p>959 members in this category are missing a value for Total GMP and Post 88 GMP at exit. An additional 1 member is missing just the Total GMP while a further 85 members are just missing a Post 88 GMP at exit. 1 member has a Post 88 GMP that is not divisible by 52. These tests are included in the TPR core results.</p>

3 Data Correction Plan

The table below provides Croydon with suggestions for resolving the issues identified in Section 2 and a suggested priority. This table is deliberately high-level as the detail and dates should be agreed once the results have been thoroughly reviewed. The milestones represent a summary of the recommended actions outlined in more detail in Section 2.

Data Category	Milestone	Suggested Priority
Member Benefits	<ul style="list-style-type: none"> • Investigate the cases with incomplete Transfer In data with a high priority as benefits may be incorrect • Correct the 25 members with incorrect AVC details at the highest priority as benefits may be incorrect • Correct the issues with deferred benefit cases prior to running deferred annual benefit statements • Investigate the 49 defects in pension benefits • Investigate the 10 Dependant Pensioner cases • Investigate all cases where the latest PI does not appear to have been applied 	<ul style="list-style-type: none"> • High • VERY HIGH • High • High • High • VERY HIGH

Data Category	Milestone	Suggested Priority
Other Member Data	<ul style="list-style-type: none"> • Investigate the 89 cases with either an unexplained date of leaving present or a missing date of leaving • Investigate the 77 cases with incorrect date for when they joined the scheme • Investigate the 8 cases with missing employer details • Investigate the final salary pay issues prior to running annual benefit statements • Investigate cases with missing contributions prior to running annual benefit statements • Investigate the 11 cases where the date for leaving is either blank or incorrect • Investigate the 36 cases that appear to have a service change not reflected on their service history. Prioritise the 11 active and 11 deferred members 	<ul style="list-style-type: none"> • Low • High • High • High • High • High • VERY HIGH
CARE Data	<ul style="list-style-type: none"> • Investigate all data issues in this category by status prior to issuing annual benefit statements for that status. Pensioners should be investigated as soon as possible to ensure correct benefits are in payment 	<ul style="list-style-type: none"> • VERY HIGH

Data Category	Milestone	Suggested Priority
HMRC	<ul style="list-style-type: none"> • Review criteria for testing HMRC data and ensure that current processes populate this data correctly in Altair • Investigate the 3 incorrect Crystallisation Dates • Investigate the 18 members with missing Crystallisation amounts or percentages • Investigate the 4 members with deferred benefits that are over the age of 75 • Investigate the 104 missing PCLS amounts • Investigate the 21 cases with missing death grant data • Investigate the 2 members that have exceeded the LTA without a tax charge recorded • Investigate the 45 cases with missing Annual Allowance data, particularly the 4 scheme pays case. 	<ul style="list-style-type: none"> • Medium • Medium • Medium • Medium • Medium • Low • High • High
Contracting Out	<ul style="list-style-type: none"> • Investigate the 361 cases with incorrect Date Contracted Out data • Investigate missing and incorrect data for NI contributions and earnings history • Review and update GMP values in conjunction with the GMP Reconciliation process • Obtain and upload GMP figures for the members with missing data as a high priority 	<ul style="list-style-type: none"> • Medium • Medium • Medium • High

4 Appendices

4.1 Appendix A – TPR Guidance (In-Scope Tests)

Member Benefits

Condition	Status Tested	TPR Guidance
Pension Sharing Details	Active, Deferred, Pensioner	If a member has had a pension sharing order, check that full details of the benefits transferred to the ex-spouse/ex-civil partner are present.
Transfer In Details	Active, Deferred, Pensioner	If benefits have been transferred in, check that all relevant details are recorded. This will include (as a minimum) the details of the previous scheme, the amount of the transfer value (split between protected rights and non protected rights and, if relevant, split between the amount received in respect of the member and employer contributions and AVCs), benefits secured, (if relevant) contracting out details.
AVC Details	Active, Deferred, Pensioner	Check that there is a history of any AVCs paid, type of investment, current provider, and (if relevant) benefits being secured
Total Original Deferred Benefit	Deferred	Check that total original deferred benefit is present (either derived or explicit).
Tranches of Original Deferred Benefit	Deferred	Check that there is a breakdown of the various tranches of the total deferred benefit. This must identify tranches with different rates of increases either in deferment or in payment, and tranches with different contingent spouse's/civil partner's benefits. Likely to include such items as pre/post 1997 splits, pre/post 2005 splits, Barber splits, VFM underpin etc. Details of the date at that any tranche is payable, if different from the scheme's normal retirement date, will also be required. The sum of the individual components must equal any total deferred pension that is recorded on the system.
Total Gross Pension	Pensioner	Check that a total pension is present (either derived or explicit).

Condition	Status Tested	TPR Guidance
Tranches of Pension	Pensioner	Check that there is a breakdown of the various tranches of the total pension, identifying tranches with different rates of increase and contingent spouse's/civil partner's benefits. The sum of the individual components must equal any total pension that is recorded on the system.

Other Member Data

Condition	Status Tested	TPR Guidance
Date of Leaving	Deferred, Pensioner	For trust-based schemes, check that member has a date of leaving that is after date joined
Date Joined Scheme	Active, Deferred	Check that the date joined scheme is present, later than date of birth, and not earlier than date joined company. False dates should be classed as missing data.
Date joined employing company	Active, Deferred	For members of multi-employer schemes check that date joined employing company is present and is later than date of birth. False dates should be classed as missing data.
Salary	Active, Deferred	Check that there is at least one relevant salary within the last 12 months of membership.
Salary History	Active, Deferred	Check that a relevant salary exists for each of the last 5 renewal periods of membership and is greater than £0.50.
Contributions	Pensioner	For contributory schemes check that there is a contribution amount present for each year of active membership, or that a contribution total is present.
Date of leaving (date pensionable service ended)/ date last premium/contribution paid	Deferred, Pensioner	For trust-based schemes check that member has a date of leaving which is after date joined scheme, and that member status is not active if date of leaving is present.

CARE Data

Condition	Status Tested	TPR Guidance
Accrued benefit details	Active, Deferred, Pensioner	Check that accrued benefit details are present if they are updated and recorded annually. If benefits are calculated from first principles when member leaves, all relevant salary & contribution will be required instead.
Revaluation percentage	Global Table	Check that there is a history of revaluation percentage for the accrued pension for each relevant year, if benefits have not been not uprated and recorded annually.

HMRC

Condition	Status Tested	TPR Guidance
Benefit Crystallisation Event Details	Active, Deferred, Pensioner	Check that full details of the dates and amounts paid at each benefit crystallisation event, including details of LTA percentage used, are present.
Lifetime Allowance Charge Paid	Pensioner	Check that the date and amount of any lifetime allowance charge paid is present.

Contracting Out

Condition	Status Tested	TPR Guidance
Date Contracted Out	Active, Deferred, Pensioner	Check that this is present and not earlier than 06/04/1978.
N.I. History (Contracted Out earnings & contributions)	Active, Deferred, Pensioner	Check that members have a full contracted-out history during any period contracted out on a GMP basis. A verified GMP, agreed with NISPI, would be an acceptable alternative. Not required for reduced rate females.
Pre 88 GMP	Deferred, Pensioner	Check that a member with at least one month of pre 4/88 contracted out service has a pre 88 GMP. GMP must be divisible by 52. May be derived if total GMP and post 4/88 GMP are recorded.
Post 88 GMP	Deferred, Pensioner	Check that a member with at least one month of post 4/88 service contracted out on a GMP basis has a post 88 GMP. Can be derived or explicit.

4.2 Appendix B – Benefit Crystallisation Events (In-Scope)

Benefit Crystallisation Event	Description
BCE2	Where a member becomes entitled to a scheme pension, whether from a defined benefits arrangement or a money purchase arrangement.
BCE5	Test the level of entitlements not taken by a member at age 75 under a defined benefits arrangement, by measure of the level of benefits that would come into payment at that time, if drawn.
BCE6	<p>A lifetime allowance test is triggered through BCE6 whenever a member becomes entitled under a registered pension scheme to:</p> <ul style="list-style-type: none"> • A pension commencement lump sum paid before age 75, when uncrystallised benefits are drawn under an arrangement • A serious ill health lump sum paid before age 75, where the individual falls into serious ill health • A lifetime allowance excess lump sum where a chargeable amount has been identified because the individual’s lifetime allowance has been fully used up.
BCE7	Where a relevant lump sum death benefit is paid on the death of the member.
BCE8	Where a member’s benefits or rights are transferred to a qualifying recognised overseas pension scheme.

4.3 Appendix C – Conditions and Fail Criteria

Member Benefits

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
Divorce Details <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T where Calculation Date (DVC-CALDTE) has a value	Value is missing in total pension debit (DVC-TOTINI)	Value prior to 01/12/2000 is present in calculation date (DVC-CALDTE)	Value prior to 01/12/2000 is present in Payment Date (DVC-PAYDTE)	CETV (DVC-TVAMT) is blank or 0	Pension debit (DVC-CONAMT) is blank or 0	Percentage split (DVC-PCSPLT) is blank, 0 or over 100
Tested: 9	Failed: 0	Failed: 0	Failed: 0	Failed: 0	Failed: 0	Failed: 0
Transfer In Details 1 <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T where transfer In details exist	Date received (ADD-TV-DT) is blank or 0 Only Actives (1), undecided leavers (2) and deferred (4) are counted for the TPR results	Transfer Value is blank or 0 (ADD-TV) Only Actives (1), undecided leavers (2) and deferred (4) are counted for the TPR results	Service (ADD-BD-CR) and transferred pension (ADD-RETP) are both blank or 0 Test is excluded from the TPR results	If service (ADD-BS-CR) > 0, service history must be present. There must be a service history line that starts (HIST-START) on the same date as previous scheme from ADD-FROM) Test is excluded from the TPR results	Type (ADD-TYPE) is not valid ie CLUB, INTERFND, NON CLUB, PERSONAL, RESTITUTIO or some have INTRAFND Test is excluded from the TPR results	Date TV Received is invalid or < date joined fund (DJF) Test is excluded from the TPR results
Tested: 2541	Failed: 171	Failed: 16	Failed: 102	Failed: 228	Failed: 10	Failed: 171
Transfer In Details 2 <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T where transfer In details exist	Previous scheme name (ADD-PR-SCH) or employer reference (ADD-PR-EMP) must be present Test is excluded from the TPR results					
Tested: 2541	Failed: 116					

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
AVC Details <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T where AVC details exist	If AVC Details present, then start date (AVC-START) must be present Only Actives (1), undecided leavers (2) and deferred (4) are counted for the TPR results	If AVC Details present, then contract end date (AVC-TE-DUE) must be present and equal to or later than AVC-START Test is excluded from the TPR results	If AVC Details present and type (AVC-TYPE) is A, B, G, L, P, R, S then added years (AVC-ADDY) must be greater than 0 Only Actives (1), undecided leavers (2) and deferred (4) are counted for the TPR results	If AVC Details present and type (AVC-TYPE) is H, M then pension (AVC-P75T) must be greater than 0 and less than or equal to the scheme maximum Only Actives (1), undecided leavers (2) and deferred (4) are counted for the TPR results		
Tested: 859	Failed: 6	Failed: 20	Failed: 0	Failed: 5		
Total Original Deferred Benefit <u>Eligible for Testing:</u> Status 4	No value in Initial Pension (DEF-TOT-IP)	The value in Initial Pension is between £0.01 and a small figure (default of £1.00) agreed with customer Test is excluded from the TPR results	No value in total current pension (DEF-TOT-CP)	The value in total current Pension is between £0.01 and a small figure (default of £1.00) agreed with customer Test is excluded from the TPR results	PI date (DEF-INC-DT) must be present and later than date joined fund (DJF)	Last PI date (DEF-PI-DT[1]) is earlier than last PI date processed by customer Test is excluded from the TPR results
Tested: 11579	Failed: 28	Failed: 27	Failed: 28	Failed: 27	Failed: 27	Failed: 80
Tranches of Original Deferred Benefit <u>Eligible for Testing:</u> Status 4	Member has no 'PEN' tranche (DEF-TYPE) or has one with a value less than or equal to a small figure (default of £1.00) agreed with customer. (including negative values)	'PEN' + 'UPEN' + 'TAPE' does not equal Total Initial Pension Test is excluded from the TPR results	Member with service between 01/04/2008 (09 S&NI) and 31/03/2014 (15 S&NI) has no 'PN60' tranche or has one with a value less than a small figure (default of £1.00) agreed with customer	Member with post 31/03/2014 (15 S&NI) service has no 'CARE' tranche or has one with a value less than or equal to a small figure (default of £1.00) agreed with customer	Member with CARE5050 or TVINLG50 CARE data has no 'CP50' tranche or has one with a value less than or equal to a small figure (default of £1.00) agreed with customer Test is excluded from the TPR results	Member with pre 01/04/2008 (09 S&NI) service has no 'RA' tranche or has one with a value less than or equal to a small figure (default of £1.00) agreed with customer Test is excluded from the TPR results
Tested: 11579	Failed: 28	Failed: 24	Failed: 0	Failed: 0	Failed: 0	Failed: 16

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
Total Gross Pension <u>Eligible for Testing:</u> Status 5 & T	No value in Initial Pension (PEN-TOT-IP)	The value in Initial Pension is between £0.01 and a small figure (default of £1.00) agreed with customer Test is excluded from the TPR results	No value in total current pension (PEN-TOT-C)	The value in total current Pension is between £0.01 and a small figure (default of £1.00) agreed with customer Test is excluded from the TPR results	PI date (PEN-INC-DT) must be present and later than DJF	
Tested: 7570	Failed: 0	Failed: 0	Failed: 1	Failed: 0	Failed: 4	
Tranches of Pension <u>Eligible for Testing:</u> Status 5 & T	'PEN' tranche (PEN-TYPE) has a value less than or equal to a small figure (default of £1.00) agreed with customer Test is excluded from the TPR results	Member with service between 01/04/2008 (09 S&NI) and 31/03/2014 (15 S&NI) has no 'PN60' tranche or has one with a value less than or equal to a small figure (default of £1.00) agreed with customer	Member with post 31/03/2014 (15 S&NI) service has no 'CARE' tranche or has one with a value less than or equal to a small figure (default of £1.00) agreed with customer	Member with CARE5050 or TVINLG50 CARE data has no 'CP50' tranche or has one with a value less than or equal to a small figure (default of £1.00) agreed with customer	Last PI date (PEN-PI-DT[1]) is earlier than last PI date processed by customer	The first pension component on the list must be either 'PEN' or 'GMP' Test is excluded from the TPR results
Tested: 7570	Failed: 0	Failed: 0	Failed: 1	Failed: 0	Failed: 14	Failed: 29
Total Gross Dependant Pension <u>Eligible for Testing:</u> Status 6	No value in Initial Pension (DEP-TOT-IP)	The value in Initial Pension is between £0.01 and a small figure (default of £1.00) agreed with customer Test is excluded from the TPR results	No value in total current pension (DEP-TOT-C)	The value in total current Pension is between £0.01 and a small figure (default of £1.00) agreed with customer Test is excluded from the TPR results	PI date (DEP-INC-DT) must be present	
Tested: 1130	Failed: 0	Failed: 0	Failed: 0	Failed: 0	Failed: 2	

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
Tranches of Dependant Pension <u>Eligible for Testing:</u> Status 6	'PEN' tranche (DEP-TYPE) has a value less than or equal to a small figure (default of £1.00) agreed with customer	Last PI date (DEP-PI-DT) is earlier than last PI date processed by customer Test is excluded from the TPR results				
Tested: 1130	Failed: 0	Failed: 8				

Other Member Details

Pension Credit members are excluded from tests in this category.

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
Date of Leaving <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T	A non-Status 1 member has a blank entry or an invalid date in Date Left (DATE-LEFT)	Date Joined Fund (DJF) is either blank or earlier than or equal to 1/1/1900	Date Joined Fund is later than or equal to Date Left if Date Left present	Date left is present for a status 1 member who does not have a previous status of 4 or 9 Test is excluded from the TPR results		
Tested: 31610	Failed: 22	Failed: 0	Failed: 45	Failed: 22		
Date Joined Scheme <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	Any of Date Joined Scheme (DJF), Date of Birth (DOB) and/or Date commenced current service (DCCPS) Joined Fund are either blank or earlier than or equal to 1/1/1900	Date Joined Fund (DJF) is earlier or equal to Date of Birth (DOB) plus 15 years Test is excluded from the TPR results				
Tested: 31610	Failed: 77	Failed: 0				
Employer Details <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	Location (LOCATION) is blank	Date Joined employer (DT-JOIN-EM) is either blank or earlier than or equal to 1/1/1900	Date Joined employer must be earlier than date of birth (DOB) plus 15 years Test is excluded from the TPR results	Employment type (CLASS) is blank Test is excluded from the TPR results		
Tested: 31610	Failed: 0	Failed: 7	Failed: 1	Failed: 0		

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
Salary (Final Salary members) <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	A member with pre-01/04/2014 (2015 in S&NI) service has an invalid or blank date in the latest instance of Pensionable remuneration (PEN-REM)	For non-status 1 or 2 members, the latest instance of Pensionable remuneration does not equal the member's DATE-LEFT <i>Test is excluded from the TPR results</i>	The latest instance of Pensionable remuneration contains a valid date (PEN-REM-DT) but there is no corresponding amount <i>Test is excluded from the TPR results</i>	Status 4 member does not have a value in DEF-PENREM or a value less than a small figure (default of £1.00) agreed with customer <i>Test is excluded from the TPR results</i>	Status 5 or T member does not have a value in PEN-PS-REM or a value less than a small figure (default of £1.00) agreed with customer <i>Test is excluded from the TPR results</i>	For status 1 members the latest pensionable remuneration date must be equal to or later than the customer's last posting date <i>Test is excluded from the TPR results</i>
Tested: 29556	Failed: 1003	Failed: 0	Failed: 21	Failed: 133	Failed: 235	Failed: 618
Contributions <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	Total Paid Including Interest (TCI-TOTAL) is blank or less than a small figure (default of £1.00) agreed with customer <i>Test is excluded from the TPR results</i>	For status 1 members the latest date must be equal to or later than the customer's last posting date and have a corresponding figure <i>Test is excluded from the TPR results</i>				
Tested: 31610	Failed: 3259	Failed: 723				
Leavers <u>Eligible for Testing:</u> Status 4, 5, 9 & T	Date Left (DATE-LEFT) is either blank or is earlier than or equal to 1/1/1900	Date Joined Scheme (DJF) is either blank or is earlier than or equal to 1/1/1900				
Tested: 21554	Failed: 11	Failed: 0	Failed: 0			

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
Service <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	If DCCPS > DJF, and DJF < 01/04/2014(15 S&NI)), service history must be present Test is excluded from the TPR results					
Tested: 31610	Failed: 36					

CARE Benefits

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
CARE data <u>Eligible for Testing:</u> All status 1 and status 2, 4, 5, 9 & T where Date Left is after 31/03/14 (31/03/15 in S&NI)	If member has post-31/03/2014 (2015 in S&NI) service, then at least one of LGPSMAIN or LGPS5050 must be present if the member joined before the start of the current scheme year Test is excluded from the TPR results	Every 31/03 from later of DJF or 2015 (2016 in S&NI) to earlier of date-left or current date must be present as an end date on at least one of LGPSMAIN, LGPS5050, TVINLGMN or TVINLG50	If contributions at any 31/03 from later of DJF or 2015 (2016 in S&NI) to earlier of date-left or current date are > 0, there must be an entry on at least one of LGPSMAIN or LGPS5050 for the same date with a pay figure > 0 Test is excluded from the TPR results			
Tested: 18714	Failed: 198	Failed: 654	Failed: 110			
CARE revaluation <u>Eligible for Testing:</u> Revaluation Factor Table	Every 31/03 from 2015 (2016 in S&NI) to date must be present on factor table 000/B/00/684/2014/0101 2012	The rates on the table do not match the record of HM treasury rates Test is excluded from the TPR results				
	Failed: 0	Failed: 0				

HMRC

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
BCE 2 <u>Eligible for Testing:</u> Status 5 & T where Date Retired > 6/4/2006	Crystallisation Date (CRYS-CRYSYS) is not a valid date or is earlier than date left	PLA Value (CRYS-PLA) is blank	PLA% (CRYS-PLAPC) is blank Test is excluded from the TPR results			
Tested: 5429	Failed: 3	Failed: 17	Failed: 18			
BCE 5 <u>Eligible for Testing:</u> Status 4 & T	Any member of these deferred statuses where the member is over the age of 75 Test is excluded from the TPR results					
Tested: 11580	Failed: 4					
BCE 6 <u>Eligible for Testing:</u> Status 5 & T where Date Retired > 6/4/2006 and Age at Date Retired < 75	Crystallisation Date is not a valid date (CRYS-PPD) or is earlier than date left Test is excluded from the TPR results as they are included in BCE2	PCLS amount (CRYS-PPA) is blank if PEN-TOT-AL is > zero	There is a date in Serious Ill Health Lump Sum Payment (CRYS-ILLD) but no corresponding amount (CRYS-ILLA) OR There is an amount in Serious Ill Health Lump Payment but no corresponding date Test is excluded from the TPR results			
Tested: 5420	Failed: 3	Failed: 104	Failed: 0			

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
BCE 7 <u>Eligible for Testing:</u> Status 7 where Date of Death (from Exit Details) is after 6/4/06 and within 5 years of Date Retired	Total death grant (CDTC-TOTLS) is blank (To be checked in first run and removed if deemed not relevant.) Test is excluded from the TPR results	There is a value >0 in Total death grant but one or more of the following fields is blank or 0: Crystallised Value at Date of Death (CDTC-CVAL) Crystallised % Value at Date of Death (CDTV-CVALP) Test is excluded from the TPR results				
Tested: 98	Failed: 21	Failed: 0				
BCE 8 <u>Eligible for Testing:</u> Status 3 where Date Left is > 6/4/2006 and there is a value in QROPS Transfer Date	QROPS Transfer Date (CRYS-TFRD) is not a valid date or is earlier than date left Test is excluded from the TPR results	QROPS Transfer Amount (CRYS-TFRA) is blank Test is excluded from the TPR results				
Tested: 5	Failed: 0	Failed: 0	Failed: 0	Failed: 0		

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
<p>Lifetime Allowance Charge paid</p> <p><u>Eligible for Testing:</u> Status 5 & T where Date Retired is after 6/4/2006 (ignoring members where Date, Amount & Indicator) are ticked in either Enhanced Protection or Payment of PCLS Reportable Events (Reportable Events 1 & 2 on Crystallisation screen)</p>	<p>Value in Used PLA% (CRYS-TPPC) is greater than 100% and there is no value in any of LTA Charge (CRYS-LTACH), 25% LTA Charge (CRYS-LTA25) or 55% LTA Charge (CRYS-LTA55)</p>					
<p>Tested: 5419</p>	<p>Failed: 2</p>					
<p>Annual Allowance</p> <p><u>Eligible for Testing:</u> Status 1</p>	<p>Latest annual allowance PIP end date is earlier than the latest run by the customer</p>					
<p>Tested: 9883</p>	<p>Failed: 41</p>	<p>Failed: 4</p>				

Contracting Out

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F		
Date Contracted Out <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T	Contract-Out SSPA75 is blank and DJF is prior to 6/4/16	Contract-Out SSPA75 is prior to 6/4/78	The date in Contract-Out SSPA75 is later than 5/4/16					
Tested: 28833	Failed: 361	Failed: 0	Failed: 0					
NI Contributions/Earnings History <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T where NI-Table is not E and date contracted out is on or after 6/4/78 AND before 6/4/1997	A Status 4 member is missing Date Left Active Service or a Status 5 member is missing both Date Left Active Service and Date of Retirement	For one or more of the Period End Dates, there is not a corresponding value in Amount Test is excluded from the TPR results	There is not a separate entry in Period End Date (NI) for each April 5th between Date Contracted Out and 5/4/97 (or Date Left/Date Ret if earlier for Status 4 & 5 respectively) (non-reportable – see fail E)				GMP is not present on the NI details for status 1 and 2 and on GMP details for status 4, 5 & T (non-reportable – see fail E)	Fail C and Fail D both occurred
Tested: 6074	Failed: 1	Failed: 207	Failed: 0				Failed: 0	Failed: 573
Pre 88 GMP <u>Eligible for Testing:</u> Status 4, 5 & T where Contract Out SSPA75 is before 6/4/88	There is no value provided for total GMP at exit	Deducting Post 88 GMP at Exit from Total GMP at Exit results in a negative number	The result of deducting Post 88 GMP at Exit from Total GMP at Exit is not divisible by 52.					
Tested: 2826	Failed: 438	Failed: 1	Failed: 3					

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
Post 88 GMP <u>Eligible for Testing:</u> Status 4, 5 & T where Contract Out SSPA75 is before 6/4/97 and Date Left is after 6/5/1988	There is no value provided for total GMP at exit	There is no value provided for Post 88 GMP at Exit	Post 88 GMP at Exit is not divisible by 52			
Tested: 5544	Failed: 960	Failed: 1044	Failed: 1			



REPORT TO:	Pension Board 14 October 2021
SUBJECT:	Pension Fund Environmental, Social and Governance Policy
LEAD OFFICER:	Nigel Cook Head of Pensions Investment and Treasury
1. RECOMMENDATION	
1.1	This report provides the Board with a summary of the paper presented to the Pension Committee recommending an Environmental, Social and Corporate Governance (ESG) policy. The Board is invited to consider this report.

2. EXECUTIVE SUMMARY

- 2.1 This report sets out a framework to ensure that the Croydon Pension Fund adopts an Environmental, Social and Corporate Governance policy that is appropriate and a set of goals that are achievable.

3 DETAIL

- 3.1 The Pension Committee, at its meeting of 14th September, considered a report on an Environmental, Social and Corporate Governance policy, (ESG), for the Croydon Pension Fund. That report is appended to this, as Appendix A. This report sets out the recommendations amended or agreed by that Committee.
- 3.2 The report set out 7 recommendations, reproduced below.
- 3.3 The first recommendation was to revise section 6 of the Investment Strategy Statement to read 'The Fund will only invest in investments with a strong environmental, social and governance policy that includes no tobacco investments. Furthermore, where this is consistent with the agreed investment strategy, the Fund will invest in assets that positively address these [same] environmental, social and governance policy issues.' The Committee decided to amend this to include, after the words 'tobacco investments' this phrasing: 'de-invest in fossil fuels and move towards net carbon neutrality over time.'
- 3.4 The second recommendation adopted was to include a statement to move towards net carbon neutrality into the Fund's investment policy, by incorporating into current investment criteria.
- 3.5 The third was to incorporate the option to allow London CIV concessions.
- 3.6 The fourth was to continue to subscribe to the LAAPF to meet commitments to engage and campaign on social and governance issues.
- 3.7 Next the Committee decided to encourage fund managers to report on environment factors.

- 3.8 The Committee decided that officers should survey fund managers to identify best practice that can be included in regular performance reporting.
- 3.9 Finally it was decided that the Committee selects an external provider to measure progress towards net zero carbon and report periodically to the Committee or consider expanding the Pension Fund Investment team to undertake this piece of work.
- 3.10 The Board is invited to discuss the implications of these policy changes and the issues relating to their implementation.

Approved by: Nigel Cook on behalf of Richard Ennis, Interim Corporate Director of Resources and Section 151 Officer.

CONTACT OFFICER:

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

BACKGROUND DOCUMENTS:

None

APPENDICES:

Appendix A: London Borough of Croydon Pension Fund: Pension Fund
Environmental, Social and Governance Policy, including:

Appendix A(1) : Appendix A: London Borough of Croydon Pension Fund: ESG Policy

REPORT TO:	PENSION COMMITTEE 14 September 2021
SUBJECT:	Pension Fund Environmental, Social and Governance Policy.
LEAD OFFICER:	Nigel Cook Head of Pensions and Treasury
CORPORATE PRIORITY/POLICY CONTEXT: This is a matter for the Pension Committee relating to the Pension Fund's environmental, social and governance policy for investments and fund managers.	
FINANCIAL SUMMARY: This report relates to investing the Croydon Pension Fund. In order to meet the overall investment targets for the Fund the funds that the Pension Fund are invested with need to meet a number of criteria; failure to meet return targets may impact on the overall viability of the Fund and increase the impact on the Pension Fund on the authority.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1 RECOMMENDATIONS
1.1 The Committee is asked to agree the recommended policy targets set out below:
1.2 To revise section 6 of the Investment Strategy Statement to read ' <i>The Fund will only invest in investments with a strong environmental, social and governance policy that includes no tobacco investments. Furthermore, where this is consistent with the agreed investment strategy, the Fund will invest in assets that positively address these [same] environmental, social and governance policy issues.</i> '
1.3 To include a statement to move towards net carbon neutrality into the Fund's investment policy, by incorporating into current investment criteria.
1.4 To incorporate the option to allow London CIV concessions.
1.5 To continue to subscribe to the LAAPF to meet commitments to engage and campaign on social and governance issues.
1.6 To encourage fund managers to report on environment factors.
1.7 That officers survey fund managers to identify best practice that can be included in regular performance reporting.
1.8 That the Committee selects an external provider to measure progress towards net zero carbon and report periodically to the Committee or consider expanding the Pension Fund Investment team to undertake this piece of work.

2 EXECUTIVE SUMMARY

- 2.1 This report sets out a framework to ensure that the Croydon Pension Fund adopts an Environmental, Social and Corporate Governance policy that is appropriate and a set of goals that are achievable.

3 DETAIL

- 3.1 This report considers how the Croydon Local Government Pension Scheme Fund (the Fund) should respond to some of the most demanding issues of the day: climate change, the state of the environment including the oceans and rivers but also locally, modern slavery, and corruption and poor governance. The Council's current approach is set out in the Croydon Investment Strategy Statement which was agreed at the Pension Committee 18 September 2018 (Minute A50/18 refers). The section on ESG issues is set out here:

Environmental, Social and Corporate Governance (ESG)

6.1 The Fund is committed to being a long term steward of the assets in which it invests and expects this approach to protect and enhance the value of the Fund in the long term. In making investment decisions, the Fund seeks and receives proper advice from internal and external advisers with the requisite knowledge and skills. In addition the Pensions Committee undertakes training on a regular basis and this will include training and information sessions on matters of social, environmental and corporate governance.

6.2 The Fund requires its investment managers to integrate all material financial factors, including corporate governance, environmental, social, and ethical considerations, into the decision-making process for all fund investments. It expects its managers to follow good practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed.

6.3 The Fund will only invest in investments with a strong environmental, social and governance policy that includes no tobacco investments. The Fund will disinvest from existing fossil fuel investments in a prudent and sensible way that reflects the fiduciary responsibility due to stakeholders. Furthermore, where this is consistent with the agreed investment strategy, the Fund will invest in assets that positively address these issues. Examples of this approach include investing in renewable energy projects, screening out regional markets where there might be issues with modern slavery, and looking to explore opportunities to contribute to and invest in the Borough.

6.4 The Fund expects its external investment managers (and specifically the London CIV through which the Fund will increasingly invest) to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long-term performance of the fund such as corporate governance and environmental factors. The Fund expects its fund managers to integrate material ESG factors within its investment analysis and decision making.

6.5 Effective monitoring and identification of these issues can enable engagement with boards and management of investee companies to seek resolution of potential problems at an early stage. Where collaboration is likely

to be the most effective mechanism for encouraging issues to be addressed, the Fund expects its investment managers to participate in joint action with other institutional investors as permitted by relevant legal and regulatory codes.

6.6 The Fund monitors this activity on an ongoing basis with the aim of maximising its impact and effectiveness.

6.7 The Fund will invest on the basis of financial risk and return having considered a full range of factors contributing to the financial risk including social, environment and governance factors to the extent these directly or indirectly impact on financial risk and return.

6.8 The Fund in preparing and reviewing its Investment Strategy Statement will consult with interested stakeholders including, but not limited to Fund employers, investment managers, Local Pension Board, advisers to the Fund and other parties that it deems appropriate to consult with.

3.2 A great deal has occurred in the three years since this version of the policy was adopted, most recently the publication of the IPCC Climate Change 2021 report. In such a dynamically evolving environment it is important to review the Council's approach to these issues frequently: to ensure the policy reflects current thinking and to incorporate successful practices as well as assessing the global state of thinking. Specifically this policy should reflect the Paris Accord and be flexible enough to incorporate whatever should come from COP26 at Glasgow this autumn. It is important to note that this policy already requires that fund managers integrate ESG into investment decisions. The policy specifies excluding tobacco investments. There is also a reference to divesting from existing fossil fuel investments. There is an inherent problem with too many exclusions, and this approach may result in perverse outcomes and unbalancing the portfolio. The policy mentions appropriate monitoring and this report touches on this further below. Similarly talk of collaborating is addressed below when this report discusses the relationship with the London Collective Investment Vehicle (London CIV). The key point the current policy makes, which is given due emphasis by this report, is the necessity to invest on the basis of risk and return.

3.3 The Pension Committee's professional investment consultants, Mercer, have briefed the Committee on the subject of Investing in a Time of Climate Crisis (Minute 63/19 refers). This training session covered the steps that this Committee had taken to date, i.e. excluding tobacco shares, discussing the concept of carbon neutral and investing in infrastructure. The Committee also considered the ethical and financial factors that influenced these decisions, key metrics, and this led to a discussion about decarbonising towards carbon neutrality. The question of how to implement such a policy was addressed with five recommendations:

3.3.1 Ensure the Committee has a clear direction that enables the Fund to communicate its approach to climate change proactively. Include sustainable investment beliefs and implementation considerations.

3.3.2 Increase exposure to sustainability themed strategies that align with the shift to the low carbon economy. Consider a more transition aligned benchmark.

3.3.3 Include decarbonisation into investment policy, with expectation of portfolio wide action over a reasonable timeframe – set targets. Minimise costs, maximise impacts. Keep risk, return and reputation, as well as practical implications central to execution.

- 3.3.4 Collaborate to influence London CIV policy on climate change. Consider supporting an engagement initiative.
- 3.3.5 Strong, candid leadership – perform to targets and report regularly on progress with transparent communications to members and other interested stakeholders. Consider adopting the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

3.4 It is apparent that these are significant issues and this report will seek to address them. If there is a hierarchy for these issues at the top of the pyramid must be sustainable investment beliefs. The current statement on this is set out in the ISS at paragraph 6.3, reproduced. It may be that a condensed version of this will be adequate to reflect the Committee's beliefs, such as:

The Fund will only invest in investments with a strong environmental, social and governance policy that includes no tobacco investments. Furthermore, where this is consistent with the agreed investment strategy, the Fund will invest in assets that positively address these [same] environmental, social and governance policy issues.

The issue of disinvesting from existing fossil fuel investments is complex. Definition is difficult (apart from the measure of the influence of supply chains and incidental contributors to carbon pollution) and this approach does not distinguish between forward thinking green advocates and notorious polluters. There is also the question of the structure of the portfolio – effectively this ambition applies to listed equity and to continue to disinvest the authority would either have to look for a closely defined passive fund or manage a segregated fund. This approach would be at odds with LCIV's more inclusive compromise which excludes some fossil fuel investments but which allows a proportion in its policy.

- 3.5 The second recommendation above, which is to Increase exposure to sustainability themed strategies that align with the shift to the low carbon economy is already incorporated in the current alternatives portfolio: the Fund has invested in a number of Infrastructure Funds managed by Access, Temporis, Equitix, MacQuarrie (ex – Green Investment Bank) and I – Squared.
- 3.6 The third recommendation, to include decarbonisation or indeed a direction of travel towards net carbon neutrality into the Fund's investment policy, can be readily incorporated into current investment criteria. The question of metrics is addressed below.
- 3.7 The question of collaborating with the regional pool, managed by the London CIV, is also fairly complex. The governance structure of the CIV embraces compromise and thus absolute positions, such as described above, cannot be accommodated easily. The process by which new funds are brought into the CIV relies on groups of administering authorities coming together to agree some sort of compromise and the Committee will have to decide, on a case by case basis, whether they can accept such concessions. This will have to be built into the arrangements set out by the Investment Strategy. At various times the Committee has discussed a number of exclusions from the Fund. These include controversial weapons, nuclear, alcohol, adult entertainment, and gambling. These exclusions have also been considered by the CIV. Note that this group of businesses do not necessarily impact negatively on the environment – these considerations fall within the 'social' bracket. The key is engagement with and monitoring of the London CIV along with other ESG issues.

- 3.8 So far this report has focussed very much on the environmental part of the ESG policy. This is not unreasonable given the high-profile given to these issues and the urgency of introducing change. But social and governance issues are also critical aspects of stewardship and impact significantly on returns and the reputation of the authority. To date this authority has relied on the work of the Local Authority Pension Fund Forum (LAPFF) for engagement and stewardship in respect of social and governance issues. The Forum comprises 81 Pension Funds and 6 Pools and so can effectively engage and campaign on a number of stewardship issues. Voting, at present, is undertaken by the passive equity fund manager according to their specific voting guidelines.
- 3.9 As touched on above, there are a number of issues about measuring progress towards the targets suggested above. These fall into two categories. Each of the fund managers that make up the Pension Fund portfolio will publish data on progress towards meeting their targets. This data could be collated and presented to this Committee. This approach would be demanding in terms of resources and there would be issues in terms of timing and lagging. Further comparability between different types of funds and indeed within asset classes would be challenging at best and possible inappropriate. However, for some of the over-arching issues, such as progress towards carbon neutrality, some way may need to be found to measure progress towards this goal. As mentioned above, the Committee may wish to commit to the Task Force on Climate-related Financial Disclosures. Officers will need to engage with fund managers to assess the practicality of this and agree appropriate metrics.
- 3.10 Given that this is such a rapidly evolving aspect of managing the Pension Fund Officers recommend that fund managers are surveyed as to what information is already generated, whether there are market best practices that should be adopted, and whether these practices should be adopted across the portfolio and a selection criteria for choosing future investments.
- 3.11 As to the question of achieving net zero carbon emissions, officers recommend that the Committee selects an external provider to manage this data and report periodically to the Committee or consider expanding the Pension Fund Investment team to undertake this piece of work. It would not be appropriate to set a time scale at present before this exercise reports on feasibility and direction of travel.
- 3.12 The final consideration is to future proof this policy. This would involve periodic reviews of the policy, relevant metrics, targets and timescales. It would also involve revisiting the policy in the light of developments such as those anticipated by COP26.
- 3.13 In summary here are the recommendations of this report:
- 3.13.1 To revise section 6 of the Investment Strategy Statement as per the recommendation in paragraph 3.4.
 - 3.13.2 To include an ambition for decarbonisation into the Fund's investment policy, by incorporating into current investment criteria, as set in paragraph 3.6.
 - 3.13.3 To incorporate the option to allow London CIV concessions, as per paragraph 3.7.
 - 3.13.4 To continue to subscribe to the LAAPF to meet commitments to engage and campaign on social and governance issues, as set out in paragraph 3.8.

- 3.13.5 To encourage fund managers to report on environment factors, as described in paragraph 3.9.
- 3.13.6 That officers survey fund managers to identify best practice that can be included in regular performance reporting, as per paragraph 3.10.
- 3.13.7 That the Committee either select an external provider to measure progress towards net zero carbon and report periodically to the Committee or consider expanding the Pension Fund Investment team to undertake this piece of work. (Paragraph 3.11).

4 CONSULTATION

- 4.1 Officers have fully consulted with the Pension Fund's advisers in preparing this report.

5 FINANCIAL CONSIDERATIONS

- 5.1 This report deals exclusively with the management of the Council's Pension Fund.

Approved by: Nigel Cook, Head of Pensions and Treasury on behalf of Richard Ennis, Interim Director of Finance, Investment and Risk, S151 Officer

6. LEGAL CONSIDERATIONS

- 6.1 The Head of Litigation and Corporate Law comments on behalf of the interim Director of Law and Governance that the provisions of Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 place the following requirements on the Administering Authority in relation to the Investment Strategy:

"7.—(1) An authority must, after taking proper advice, formulate an investment strategy which must be in accordance with guidance issued from time to time by the Secretary of State

(2) The authority's investment strategy must include—

- (a) a requirement to invest fund money in a wide variety of investments;*
- (b) the authority's assessment of the suitability of particular investments and types of investments;*
- (c) the authority's approach to risk, including the ways in which risks are to be assessed and managed;*
- (d) the authority's approach to pooling investments, including the use of collective investment vehicles and shared services;*
- (e) the authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and*
- (f) the authority's policy on the exercise of the rights (including voting rights) attaching to investments.*

(3) The authority's investment strategy must set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment.

(4) The authority's investment strategy may not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007.

(5) The authority must consult such persons as it considers appropriate as to the proposed contents of its investment strategy.

(6) The authority must publish a statement of its investment strategy formulated under paragraph (1) and the first such statement must be published no later than 1st April 2017.

(7) The authority must review and if necessary revise its investment strategy from time to time, and at least every 3 years, and publish a statement of any revisions.

(8) The authority must invest, in accordance with its investment strategy, any fund money that is not needed immediately to make payments from the fund."

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

7. FREEDOM OF INFORMATION/DATA PROTECTION CONSIDERATIONS

7.1 This report contains only information that can be publicly disclosed.

8. HUMAN RESOURCES IMPACT

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

Approved by: Sue Moorman, Director of Human Resources

9. EQUALITIES IMPACT

9.1 There are no equalities impacts arising from this report.

10. ENVIRONMENTAL IMPACT

10.1 There are no environmental impacts arising from this report.

11. CRIME AND DISORDER REDUCTION IMPACT

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

12. DATA PROTECTION IMPLICATIONS

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

NO

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

Approved by: Sue Moorman, Director of Human Resources

CONTACT OFFICER:

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

BACKGROUND DOCUMENTS:

Training material presented to the Pensions Committee

Investing in a Time of Climate Crisis, Mercers, 5th November 2019

London Borough of Croydon ESG Policy, Mercers, September 2021

Appendices:

None



London Borough of Croydon Pension Fund

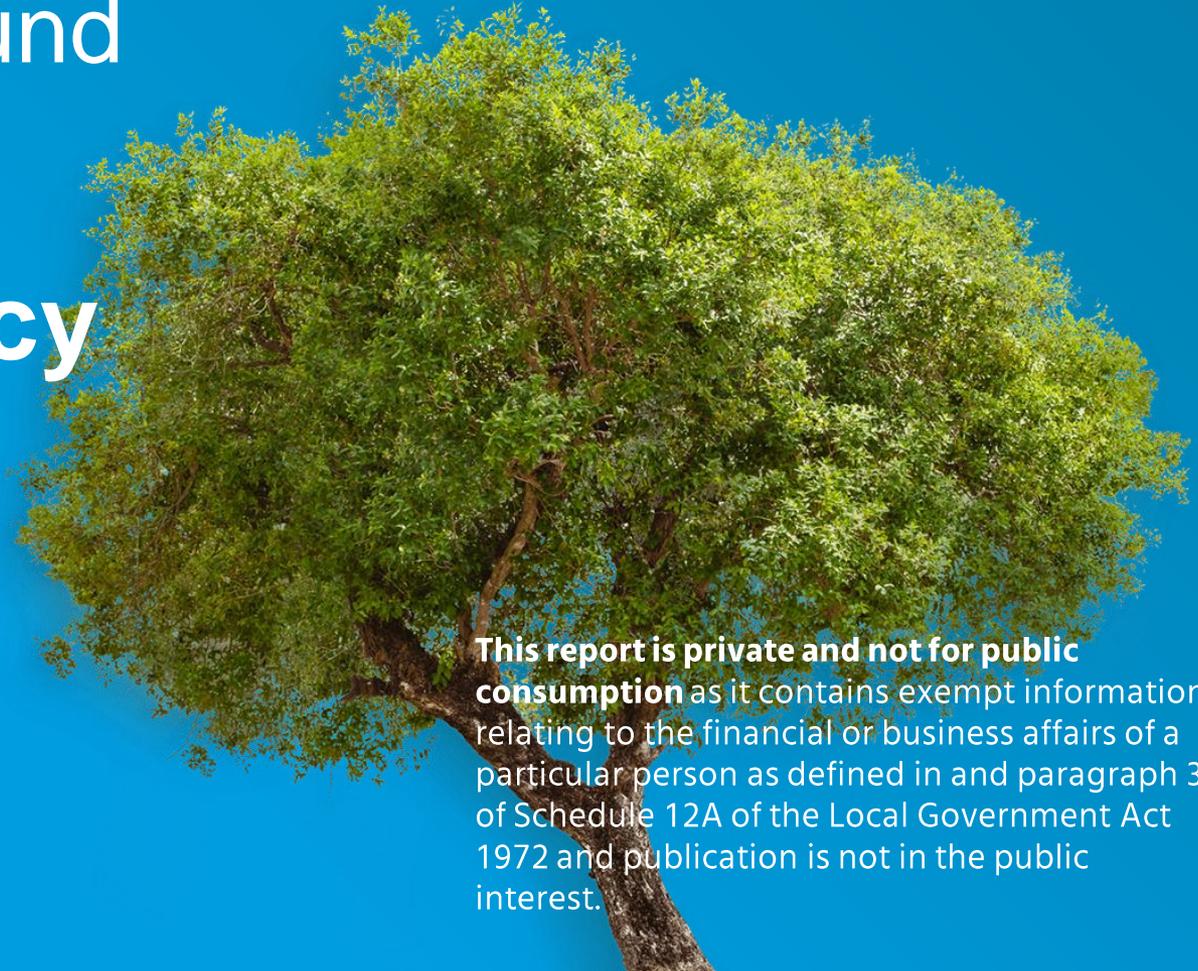
ESG Policy

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September 2021

Peter Gent FIA

welcome to brighter



This report is private and not for public consumption as it contains exempt information relating to the financial or business affairs of a particular person as defined in and paragraph 3 of Schedule 12A of the Local Government Act 1972 and publication is not in the public interest.

Introduction

This report is addressed to the Pensions Committee (“the Committee”) of the London Borough of Croydon Pension Fund (“the Fund”)

The Committee’s beliefs on Environmental, Social and Governance (‘ESG’) considerations are well defined.

The policy approach to ESG is formally set-out in the Fund’s Investment Strategy Statement (‘ISS’). Since this part of the ISS was last updated, there have been significant changes in terms of approach to measuring ESG integration and implementation options via the London CIV (‘LCIV’).

The purpose of this paper (in conjunction with the Officer paper) is to re-visit the Fund’s ESG policy and assess if there are any amendments that can be made to reflect the industry wide evolution of approach on ESG integration.

Once the ESG policy has been agreed, the Committee can start to measure and evolve the portfolio (including a review of the equity portfolio at the Q4 2021 meeting) in-line with best practice.

Responsible Investment Framework for ESG integration



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Fund's Current Policy

The Fund will only invest in investments with a **strong environmental, social and governance policy that includes no tobacco investments**. The Fund will disinvest from existing fossil fuel investments in a prudent and sensible way that reflects the fiduciary responsibility due to stakeholders. Furthermore, where this is consistent with the agreed investment strategy, the Fund will invest in assets that positively address these issues. Examples of this approach include investing in renewable energy projects, screening out regional markets where there might be issues with modern slavery, and looking to explore opportunities to contribute to and invest in the Borough.

Setting targets

Be aware of unintended consequences



Understand your metrics



Balance with other pension and investment risks



Be flexible to new data and approaches



Divestment is a tool not the answer



Look for opportunities



Set the baseline year

“Merely selling your stocks that make you look bad from a fossil fuels standpoint is a reverse greenwashing because it doesn’t actually fix the problem” Guy Opperman, Pensions Minister

Climate change risk

Fossil fuel divestment vs carbon management

		A	B	C
	MSCI ACWI - Global Index	ACWI ex-Fossil Fuels	ACWI Low Carbon Leaders	ACWI Low-Carbon Target
	Parent Index	An alternative	An alternative	An alternative
Carbon Intensity (company specific direct and indirect emissions)	100	-17%	-51%	-80%
Potential Carbon Emissions (carbon reserves)	100	-100%	-66%	-97%
Coal Reserves (% index weight)	0.9%	0.0%	0.3%	0.0%
Fossil Fuel Reserves (% index weight)	6.5%	0.0%	4.8%	1.2%

A

“... broad market while excluding companies that own oil, gas and coal reserves...”

B

“... two dimensions of carbon exposure – carbon emissions and fossil fuel reserves – an effective tool for limiting the exposure to carbon risk...”

C

“... a benchmark for investors who wish to manage potential risks associated with the transition to a low carbon economy – a tracking error target of 0.3% (30 basis points)... ”

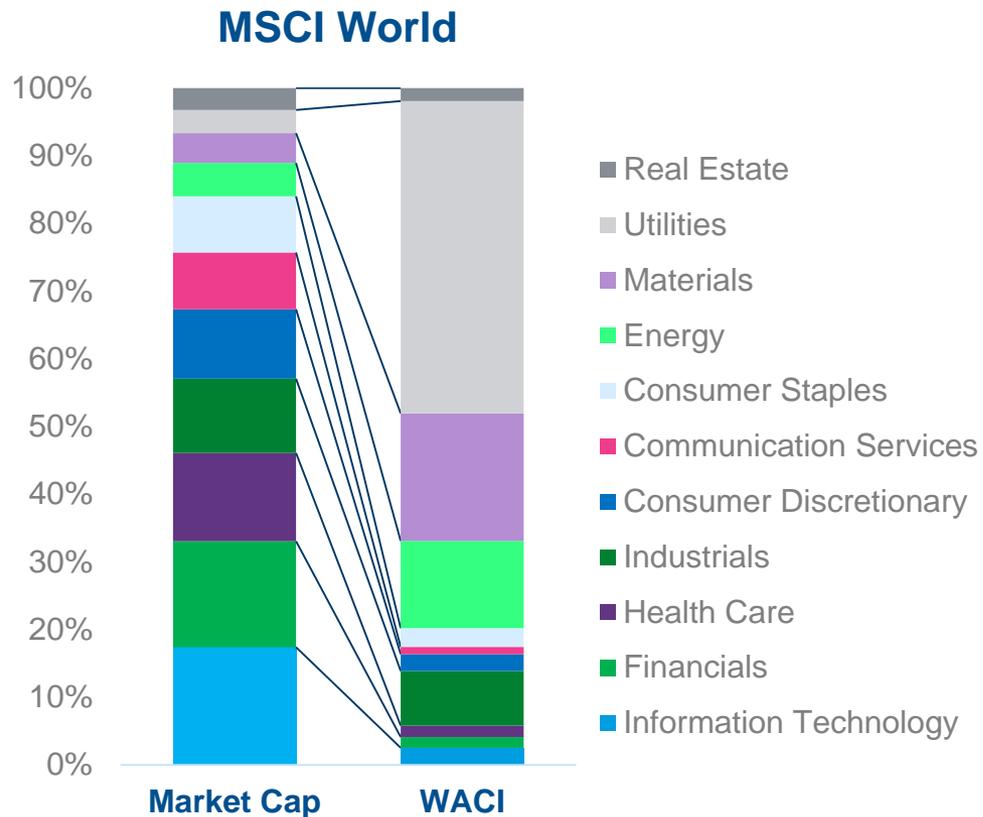
Source: MSCI

A focus on reducing carbon emissions across the portfolio (as opposed to divestment from fossil fuels) is now possible and gives a more robust approach to managing climate change risk and allows the Committee to investigate timescales to achieving net-carbon neutrality. A strategy focused on carbon will include divestment from some fossil fuel companies.

Climate change risk

Fossil fuel divestment vs carbon management

There are substantial differences between emissions from different sectors. Relatively small sectors like Utilities, Materials and Energy are (not surprisingly) relatively high emitters compared to their weight in indices.



Climate Change Risk

An alternative route

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* See previous training session

Broad ESG Integration

An alternative route

ESG ratings are undertaken by Mercer's global manager research team. They are on a scale from 1 (highest) to 4 (lowest) and assess how well managers integrate ESG factors into investment processes.

ESG 1

Leading approach to integration, where ESG is **embedded in investment philosophy**; strong on stewardship which is a core part of process

ESG 2

Consistent and repeatable process to ESG integration (**focus on risk management**); well-developed evidence of stewardship.

ESG 3

Well-developed G integration; less consistency in E&S stewardship process is ad hoc, but indications of progress.

ESG 4

Little or no integration of ESG factors or stewardship into core processes and no indication of future change.

Ratings for passive equity strategies differentiate how well firms undertake their stewardship activities such as voting, engagement, industry collaboration and reporting.

ESG p 1

Leaders in V&E **across ESG**; stewardship activities and ESG initiatives undertaken consistently at a **global level; clear link between engagement & voting actions**

ESG p 2

Strong approach to V&E across ESG topics, and initiatives at a regional level, with progress made at a global level; **working towards clearer links between V & E**

ESG p 3

Focus of V&E tends to be on **governance topics only**, or more regionally focused with **less evidence of E&S** (in voting & engagement, as well as other internal ESG initiatives)

ESG p 4

Little or no initiatives taken on developing a global V&E capability, reactive engagements; and little progress made on other ESG initiatives

Allow LCIV and managers to integrate ESG requirements on Fund's behalf with appropriate level of engagement and oversight.

Conclusion and next steps

We support an evolution of approach to a more holistic integration of ESG considerations by the Fund. This would include:

- A focus on managing carbon intensity rather than solely divestment of fossil fuels
- Investigate decarbonisation timescales
- Allowing concessions to LCIV (and their chosen managers) to manager broader ESG issues with the appropriate level of engagement and measurement (e.g. ongoing carbon intensity and measurement of tobacco holdings)
- Focus on engagement and stewardship to ensure effective implementation and measurement of ESG issues
- Update reporting in line with best practice including TCFD

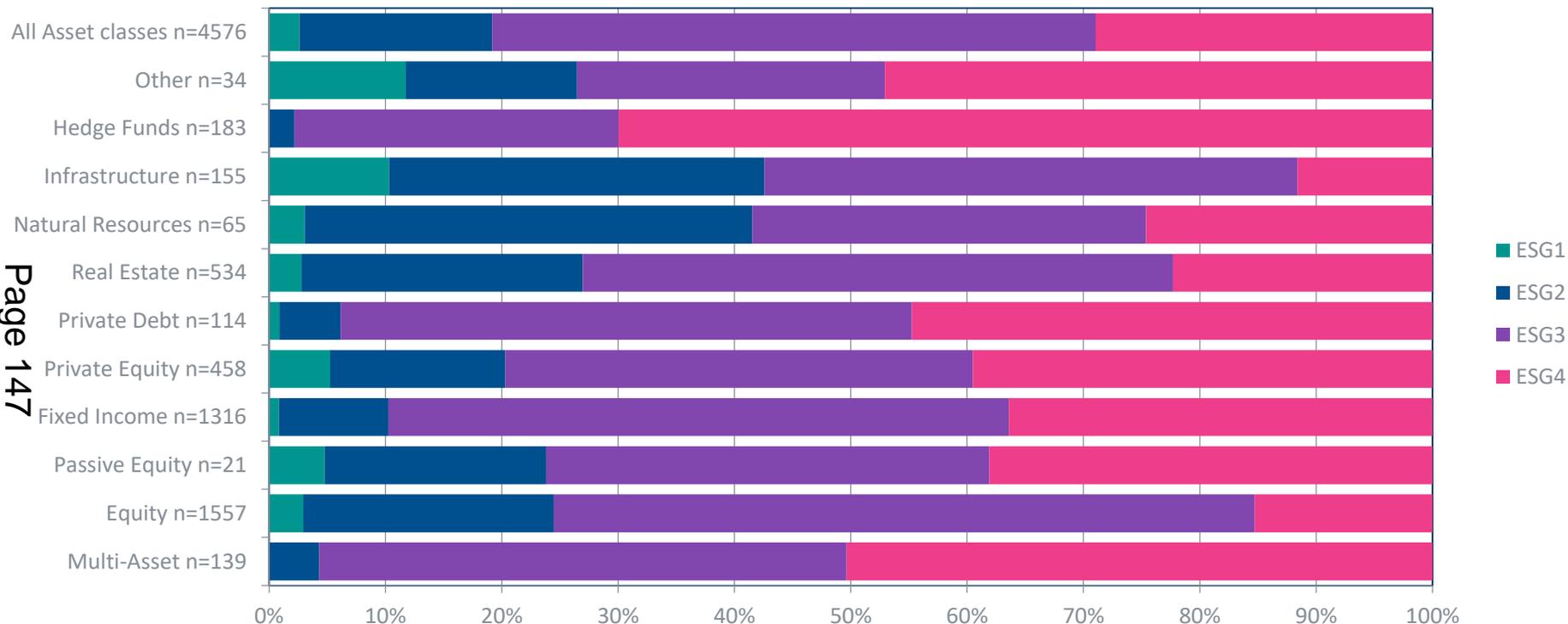
The immediate next steps are as follows:

- Update the ESG policy statement in the ISS based on the wording set out in the Officer paper
- Use the current portfolio as a baseline and review the equity managers at the next meeting in-line with the revised policy (and broader investment risk considerations)
- Update reporting and draft TCFD report for consideration by the Committee
- Investigate timescale of targeting a net-carbon-zero position
- Review and refine approach to ESG in-line with current best practice

Appendix

Mercer's ESG Ratings By Asset Class

Distribution of 4,500+ Mercer ESG ratings*



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Over 4,500 strategies rated currently – ratings began in 2008



Approximately 19% achieve an ESG1 or ESG2 rating



ESG ratings for passive equity introduced in 2014



What does Divestment from Fossil Fuel mean?

While ‘Divestment’ may sound simple as an investment approach, in practice it is complex and there are a number of definitions used across the industry. In addition, while used widely, the term ‘Fossil Free’ is not consistently defined.

Broad class	Description
Full Divestment	Binding commitment to divest (direct ownership, pooled funds, shares, corporate bonds or any other asset classes) from any fossil fuel company (coal, oil, gas, unconventional) - any tie
Partial Divestment	Binding commitment to divest across asset classes from some fossil fuel companies (coal, oil, gas, unconventional); or to divest from all fossil fuel companies (coal, oil, gas, unconventional) but only in specific asset classes (direct investments, domestic equity) or using a defined threshold
Fossil Free	Resulting from full divestment and commitment to avoid any fossil fuel investment in the future

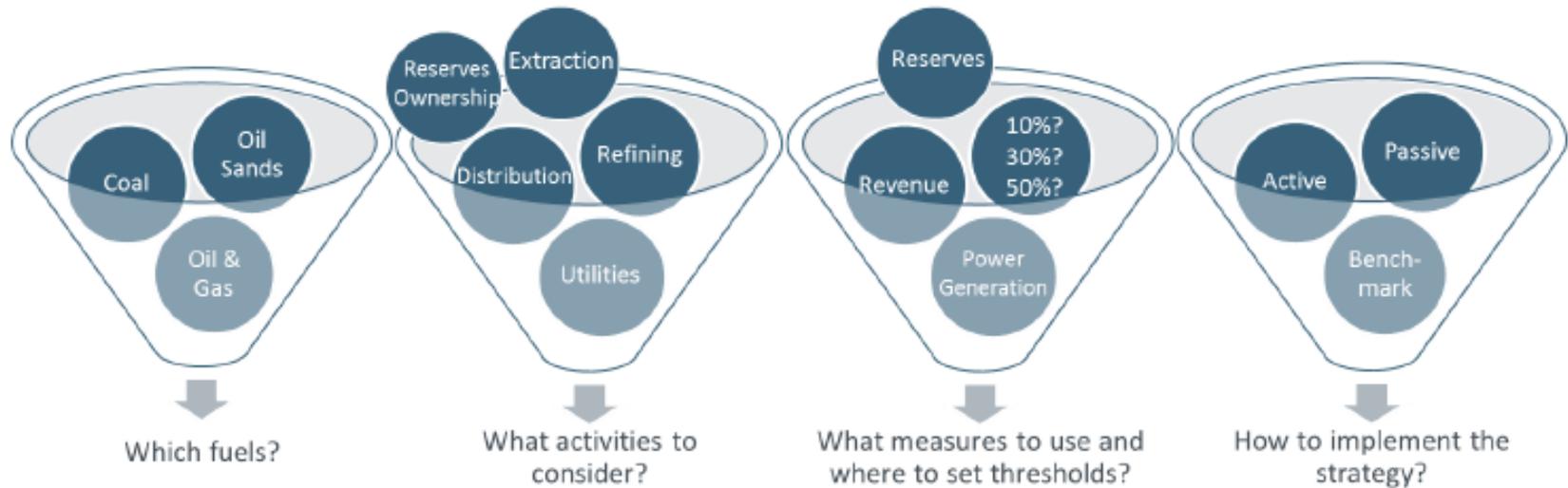
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Focus of divestment is on “fossil fuel companies” - those companies that own fossil fuel reserves (potential emissions)

Divestment Implementation

Questions to ask

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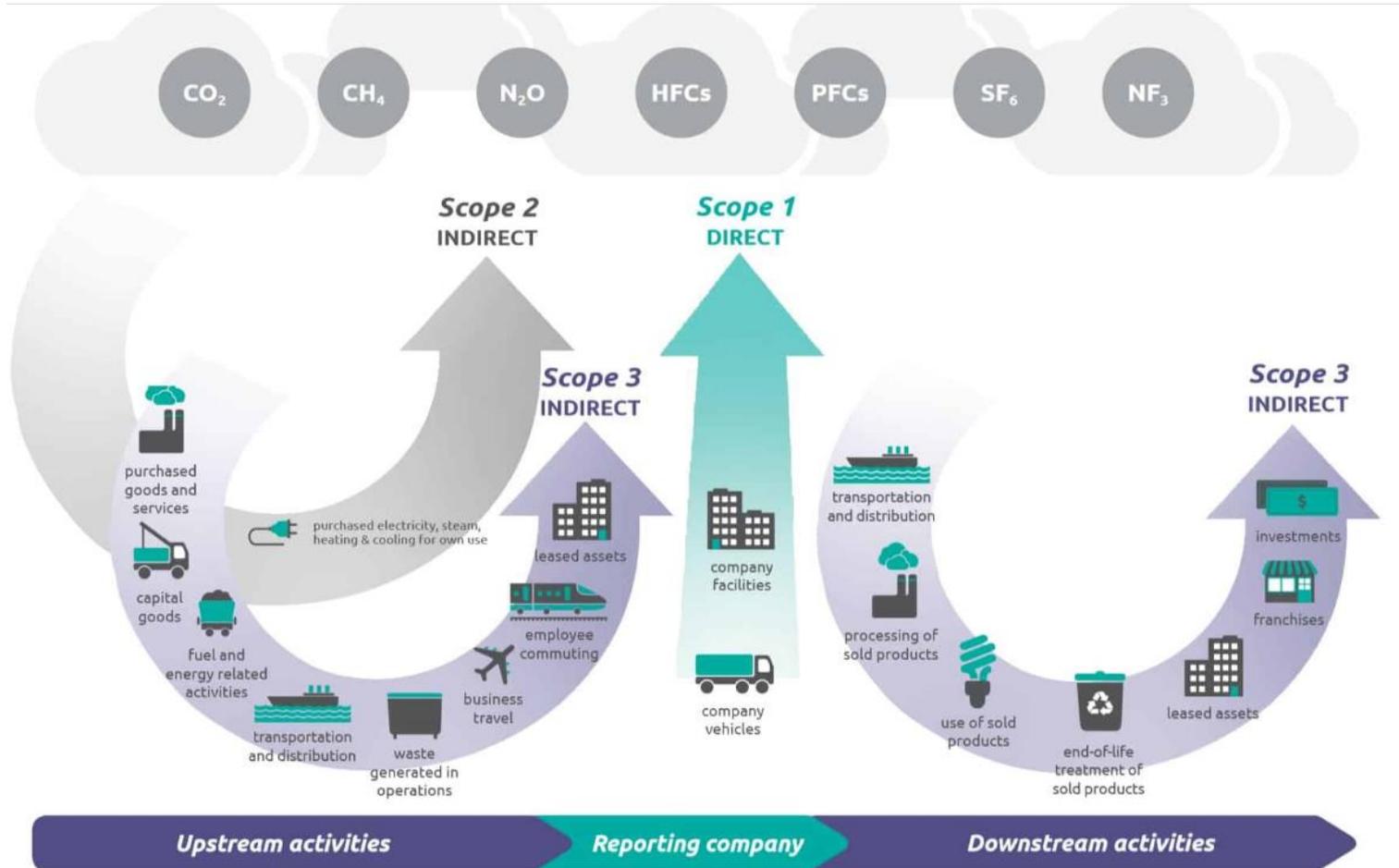
FURTHERMORE, WHICH ASSET CLASSES?

SOURCE: MSCI

Carbon footprinting

Scope 1, 2 and 3 emissions

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Source: compareyourfootprint.com

TCFD Reporting Best Practice

Regulators Direction of Travel

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Governance

- Review **climate change-related investment beliefs**
- Establish processes to gain comfort that managers are assessing and managing climate-related risks and opportunities
- **Regular climate training**

Risk Management

- Include climate change risk within the **risk register**
- Include climate change considerations as part of the **selection and monitoring of managers**, with a particular focus on integrating/voting/engaging on climate change
- **Annual review of manager ESG ratings** alongside other climate change data
- Consider sustainable asset allocations

Strategy

- Conduct **climate change scenario analysis** to understand the impact on assets/liabilities
- **Stewardship** included in the strategy, with a focus on policy and industry engagement, including collaborative and climate change initiatives

Metrics and Targets

- Align with best practice approaches, in terms of metrics to measure risk and opportunity
- Carry out **carbon foot-printing** on equity and corporate bond portfolios.
- Consider **non-emissions based metrics**, such as green revenues.
- Consider what target(s) can be set to manage climate-related risks.

UK Stewardship Code 2020

Principles for asset owners and asset managers

1
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1 Purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for clients and beneficiaries.

2 Governance, resources and incentives support stewardship.

3 Manage **conflicts of interest** to put best interests of clients and beneficiaries first.

4 Identify and respond to market-wide and systemic risks to **promote a well-functioning financial system.**

5 **Review stewardship policies,** review processes and assess the effectiveness of activities.

6 Take **account of client and beneficiary needs** and communicate the activities and outcomes of stewardship and investment.

7 Systematically **integrate stewardship and investment,** including material ESG issues, and climate change to fulfil responsibilities.

8 **Monitor and hold account** managers and/or service providers

9 **Engage with issuers** to maintain or enhance the value of assets

10 Participate in **collaborative engagement** to influence issuers.

11 **Escalate stewardship activities** to influence issuers where necessary.

12 Actively exercise **rights and responsibilities**

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REPORT TO:	Pension Board 14 October 2021
SUBJECT:	Pension Board Forward Plan 2021/22
LEAD OFFICER:	Nigel Cook Head of Pensions Investment and Treasury
1. RECOMMENDATION	
1.1 The Board is asked to note the contents of this report, to comment and to suggest amendments as necessary	

2. EXECUTIVE SUMMARY

- 2.1 This report sets out a suggested work plan for the Board for the remainder of 2021/22, inviting suggestions for amendments or additions.

3 DETAIL

- 3.1 The responsibility of the Board, as defined by section 5(1) and (2) of the Public Services Pensions Act 2013, is to assist the Administering Authority (Croydon Council) in its role as a Scheme Manager of the Scheme in relation to the following matters:
- To secure compliance with the Scheme Regulations and other legislation relating to the governance and administration of the Scheme;
 - To secure compliance with requirements imposed in relation to the Scheme by the Pensions Regulator;
 - In such other matters as the Scheme regulations may specify;
- 3.2 In order for the Board to carry out this role it is necessary to maintain a work plan which identifies which key activities the Board should be considering (and when) in order to demonstrate effective performance.
- 3.3 Subject to the considerations of the Board, the following is a suggestion for the topics to be covered over the remainder of the year. At each meeting the Board will also be able to review the papers presented to the Pension Committee at meetings since the Board last met.

13 January 2022

Results of review of actuarial valuation information by Government Actuary's Department (Section 13)
Admission / Bulk Transfer / Cessation Policies
Breaches of the Law Log
Fund Annual Report and Accounts
Implementation of Governance Action Plan
Key Performance Indicators (including Contributions Monitoring)
Issues raised by Scheme Advisory Board and/ The Pensions Regulator
Risk Register
Training Plan and Training Records Update

24 March 2022

Administering authority Discretions Policy
Administration Strategy
Breaches
Budget Review
Business Plan
Conflicts of interest Policy
ESG Issues
Forward Plan
Governance and Best Practice Compliance Statement
Key Performance Indicators (including Contributions Monitoring)
Issues raised by Scheme Advisory Board and/ The Pensions Regulator
Risk Register
Scheme Advisory Board – Code of Transparency

- 3.4 The Board is invited to add any items to this schedule that they feel should be Included.
- 3.5 A key component of the work of the Board is the maintenance of relevant knowledge, refreshing skills and access to informed experts. To this end training opportunities will be offered to the Board throughout the year. The Board is invited to offer ideas for subjects and officers will develop these into sessions which will be open to the Board and to Pension Committee members.

4 DATA PROTECTION IMPLICATIONS

- 4.1 Will the subject of the report involve the processing of 'personal data'?

No.

Approved by: Nigel Cook on behalf of Richard Ennis, Interim Corporate Director of Resources and Section 151 Officer.

CONTACT OFFICER:

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

BACKGROUND DOCUMENTS:

None

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REPORT TO:	Local Pension Board 14 October 2021
SUBJECT:	Croydon Pensions Administration Team Key Performance Indicators for the Period 1 June 2021 to 31 August 2021
LEAD OFFICER:	Vicki Richardson Head of HR & Finance Service Centre
1. RECOMMENDATIONS The Board is asked to: 1.1 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 (LGPS) for the three month period up to the end of August 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 committee on the LGPS administration performance for the period 1 June 2021 to 31 August 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 There has been an extraordinary demand on the pension administration team over the last few months to due to a Council wide voluntary severance scheme.
- 3.3 As priority was given to the voluntary severance scheme to ensure that scheme members had timely information at this critical time, resources were diverted away from other case types. In addition to the retirement estimates the team have met legal deadlines for processing retirements and deaths which are also of key importance to scheme members. However there has been an impact on processing other case types within target, such as new starters and deferred benefit calculations for leavers.

- 3.4 At end May 2021 there were 5860 workflow tasks outstanding which is a 4% decrease on the previous month.
- 3.5 Hymans Robertson have been engaged to clear the outstanding tasks relate to a historical backlog of deferred benefit cases. As at 17 September Hymans have completed 256 cases with a further 178 having been calculated ready for quality checking.
- 3.6 A pension support officer has now been recruited who will focus solely on new starters for the next six months. In May 2021 the number of outstanding tasks for new starters decreased by over 67%.
- 3.7 Due to resources needing to be redirected the number of outstanding deferred benefit cases for leavers has increased over the last few months, with 823 tasks outstanding at end May. Changes have been made within the administration team to ensure a resource is allocated to process leaver calculations on a daily basis. Achievement in the number of cases will be monitored for the next 3 months at which point performance will be reviewed and alternative resourcing options considered if necessary.
- 3.8 In addition to normal casework the team are also processing year end data received from employers in preparation for the issue of Annual Benefit statements by 31 August 2021.
- 3.9 Earlier in the year we had successfully recruited to all vacancies in the pension administration team. Following that we had 3 further vacancies arise due to resignation which are all being actively recruited to with closing dates for application scheduled for end June 2021.
- 3.7 The latest development on the McCloud ruling in the LGPS is the Written Ministerial Statement from the LGPS Minister Luke Hall who made a statement on 13 May 2021 confirming the key elements of the changes to the LGPS regulations in order to implement the McCloud remedy. LGPS regulations are expected to come into force from 1 April 2023. Whilst draft regulation are not expected until later in the year we are actively investigating options for resourcing the required data gathering exercise.
- 3.9 Member self-service take up as at end March 2021 was 28.77%, which is an increase of 3.77% compared with March 2020. The member self-service communication plan for 2021-22 is shown as Appendix B
- 3.10 The contributions monitoring data is attached to this report as appendix D. It shows that all payments have been reconciled to schedules received for the 2 quarters for January 2021 to March 2021 and April 2021 to June 2021. Additionally a retrospective check has been made on outstanding reconciliations of payments received to schedules provided to 31 March 2021. There is 1 outstanding amount owing of £6709.15. An invoice has been issued and both the governance and accounts teams will ensure that the amount is received.

4. DATA PROTECTION IMPLICATIONS

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

NO

Approved by: Nigel Cook on behalf of Richard Ennis, Interim Corporate Director of Resources and Section 151 Officer.

CONTACT OFFICER:

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

BACKGROUND DOCUMENTS:

None

Appendices

Appendix A: Croydon Pensions Admin Team Performance Report, May 2021
Appendix B: Contributions Monitoring Report

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Croydon Pensions Admin Team Performance Report

August 2021

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- Team Performance Targets 7
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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
		June 2021		July 2021		August 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	172	45.35%	116	65.52%	110	80.91%	↑	<p>We have a pension support officer who is focussing solely on new starters for the next few months to keep on top of ongoing demand for processing new starters.</p> <p>Whilst the % achieved in the legal deadline is below target this is as a result as a large number of old cases being processed.</p> <p>The total amount of new starters outstanding decreased from 530 at end April to 78 at end August.</p>
Inform a scheme member of their calculated benefits (refund or deferred)	As soon as practicable and no more than two months from the date of notification (from employer or scheme member)	101	44.55%	132	42.42%	202	25.74%	↓	<p>Historical backlog has now been passed to Hymans Robertson for processing. As old cases are processed this will impact on performance against target.</p> <p>Due to resources needing to be redirected to other priority areas of work performance on new cases has been impacted.</p> <p>We have recruited a new Pension Officer is starting in September who will be solely focussing on this case type. Number of tasks outstanding will continue to be monitored</p>

Process	Requirement	Number Completed	Achieved in legal deadline	Number Completed	Achieved in legal deadline	Number Completed	Achieved in legal deadline	Direction of Travel	Comments
		June 2021		July 2021		August 2021			
To process and pay a refund	Two months from the date of request	9	100%	18	100%	7	100%		
Obtain transfer details for transfer in, calculate and provide quotation to member	Two months from the date of request	1	100%	1	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	78	100%	53	100%	42	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	70	97.14%	72	100%	53	100%		

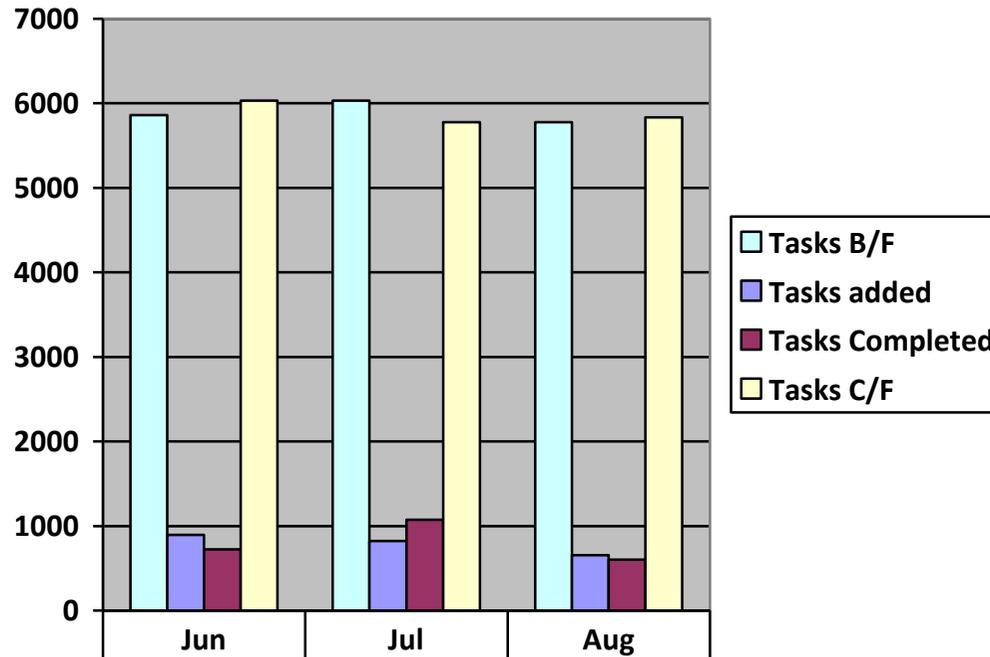
Process	Legal Requirement	Total Number Completed	% Achieved in legal deadline	Total Number Completed	% Achieved in legal deadline	Total Number Completed	% Achieved in legal deadline	Direction of Travel	Comments
		June 2021		July 2021		August 2021			
Calculate and notify (dependent(s) of amount of death 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)	21	100%	16	100%	16	100%		
Provide all active and deferred members with annual benefit statements each year	By 31 st August					17187	99.94%		This is an improvement on previous year performance when only 97.84% annual benefit statements were issued by the deadline of 31 August

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
		June 2021			July 2021			August 2021				
Send a notification of joining the LGPS to a scheme member	30 days from date of notification of joining member	172	44.77%	47	116	62.07%	59	110	78.18%	45	↑	<p>We have a pension support officer who is focussing solely on new starters for the next few months to keep on top of ongoing demand for processing new starters.</p> <p>Whilst the % achieved in the legal deadline is below target this is as a result of a large number of old cases being processed.</p> <p>The total amount of new starters outstanding decreased from 530 at end April to 78 at end August.</p>
Inform a scheme member of their calculated benefits (refund or deferred)	40 working days from date of notification (from employer or scheme member)	85	44.55%	298	132	41.67%	471	202	25.74%	459	↓	<p>Historical backlog has now been passed to Hymans Robertson for processing. As old cases are processed this will impact on performance against target.</p> <p>Due to resources needing to be redirected to other priority areas of work performance on new cases has been impacted.</p> <p>We have recruited a new Pension Officer is starting in September who will be solely focussing on this case type. Number of tasks outstanding will continue to be monitored</p>

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
		June 2021			July 2021			August 2021				
To process and pay a refund	40 working days from the date of request	9	100%	7	18	100%	3	7	100%	4	➡	
Obtain transfer details for transfer in, calculate and provide quotation to member	40 working days from the date of request	1	100%	1	1	100%	1	3	100%	4	➡	
Notify the amount of retirement benefits	20 working days from date of retirement	78	100%	3	53	100%	2	42	100%	3	➡	
Provide a retirement quotation on request	15 working days from date of request	70	92.19%	8	72	95.83%	3	53	98.11%	3	⬆	In August there was 1 case not processed within team target but was processed within legal deadline.
Calculate and notify (dependent(s) of amount of death benefits	20 working days from receipt of all information	21	100%	11	16	100%	4	16	87.5%	7	⬇	In August there was 1 case not processed within team target but was processed within legal deadline.

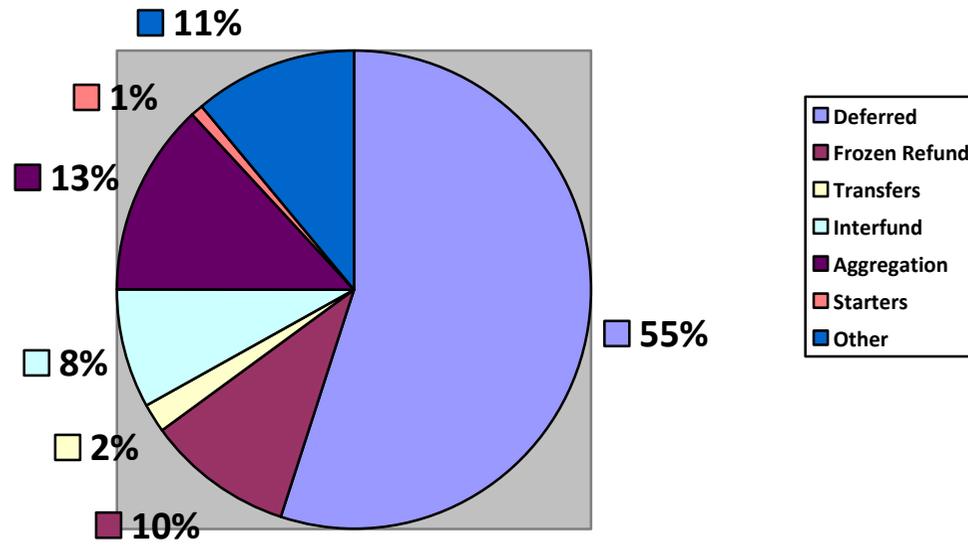
Case levels



	Jun	Jul	Aug
Tasks B/F	5860	6031	5778
Tasks added	895	822	657
Tasks Completed	724	1075	602
Tasks C/F	6031	5778	5833

43% outstanding tasks relate to historic backlog of deferred benefit cases

Outstanding Cases by Type



Member self-service

Scheme members registered	4888 (27%)
Number scheme members who accessed annual benefit statement Q1 Apr 2021 – Jun 2021	547

Contributions Monitoring Report

Contributions reconciled to schedules	% completed
January to March 2021	100
April to June 21	100

Historic contributions reconciled to schedules	Outstanding	Amount Due	Relates to	Action taken
	1	6709.15	Aug-19	Invoiced Employer

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LONDON BOROUGH OF CROYDON PENSION FUND

Pension Board Annual Report 2020/2021

Introduction

Local Pension Boards were established under the 2013 Pensions Act. Each Local Government Pension Scheme Administering Authority is required to establish a Board to assist with the effective and efficient governance and administration of the Local Government Pension Scheme. The Croydon Board is tasked with assisting the Pension Committee in ensuring compliance with legislative requirements and those of The Pensions Regulator. The Board has an oversight role, with the decision making body remaining the Committee.

The Board is now established as an important part of the governance structure of the Fund. Board members take their responsibilities seriously and have particularly highlighted their wish to be seen to be properly fulfilling their role in the eyes of The Pensions Regulator.

I would like to express my thanks to all members of the Board for their continued diligence.

Membership

The Board consists of 6 voting members, comprising 3 member representatives and 3 employer representatives, plus an independent chair, making 7 members in all.

During 2020/21 these posts were held by:

Chair

Michael Ellsmore

Employer Representatives

Richard Elliott

Councillor Andrew Pelling

Daniel Pyke (The Collegiate Trust)

Member Representatives

Teresa Fritz

Ava Payne (Union representative)

David Whickman (Union representative)

The Board is supported by the Director of Finance, Investment and Risk and s151 Officer, the Head of Pensions and Treasury and the pensions teams.

Activity during 2020/2021

It almost goes without saying that this year was like no other with the Covid-19 pandemic affecting all our lives and, certainly, the work of the Board. Our meetings in April and July were both cancelled and the three held in the second half of the year were all conducted remotely.

However, I was pleased that the non-Councillor membership of the Board remained intact and the involvement of Councillor Andrew Pelling, now Chair of the Pensions Committee, who has regularly attended Board meetings. The Councillor member on the Board regularly changes and this is not helpful, particularly given the skills and knowledge requirements of Board members..

At each of our meetings we received a report on the performance of the Administration Service and wished to be satisfied that the service was being delivered to a high standard. It has been a particularly challenging time for the service with a high turnover of staff, the pandemic and the Fund's most significant employer undergoing structural changes with a resultant increase in the number of issues relating to retirement and redundancy.

We were pleased to see that performance in relation to the key areas of payment of benefits and the issue of Annual Benefits Statements remained at a very high level. Two other legal deadlines are regularly missed. In addition, we were concerned about delays in the procurement of an external provider to assist with the clearance of the backlog of outstanding issues and of continuing difficulties in maintaining approved staffing levels. By the end of the year the "backlog" work had been handed over to an external provider and we are looking for considerable progress in the year going forward. As Chair of the Board, when invited to do so, I have raised queries over resources at meetings of the Committee. We do acknowledge the high level of commitment regularly displayed by the Administration team, and are grateful for this.

At our meeting in October we, again, reviewed the progress made in implementing the action plan arising from the Aon Hewitt Governance Review of the Fund. We were generally satisfied as to the progress and have commissioned an update of the review. As a Board we have expressed our concern over the delays in implementing the transfer of property from the Fund's major employer [the Council] to the Fund. At the time the decision was taken back in November 2018 we expressed a number of concerns, and many of those concerns remain valid. Given the time which has elapsed since the original decision and other pressures the officer team are facing, the Board holds the view that this transfer should no longer take place.

Other significant items considered formally by the Board during the year included:

- Developments in the "McCloud" Case - the Board expressed its wish to see a detailed project plan and allocation of sufficient staffing resources to address the issues;
- Reporting breaches of the law – for the first time the Board received reports on breaches of the law. The Board understand that The Pensions Regulator expects them to play a key oversight role but were also keen to emphasise the importance of the role of the Pension Committee as the key decision maker;

- Risk Register – Board members were particularly interested in Cyber Security and asked for a training session in the new year;
- Exit Payment Cap;
- Progress on investment “pooling” arrangements;
- Updates from the Local Government Pension Scheme Advisory Board and The Pensions Regulator;
- Reporting and monitoring contributions by employers to the Fund;
- Potential risk to the Fund of the transfer of housing assets;
- Board remuneration policy; and
- Training Plan.

Unfortunately, due to a number of issues there were delays in finalising the Council’s 2019/20 Accounts so it was not possible for the Board to receive the Fund’s Annual Report and Accounts during the year.

Looking Ahead

This Report has been written during the summer of 2021 and we are looking forward to less disruption to the Board’s work than occurred last year.

Training and keeping our knowledge and skills up-to-date will remain important to us and we shall be looking to take advantage of opportunities that become available. We have specifically asked for a more structured training plan and, specifically, for training on cyber security to take place as early as possible. Officers have procured an online training application which members can access at their convenience to supplement other training opportunities. The knowledge and training requirements falling on Board members are very onerous and to acknowledge this, as Chair, I would encourage the administering authority to pay a small annual allowance to Board members.

Following on from the work done in the last two years the Board will continue to take a keen interest in the implementation of the Action Plan arising from the Aon Hewitt Governance Report and will receive regular updates. We shall also be paying attention to the progress of the Local Government Pension Scheme Advisory Board’s final report on “Good Governance in the LGPS” and the action plan submitted to the Secretary of State for Housing, Communities and Local Government.

Pensions administration will continue to attract attention from The Pensions Regulator and the Board will be taking a particular interest in the administration of the Fund and the service provided to both employers and members. In particular we look forward to the clearance of outstanding issues currently being carried out by the Fund’s external provider. We are disappointed that the online facilities for members have only attracted a low take-up rate and have asked for a report as to what more could be done to engage Scheme members and promote the online service. We also expect to review the Fund’s Administration Strategy and the Governance and Best Practice Statement. The Administration Service will continue to be under pressure going forward. The Board will encourage the Administering Authority to look at all potential solutions in order to provide a robust service all employers, employees and members of the Fund.

We plan to review the Budget, compliance with pooling requirements and savings arising therefrom, staffing resources, training and succession planning.

We shall continue to take an interest in the proposed transfer of housing assets from the Council to the Fund and expect to see relevant reports.

The implications of the “McCloud” case for the LGPS are still being reviewed and we are keen to be involved in considering its effect on the Croydon Fund.

We are looking forward to receiving a more extensive Medium Term Business Plan than we have seen before and expect to have significant input. At each alternate meeting we shall consider the Risk Register, in particular the changes thereto.

In its last meeting of 2019/2020 the Board considered a consultation document on responsible investments and expect this to play an increasingly important part in the management of the Fund, although the Board accepts that the Fund’s Investment Strategy is largely a matter for the Pensions Committee..

Whilst recognising that every Fund in the Local Government Pension Scheme is, and should be, managed in accordance with its own strategies, policies and priorities we shall consider with interest the findings of the Government Actuary’s Department after their review of the 2019 triennial valuations of all the funds in the Scheme.

Finally, whilst the Board is expecting 2021/2022 to be another busy year for the Croydon Fund it may also see developments to the Scheme at a national level. We shall look at the implications of all the relevant reports and guidance issued by the Scheme Advisory Board and The Pensions Regulator.

Michael Ellsmore
Chair
October 2021

REPORT TO:	Pension Board 14 October 2021
SUBJECT:	Local Government Pension Scheme Advisory Board / The Pensions Regulator Update
LEAD OFFICER:	Nigel Cook Head of Pensions and Treasury
<p>1. RECOMMENDATION</p> <p>1.1 The Board are asked to note the contents of this report.</p>	

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)

Public Service Pensions and Judicial Offices Bill

On 7 September the Bill received its second reading and it is expected that Government amendments will provide more detail on the application of remedy in respect of unlawful discrimination to the LGPS.

The Pensions Regulator new code of practice

On 24 August TPR published its interim response to the consultation on its new code of practice.

On 4 June the Board submitted its response to The Pensions Regulator's consultation on a combined code of practice.

Occupational Pensions Stewardship Council (OPSC)

On 8 July 2021 the DWP launched the OPSC which aims to develop a stronger overall voice for trustees especially in relation to service providers. It also enables opportunities for schemes to collaborate on stewardship activities such as shareholder resolutions, climate change, corporate governance and other topics. The website lists funds which are currently members and specifically invites interest from funds in the Local Government Pension Scheme.

Special Severance Payments by local authorities

On 2 July MHCLG launched a six weeks consultation period on statutory guidance in respect of special severance payments

Exit payment data

On 2 July MHCLG published a summary of exit payment data submitted by councils in respect of 2019/20 and 2020/21. The average payment, including pension strain, for 2020/21 across all local authorities was £26,000.

The Pensions Regulator public sector survey

On 1 July The Pensions Regulator published its annual public service governance and administration survey. The primary objective of the survey is to track governance and administration practices among public service pension schemes. In addition, the 2020-21 survey included new questions on schemes' response to the COVID-19 pandemic, awareness and perceptions of the pensions dashboards, and the actions taken by Local Government schemes in relation to climate related risks and opportunities.

SAB Response to DWP call for evidence on consideration of social risks and opportunities by occupational pension schemes

On 25 June 2021, following consultation with the Board's Responsible Investment Advisory Group the SAB submitted its response.

Scheme Annual Report

On 18 May 2021 the Board Chair announced the publication of the Scheme Annual Report accessible on the website via

<https://www.lgpsboard.org/index.php/schemedata/scheme-annual-report>

Boycotts, Divestment and Sanctions Bill

On 11 May, in the Queen's Speech, it was announced that a Bill will be introduced to prevent public bodies from taking a different approach to UK sanctions and foreign relations policies when making purchasing, procurement and investment decisions.

McCloud response

On 13 May a "Written Ministerial Statement" was published setting out the high level objectives of Government in applying the remedy as required following the McCloud judgement.

On 11 May, in the Queen's Speech, it was announced that a "Public Service Pensions and Judicial Offices Bill" will be introduced that will deal with the amendments necessary to incorporate the McCloud judgement into public service pension schemes including the LGPS.

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 publications / press releases concern private sector schemes. However, in recent months it has published the following matters of interest to the LGPS:

New Code of Practice

On 24 August TPR published its interim response to the consultation on its new code of practice.

On 17 March 2021 TPR issued a consultation document on a proposed new code of practice, mainly dealing with the governance and administration of pension schemes, that will replace 10 of their existing codes. The “existing codes” include Code of Practice 14 which applies to the LGPS. The consultation period ended on 26 May 2021.

Public Sector Survey

On 1 July TPR published its annual public service governance and administration survey. The primary objective of the survey is to track governance and administration practices among public service pension schemes.

In its press release TPR emphasise that defined benefit pension schemes are not as prepared as they should be for upcoming regulations on climate change. They point out that proposed regulations arising from the Pensions Schemes Act 2021 will require trustees to look at management and governance of climate-related risks and opportunities in more detail. From October 2022 trustees of schemes with over £1bn in assets will be required to comply with the regulations.

Annual Funding Statement 2021

On 26 May 2021 TPR published its “Annual Funding Statement 2021” in which it headlined that “Trustees of defined benefit pension schemes must remain alert to the risk of weakening employer covenants as uncertainties remain following a challenging year for businesses.”

4 DATA PROTECTION IMPLICATIONS

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

No.

Approved by: Nigel Cook on behalf of Richard Ennis, Interim Corporate Director of Resources and Section 151 Officer.

CONTACT OFFICER:

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

BACKGROUND DOCUMENTS:

None.

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REPORT TO:	Pension Board 14 October 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 14 risks on the main register with 11 being significant risks for the Fund (ie scored 12 or higher) and 19 risks on the Funding Strategy Statement register with 1 being of significant risk. The register is attached as Appendix A to this report.

- 3.5 Since the Board last reviewed the Register on 19 July 2021, 1 risk relating to the section 114 notice has been removed and the remaining 14 risks have been reviewed and updated as appropriate. Additionally a second tab has been added in respect of the risks relating to the amendments to the Funding Strategy statement. This tab contains 19 new risks 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: Nigel Cook on behalf of Richard Ennis, Interim Corporate Director of Resources and Section 151 Officer.

CONTACT OFFICER:

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

BACKGROUND DOCUMENTS:

None

APPENDIX:

Appendix A: Risk Register

Pensions Risk Register

Risk	Risk Scenario	Assigned to	Existing Controls	Current Risk Rating			Future controls	Future risk rating		
				Impact	Likelihood	Risk factor		Impact	Likelihood	Risk Factor
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	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	Admission, Cessation and Bulk Transfers Policies have been drafted which will mitigate the risk.	3	3	9
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	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 with updates being agreed at the Committee meeting on 25 May 2021.	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. Officers will work with the Actuary to seek a cost efficient way of estimating changes to the funding level.	4	2	8
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 divest 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
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	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	A structured process has been introduced to monitor receipts of contributions. Contributions and schedules are chased promptly and reconciled. Improved team communications is aiding in this process, which is monitored by the Pensions Board. These measures are improving outcomes. However, they require more time to administer and resources across the governance and accounts teams are impacted.	3	2	6
5	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.	Head of Pensions and Treasury	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 4.4% p.a. has been used. It is estimated that the Fund's assets have a 75% likelihood of achieving this return.	4	2	8	Equity markets are expected to remain bullish. This should continue to drive returns above the 4.4% target.	4	2	8
Investment Risks										
6	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.	Pension Fund Investment Manager	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.	4	3	12	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.	3	2	6
7	The London CIV has been experiencing problems recruiting to key roles, including 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.	Head of Pensions and Treasury	Recruitment has not 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.	4	2	8	As the CIV becomes more established recruitment issues should become less significant.	4	2	8
Global Macro-economic Risks										
8	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.	Pension Fund Investment Manager	The discount rate assumption is reviewed at every valuation to ensure it gives appropriate views on future return expectations. This is also well-diversified which provides a degree of protection.	4	3	12	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.	4	3	12
9	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.	Head of Pensions and Treasury	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.	3	4	12	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.	3	3	9
10	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.	Pension Fund Investment Manager	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.	3	4	12	The current monitoring arrangements are effective and will continue going forward.	3	4	12
11	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.	Pension Fund Investment Manager	Equities have performed well to the extent that the Fund was over-weight in the asset class. This has now been addressed.	4	3	12	The rebalancing has now been completed and the allocation strategy is being reviewed.	3	2	6
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	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).	4	3	12	Communication of the business continuity plan to relevant staff could be considered. Check with key suppliers for details of any annual security reviews/audits	4	2	8
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	<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	Cyber security training for all staff	4	2	8
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	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.	4	4	16	Decide how gathering of data from employers will be resourced. Once regulations issued and remedies understood, ensure pension service is appropriately resourced to deal with additional workload	4	3	12

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.

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 catastrophic.
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 almost certain to happen.

Pension Risks Register - FSS Amendments April 2021

Risk	Risk Scenario	Assigned to	Existing Controls	Current Risk Rating			Future controls	Pure risk rating		
				Impact	Likelihood	Risk factor		Impact	Likelihood	Risk Factor
Financial Risks										
15 FSS Revisions										
15.1	Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities and contribution rates over the long term	Pension Fund Investment Manager	Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performance. Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc. Analyse progress at three yearly valuations for all employers. Inter-valuation roll forward of liabilities between valuations at whole Fund level.	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. Officers will work with the Actuary to seek a cost efficient way of estimating changes to the funding level.	4	2	8
15.2	Inappropriate long-term investment strategy.	Pension Fund Investment Manager	Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure 4 key outcomes. Chosen option considered to provide the best balance	4	2	8	Officers and advisors will continue to monitor the performance of the Fund.	4	2	8
15.3	Active investment manager under-performance relative to benchmark.	Pension Fund Investment Manager	Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark	4	2	8	Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark	4	2	8
15.4	Pay and price inflation significantly more than anticipated.	Pension Fund Investment Manager	The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. Inter-valuation monitoring, as above, gives early warning. Some investment in bonds also helps to mitigate this risk. Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer serving employees.	3	3	9	This risk can be mitigated in the future by monitoring the duration of bond investments.	3	3	9
15.5	Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	Pension Fund Investment Manager	An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.	2	2	4	Stabilization more effective if given sufficient time to take effect.	2	2	4
15.6	Orphaned employers give rise to added costs for the Fund	Pension Fund Investment Manager	The Fund seeks a cessation debt (or security/guarantee) to minimise the risk of this happening in the future. If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see 3.9).	1	3	3	As the size of the Fund grows the potential impact caused by any one employer is reduced.	1	2	2
15.7	Effect of possible asset underperformance as a result of climate change	Pension Fund Investment Manager	The Fund invests its assets in line with Responsible Investment beliefs and guidelines. The impact of different climate change scenarios on future funding positions was modelled at the 2019 valuation, with the risk reflected via the use of prudence within each employer's 'likelihood of achieving target' (see section 3).	2	2	4	This is a priority for the Fund and so early intervention is likely to be effective.	2	1	3
Demographic Risks										
15.8	Pensioners living longer, thus increasing cost to Fund	Pension Fund Investment Manager	Set mortality assumptions with some allowance for future increases in life expectancy. The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.	1	1	1	Continued monitoring and analysis by the Actuary.	1	1	1
15.9	Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Pension Fund Investment Manager	Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies.	1	1	1	Although not an issue for this Fund at present this risk will become more significant in future years.	2	2	4
15.10	Deteriorating patterns of early retirements	Pension Fund Investment Manager	Employers are charged the extra cost of non ill-health retirements following each individual decision. Employer ill health retirement experience is monitored, and insurance is an option.	1	1	1	No compelling evidence of this happening at present.	1	1	1
15.11	Reductions in payroll causing insufficient deficit recovery payments	Pension Fund Investment Manager	In many cases this may not be sufficient cause for concern, and will in effect be caught at the next formal valuation. However, there are protections where there is concern, as follows: Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases (see Note (b) to 3.3). For other employers, review of contributions is permitted in general between valuations (see Note (d) to 3.3).	1	1	1	The current mitigations will also be effective in the future.	1	1	1
Regulatory Risks										
15.12	Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	Pensions Manager	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. The Administering Authority is monitoring the progress on the McCloud court case and will consider an interim valuation or other appropriate action once more information is known. The government's long term preferred solution to GMP indexation and equalisation - conversion of GMPs to scheme benefits - was built into the 2019 valuation.	1	2	2	The most significant risk apparent at present relates to the McCloud case and this is factored in to business planning.	1	1	1
15.13	Time, cost and/or reputational risks associated with any MHCLG intervention triggered by the Section 13 analysis (see Section 5).	Pension Fund Investment Manager	Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.	1	1	1	Although an on-going risk, reliance on advice from the Actuary should be sufficient to manage this.	1	1	1
15.14	Changes by Government to particular employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies.	Pension Fund Investment Manager	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.	1	1	1	The steps outlined for the current mitigations will continue to be effective in the future.	1	1	1
Governance Risks										
15.15	Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants		The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data. The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions between triennial valuations. Deficit contributions may be expressed as monetary amounts.	1	1	1	The maintenance of strong communication links with admitted bodies should ensure this risk is understood and managed going forwards.	1	1	1
15.16	Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way	Pension Fund Investment Manager	The Administering Authority maintains close contact with its specialist advisers. Advice is delivered via formal meetings involving Elected Members, and recorded appropriately. Actuarial advice is subject to professional requirements such as peer review.	1	1	1	Adequate safeguards are in place.	1	1	1
15.17	Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body		The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes. Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.	1	1	1	There are sufficient protections in place, including audit requirements and the Local Pensions Board.	1	1	1
15.18	An employer ceasing to exist with insufficient funding or adequacy of a bond.		The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by Seeking a funding guarantee from another scheme employer, or external body, where-ever possible (see Notes (b) and (c) to 3.3). Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. Vetting prospective employers before admission. Where permitted under the regulations requiring a bond to protect the Fund from various risks. Requiring new Community Admission Bodies to have a guarantor. Reviewing bond or guarantor arrangements at regular intervals (see Note (d) to 3.3). Reviewing contributions well ahead of cessation if thought appropriate (see Note (a) to 3.3).	2	3	6	These circumstances have arisen in the past and although the impact is manageable the likelihood of this happening again is a material risk.	2	3	6
15.19	An employer ceasing to exist resulting in an exit credit being payable		The Administering Authority regularly monitors admission bodies coming up to cessation. The Administering Authority invests in liquid assets to ensure that exit credits can be paid when required.	2	3	6	Monitoring admission agreements is an effective control.	2	4	8

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 In this instance a score of 1 suggests that the occurrence will be rare and score of 5 would be almost certain to happen.

Risk Matrix

		IMPACT				
		1	2	3	4	5
		Insignificant	Minor	Moderate	Major	Catastrophic
L I K E L Y H O O D	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