

Pension Committee Agenda



To: Councillor Callton Young OBE (Chair)
Councillor Clive Fraser (Vice-Chair)
Councillors Simon Brew, Nina Degrads, Patricia Hay-Justice, Yvette Hopley,
Llabuti and Stewart

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

Reserve Members: Louis Carserides, Richard Chatterjee, Stuart Collins,
Simon Fox, Enid Eileen Mollyneaux, Srinivasan, Nikhil Thampi and
Robert Ward

A meeting of the **Pension Committee** which you are hereby summoned to attend,
will be held on **Tuesday, 14 June 2022 at 10.00 am** in

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

Marianna Ritchie
Marianna Ritchie, Democratic Services
marianna.ritchie@croydon.gov.uk
www.croydon.gov.uk/meetings
Monday, 6 June 2022

Members of the public are welcome to attend this meeting, or you can view the
webcast both live and after the meeting has completed at
<http://webcasting.croydon.gov.uk>

If you would like to record the meeting, we ask that you read the guidance on the
recording of public meetings [here](#) before attending.

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

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AGENDA – PART A

1. **Apologies for Absence**

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

2. **Disclosure of Interests**

Members and co-opted Members of the Council are reminded that, in accordance with the Council's Code of Conduct and the statutory provisions of the Localism Act, they are required to consider **in advance of each meeting** whether they have a disclosable pecuniary interest (DPI), another registrable interest (ORI) or a non-registrable interest (NRI) in relation to any matter on the agenda. If advice is needed, Members should contact the Monitoring Officer **in good time before the meeting**.

If any Member or co-opted Member of the Council identifies a DPI or ORI which they have not already registered on the Council's register of interests or which requires updating, they should complete the disclosure form which can be obtained from Democratic Services at any time, copies of which will be available at the meeting for return to the Monitoring Officer.

Members and co-opted Members are required to disclose any DPis and ORIs at the meeting.

- Where the matter relates to a DPI they may not participate in any discussion or vote on the matter and must not stay in the meeting unless granted a dispensation.
- Where the matter relates to an ORI they may not vote on the matter unless granted a dispensation.
- Where a Member or co-opted Member has an NRI which directly relates to their financial interest or wellbeing, or that of a relative or close associate, they must disclose the interest at the meeting, may not take part in any discussion or vote on the matter and must not stay in the meeting unless granted a dispensation. Where a matter affects the NRI of a Member or co-opted Member, section 9 of Appendix B of the Code of Conduct sets out the test which must be applied by the Member to decide whether disclosure is required.

The Chair will invite Members to make their disclosure orally at the commencement of Agenda item 3, to be recorded in the minutes.

- 3. Minutes of the Previous Meeting (Pages 7 - 16)**
To approve the minutes of the meeting held on 13 April 2022 as an accurate record of the proceedings.
- 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. Breaches Log (Pages 17 - 36)**
The Committee is asked to consider the contents of the Pension Fund Breaches Log, Appendix A, and to comment as appropriate.
- 6. Budget Review (Pages 37 - 44)**
The Committee is asked to note the contents of this report.
- 7. Business Plan 2023 to 2026 (Pages 45 - 68)**
The Committee is asked to comment on and agree to the recommended Medium Term Business Plan 2022/25.
- 8. Discretions Policy (Pages 69 - 82)**
The Committee is asked to note the review of the existing policies and approve the suggested changes ready for consultation with scheme employers.
- 9. Forward Plan Review 2023 - 24 (Pages 83 - 88)**
The Committee is asked to consider and agree the Forward Plan for the remainder of financial year 2022/23.
- 10. Governance Best Practice Compliance Statement (Pages 89 - 108)**
The Committee is asked to review and agree the draft Governance Best Practice Compliance Statement attached as Appendix A.
- 11. Knowledge and Skills Policy Review (Pages 109 - 150)**
This report recommends that the Committee agrees the attached Knowledge and Skills Policy, (Appendix E) and Adopt the CIPFA Knowledge and Skills Framework, (Appendix B).
- 12. Key Performance Indicators June 2022 (Pages 151 - 166)**

This report recommends that the Committee notes the Key Performance Indicators set out in Appendix A to this report.

13. Local Government Pension Scheme Advisory Board / The Pensions Regulator Update (Pages 167 - 172)

The Committee is asked to note the contents of this report.

14. Progress Report (Pages 173 - 180)

The Committee is asked to note the performance of the Fund for the quarter ended 31 March 2022.

15. Exclusion of the Press and Public

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

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

PART B

16. Progress Report (Pages 181 - 254)

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Public Document Pack Agenda Item 3

Pension Committee

Meeting held on Wednesday, 13 April 2022 at 10.00 am in Room 1.01 and 1.02 - Bernard Weatherill House, Mint Walk, Croydon CR0 1EA

MINUTES

Present: Councillor Andrew Pelling (Chair);
Councillor Clive Fraser (Vice-Chair);
Councillors Simon Brew and Yvette Hopley

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

Also Present: Nigel Cook (Head of Pensions and Treasury), Jane West (Director of Finance, Investment and Risk (S151 Officer)), Luke Clancy, Nina Degradis (virtually), Steve Hollands, Karen Jewitt, Caragh Skipper, Robert Ward, Alison Murray (Aon Hewitt) (Part) and Peter Gent (Mercer) (Part B)

Apologies: Councillor Robert Canning and Pat Clouder

PART A

1/22 Disclosure of Interests

The Chair noted that there were certain pre-election protocols (ahead of the Council elections) which needed to be followed and Councillors were reminded of the need to follow such protocols. It was noted that no formal decisions would be made at this meeting.

The Chair noted the Council had adopted a new Code of Conduct and members were reminded to declare any disclosable pecuniary interest (DPI), other registrable interest (ORI) or non-registerable interests (NRI) relating to any matter on the agenda. Members confirmed that their declarations were up-to-date with no further action required.

2/22 Urgent Business (if any)

The Chair noted that a number of members would be leaving the Committee and thanked them for the contributions they had made. The Chair thanked Nigel Cook (Head of Pensions and Treasury) for his long service and noted Matthew Hallett will be acting as interim Pensions Officer.

Councillor Brew noted that there is no item on the agenda to approve the minutes of the last meeting. It was further noted that minutes of the meetings held on 8 December 2020, 16 March 2021, 26 May 2021 and 3 December 2021 were in draft for finalisation. The Chair noted it was important that all the minutes were completed. It was further noted that given the impending changes in the Committee membership that such minutes would be completed as soon as possible.

Nigel Cook noted that, through the LGPS National Framework for Legal Services and following a competitive tender, Burges Salmon LLP had been appointed to provide legal review and comment on the committee reports. Burges Salmon would also provide draft minutes of the meetings for the Pension Committee and Pension Board. Further details of the appointment would be shared by the Pensions Team with the Committee.

3/22 Progress on Implementing Findings of Governance Review

Members received and reviewed a progress report further to the findings of the Governance Review of June 2021.

Nigel Cook reminded the Committee that Aon Hewitt had been commissioned by the Pensions Board to undertake a Governance Review, and had reported back in September 2019. This work had then been reviewed in June 2021. The progress report included actions completed to date and progress of the delivery of the balance of items.

The Chair noted there had been a separation of the roles between the Council (Treasury) and the Fund and highlighted the importance of this given the size of the Fund and need for the Fund to receive appropriate attention. It was agreed that a clear separation between the roles of the Council and the Fund was important, and should be maintained by future committees. It was further noted there would be occasions where it would be appropriate for the Fund and the Council to be independently advised.

The Chair also noted that the Committee should consider further employer representation outside of the Council and it should be considered whether changes to voting arrangements would be beneficial.

Councillor Hopley noted that in her view the recommendations described within the progress report were sensible, and that the Committee should work to improve the line of communication between officers, the Chair and the Committee going forwards.

Alison Murray of Aon Hewitt joined the meeting to summarise the key points from the report. In particular it was noted:

- the recommendations in the report should be considered and addressed (where appropriate);
- progress should be tracked and recorded;
- communication could be enhanced (for example changes in Committee members should be communicated in advance of meetings);
- there should be appropriate training for new Committee members;
- resourcing should be considered given the number of forthcoming legislative changes.

The Chair noted in particular that continuity of membership can support the operation of the Committee, and the Fund, and requested that the Director of Finance, Investment and Risk (Section 151 Officer) write to the party Whips and request that future Committee members are drawn from those who are able to commit sufficient time to the role over their term.

The Section 151 officer noted the importance of training for new Committee members. Councillor Brew further requested that training undertaken should be recorded and retained as a formal public record.

Nigel Cook noted that an online training programme had been procured from Hymans Robertson and would be available to current and future Committee members. Nigel Cook also described that whilst internal resource within the Council was constrained, the Council would need to continue to recruit.

Councillor Degradis requested that a job description for the Committee role is created and that a history of the Fund is created for new Committee members to assist their understanding of the arrangements, and their confidence in the role. The Section 151 Officer agreed to arrange for the preparation of those documents.

RESOLVED to note the content of the report.

Alison Murray left the meeting.

4/22 Timetable for Triennial Actuarial Valuation and Review of Asset Allocation

Members received and reviewed a report on the timetable for the Triennial Actuarial Valuation and Review of Asset Allocation.

Nigel Cook noted that the triennial actuarial valuation would be completed in time for April 2023. It was further noted that the report described the various processes that were required to come together in order to prepare the triennial actuarial valuation.

In particular it was noted:

- the triennial valuation is the valuation of the liabilities within the Fund;
- the investment advisers would be examining and challenging the current asset allocation strategy to ensure the investment strategy is appropriate in the context of the Fund liabilities;
- environmental, social and governance factors will be considered as part of the valuation and investment processes; and
- consideration needs to be given to the London Collective Investment Vehicle (CIV). It was noted further there was an obligation to consider the CIV when making investment decisions, and that as the CIV expanded its offering the Fund would be able to increase its use of the CIV.

Nigel Cook also noted there was significant interaction between the scheme actuary and the Fund administration team to produce the data cut for the valuation. The Fund also needed to consider over 100 other scheme employers in the Fund (who were also included in the process).

The Chair noted the importance of ensuring that asset allocations were appropriate to reduce volatility in the Fund, and to assist the management of contribution rates payable by the Council and other Scheme employers participating in the Fund. It was noted that an increase in Council contributions could ultimately impact on taxpayers in the local area.

The Section 151 officer agreed that it was important to have in place appropriate governance for the review of asset allocations and to ensure this it was carried out at the right time (and as part of the valuation process). There was a further discussion as to whether there should be an acceleration of the asset allocation review given current volatility in markets and rising inflation. This would be considered at a future Committee meeting.

The Chair invited Peter Gent of Mercer to comment, who explained the Fund was currently in a strong funding position given the recent growth of assets. Peter Gent noted however that, even if the Fund is 100% funded, it is 100% funded on the basis that the Fund continues to generate assumed investment returns. It was noted further that a material level of equity and other growth seeking investments is required to be held by the Fund in order to achieve long term gains under the current investment strategy. It was noted that it would be important to monitor the position on inflation.

RESOLVED to note the content of the report and that there would be a further discussion as part of Part B on the agenda.

5/22 Progress Report for Quarter ended 31 December 2021

Members received and reviewed a progress report on the performance of the Fund for the quarter ended 31 December 2021.

Nigel Cook introduced the progress report and the purpose of it. It was noted that it is a technical report but that it included some commentary on the impact of the war in the Ukraine on the Fund.

Nigel Cook referred the Committee to the report (and in particular paragraph 3.6.6) which illustrated the asset allocation of the Fund (at year end) against the target asset allocation. In summary it was noted the Fund assets were, against the target allocation, a little overweight in equities, and underweight in fixed interest. It was further noted that the tolerance limits in the target allocation had not been breached.

Councillor Brew noted that it had been some time since he had met any of the Fund managers. Nigel Cook noted that in part that was due to COVID restrictions. After discussion, it was noted that future Committees would consider how best to engage with the relevant fund managers and whether Fund managers should attend Committee meetings.

RESOLVED that members noted the content of the report.

6/22 Appointment of External Auditors

Members received and reviewed a report on the appointment of External Auditors.

The Chair noted this item had been requested to ensure the Committee understood the process of the appointment of external auditors in connection with the Fund.

The Section 151 Officer noted that Public Sector Audit Appointments Ltd (PSAA) was used by many local authorities and its purpose was to facilitate the appointment of auditors across local government. It was noted that the Council had to date only given an indication that it wished to be involved in the sector led approach described by the report.

The Chair noted that the Committee wished to be fully engaged in the appointment of an auditor to the Fund and that Grant Thornton should be on the candidate list for this committee and that it should not be excluded solely because the wider Council did not appoint Grant Thornton or use its services.

It was noted that the Committee would be updated once the PSAA had provided further details of how it will engage with the market.

The Chair asked the Section 151 Officer if it was possible for the Council and the Fund to appoint separate auditors. The Section 151 Officer agreed to confirm the position and report back to the Committee.

RESOLVED to note the report and a decision as to how to proceed was adjourned.

7/22 Exclusion of the Press and Public

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

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

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

8/22 Progress Report for Quarter ended 31 December 2021

It was MOVED by the Chair and RESOLVED that under Section 100A(4) of the Local Government Act, 1972, the press and public be excluded from the remainder of the meeting on the grounds that it involves the likely disclosure of exempt information falling within those paragraphs indicated in Part 1 of Schedule 12A of the Local Government Act 1972, as amended.

The meeting ended at 12.01 pm

Signed:

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Date:

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

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REPORT TO:	Pension Committee 14 June 2022
SUBJECT:	Review of Breaches Log
LEAD OFFICER:	Matthew Hallett - Acting Head of Pensions and Treasury
CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management: This report forms an important component of the governance arrangements for the stewardship of the Pension Fund.	
FINANCIAL SUMMARY: Financial risks relating to the Pension Fund are substantial and can impact on the General Fund of the Council.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1. RECOMMENDATION

The Committee is asked to:

- 1.1 Consider the contents of the Pension Fund Breaches Log, Appendix A, and to comment as appropriate.

2. EXECUTIVE SUMMARY

- 2.1 It is consistent with The Pension Regulator's Code of Practice that the Pension Fund maintains 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 Committee's consideration and comment.

3. DETAIL

- 3.1 The Pension Act 2004 ("The Act", 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;
(aa) a member of the pension board of a public service pension scheme;

(b) a person who is otherwise involved in the administration of an occupational pension 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,

they 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 them by this section.

In line with this legislation and the Pensions Regulator's Code of Practice 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 25 May 2021. The current log is attached (Appendix A).

3.2 In this context a breach of the law occurs when a duty which is relevant to the administration of the Fund, and is imposed by or by virtue of legislation or rule of law, has not been or is not being complied with. 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 Committee last reviewed the Log 3 entries have been amended. The entries that have been amended are in respect of failure to pay a refund of scheme contributions which has been updated to show case numbers at April 2022, the entry around failure to produce meeting minutes and the entry concerning failure to publish the Fund accounts for 2019/20.

3.4 The Committee is asked to consider the contents of the Breaches Log and to comment.

4. CONSULTATION

4.1 Officers have previously consulted with both the Pension Committee and Local Pension Board on the template for the Breaches Log which forms the basis of the report.

5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

5.1 There are no financial considerations arising from this report.

Approved by: Matt Davis, Interim Director of Finance on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

6. LEGAL CONSIDERATIONS

6.1 Burges Salmon LLP (a legal advisor appointed to the Pension Fund) comments that the Pension Committees role is to ensure the Fund is properly operated in accordance with the Local Government Pensions Scheme Regulations 2013 ("the Regulations") all other relevant legislation and best practice as advised by the Pensions Regulator, including relevant financial, governance and administrative matters.

- 6.2 Section 70 of the Pensions Act 2004 ('the Act') imposes a requirement on persons ('reporters') to report breaches of the law as it applies to the management and administration of the Fund.
- 6.3 The duty is to report the matter to The Pensions Regulator in writing as soon as is reasonably practicable where that person has reasonable cause to believe that:
- (a) a legal duty relating to the administration of the scheme has not been or is not being complied with, and
 - (b) the failure to comply is likely to be of material significance to The Pensions Regulator
- 6.4 Under the Act a person can be subject to a civil penalty if they fail to comply with this requirement without a reasonable excuse. The duty to report breaches under the Act overrides any other duties the relevant individuals may have. However, the duty to report does not override 'legal privilege'. This means that, generally, communications between a professional legal adviser and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.
- 6.5 The Pensions Regulator has published guidance in the Code of Practice no 14 (Governance and administration of public service pension scheme ('the Code')). Paragraphs 241 to 275 of the Code deal with reporting breaches of the law.

7. HUMAN RESOURCES IMPACT

- 7.1 The Council will need to ensure appropriate action and advice is provided to retiring employees and retired employees in its capacity as the employer and pensions scheme administrator

Approved by: Gillian Bevan, Head of Human Resources on behalf of Dean Shoesmith, Chief People Officer

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

This report relates to matters relating to the administration of the LGPS and the Croydon Pension Fund.

CONTACT OFFICER:

Matthew Hallett, Acting Head of Pensions and Treasury

APPENDIX:

Appendix A: Breaches Log


BACKGROUND DOCUMENTS:

None.


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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
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.	


Outcome of report and or investigations	Outstanding actions	Comments
Not reported. Only 3.36% for active and 2% for deferred members not issued. The issues are being addressed so that notifications can be sent.		

<p>Aug-20</p>	<p>Administration</p>	<p>Failure to produce 100% of Annual Benefit Statement notifications</p>	<p>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.</p>	<p>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.</p>	<p>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.</p>	
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<p>Not reported. Only 2.12% for active and 0.27% for deferred members not issued. The issues are being addressed so that notifications can be sent.</p>		
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<p>Aug-21</p>	<p>Administration</p>	<p>Failure to produce 100% of Annual Benefit Statement notifications</p>	<p>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.</p>	<p>The team managed to issue 99.94% of annual benefit statements.</p>	<p>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.</p>	
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<p>Not reported. Officers will continue to attempt to resolve any outstanding issues so that the remaining notifications can be sent.</p>		
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<p>Jan-21</p>	<p>Administration</p>	<p>Failure to inform 100% of scheme members of their calculated benefits (refund or deferred) – backlog cases</p>	<p>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.</p>	<p>Historical backlog is impacting performance. Hymans Robertson have been engaged to provide administration services to clear this backlog,</p>	<p>The issue has been identified and action taken to rectify it. Outsourcing the historical backlog provides greater administrative capacity , mitigting the risk of recurrence. This has therefore been judged as not necessary to report to the Pensions Regulator.</p>	
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Not reported to The Pensions Regulator.		
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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). Number of cases as at 30 April is 356. The average net refund value per case is £333.74	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)	
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N/A		https://www.lgpslibrary.org/assets/minutes/TG20180928.pdf
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<p>Oct-21</p>	<p>Administration</p>	<p>Failure to publish Committee and Board meeting Minutes</p>	<p>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.</p>	<p>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.</p>	<p>Officers have designated the breach as amber in line with TPR guidance. Whilst there is an impact on the administration of the Fund, action has been taken to resolve the issue. The Monitoring Officer has advised that the matter should be reported to the TPR which has been done by the Chairs of the Board and Committee.</p>	
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<p>A Report prepared by democratic services on minutes was considered by the Pension Committee at their meeting on 3/12/2021. Members decided they wanted external provision for producing Fund minutes to be provided. The Head of Pensions and Treasury has secured a provider through the Framework. Democratic Services provided the minutes for the meeting of 14/9/2021 for the 3/12/2021 Committee meetings and the 21/7/2021, 14/10/2021, 3/11/2021 and 13/1/2022 Board meetings.</p>		<p>Burges Salmon have been appointed to provide legal comment for the Committee reports and produce minutes for the Committee and Board commencing with the Committee meeting of 13 April 2022.</p>
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Sep-21	Finance	Failure of the Fund to publish 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 report and accounts were prepared but the accounts had not been signed off by Audit. It was decided to present both documents to the Committee to consider.	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 had 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 Annual Report and Accounts have now been published on the website.	
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<p>A report on the Annual report and Fund Accounts 2019/20 was considered by the Pensions Committee in their meeting on 3 December 2021. Both documents have been published on the website.</p>	<p>The Fund Accounts form part of the Council Accounts and cannot be signed off separately. The Head of Pensions will continue to liaise with Audit on progress on signing off the Council accounts.</p>	
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Croydon Council

REPORT TO:	Pension Committee 14 June 2022
SUBJECT:	Pension Fund Budget Review
LEAD OFFICER:	Matthew Hallett – Acting Head of Pensions and Treasury
CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management: This report recommends that the Pension Committee adopts a Business Plan for the management of the Fund	
FINANCIAL SUMMARY: There are no direct financial implications associated with this report but it should assist in the efficient management of the Fund which could have an impact on the General Fund of the Council.	

1. **RECOMMENDATION**

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

2. **EXECUTIVE SUMMARY**

- 2.1 This report asks the Committee to note the Pension Fund revenue budget for 2022/23 and the two subsequent years together with the draft accounts for 2020/21 and the forecast accounts for 2021/22.

3 **DETAIL**

- 3.1 To comply with best governance practice the Committee should consider the revenue budgets of the Fund for the current and subsequent three years. The component elements are set by regulations and the Council's policies as an administering authority of the Local Government Pension Scheme.

3.2 Table 1 summarises the items of income and expenditure for the Pension Fund with the categories as laid out in the Fund Annual Accounts

Table 1: Income and Expenditure Relating to the Pension Fund

	2020/21 Actual	2021/22 Forecast Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
	£'000	£'000	£'000	£'000	£'000
Contributions receivable employees -	14,743	15,000	15,000	15,000	15,000
Contributions receivable employers -	54,313	50,000	51,000	52,000	53,000
Individual transfers in from other funds	8,002	7,000	7,000	7,000	7,000
Bulk transfers in from other funds		18,500			
Benefits payable	-47,837	-51,000	-54,000	-56,000	-58,000
Individual transfers out to other funds	-6,839	-10,000	-8,000	-8,000	-8,000
Commutations, refunds and lump sum retirement and death benefits	-9,566	-10,000	-10,000	-10,000	-10,000
Investment income	7,309	8,000	8,500	9,000	9,500
Management expenses*	-14,561	-17,230	-18,195	-18,970	-19,880
Net surplus / deficit (-)	5,564	10,270	-8,695	-9,970	-11,380

*Details in Table 2 below

3.3 Table 2 provides details of Management Expenses, effectively the revenue budget of the Committee and its officers. Estimates for 2023/24 and 2024/25 assume delivery of the same level of service as in 2022/23.

Table 2: Management Expenses

	2020/21 Actual	2021/22 Forecast Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
	£'000	£'000	£'000	£'000	£'000
Administration					
System fees	391	410	430	450	475
Staff costs	724	740	780	830	880
Payroll administration	230	235	240	245	250
Other (net)	23	25	25	25	25
Total	1,368	1,410	1,475	1,550	1,630
Oversight and Governance					
Staff costs	501	510	530	560	590
Actuarial costs (net)	130	130	250	150	150
External audit fees	25	25	25	25	25
Memberships	8	10	10	10	10
Investment and governance advice	111	120	150	120	120
Legal advice	70	70	50	50	50
Rebate	-27				
Total	818	865	1,015	915	945
Investment Management					
Management fees	12,270	14,850	15,600	16,400	17,200
Custodian fees	105	105	105	105	105
Total	12,375	14,955	15,705	16,505	17,305
TOTAL	14,561	17,230	18,195	18,970	19,880

3.4 Table 3 provides details of the fund management fees paid to the various investment managers and the London CIV in 2020/21 in accordance with the respective management agreements.

Table 3: Fund Management Fees 2020/21

Fund Manager	Direct fees	Indirect fees (incl transaction costs)	TOTAL
	£'000	£'000	£'000
Equities			
LGIM (Counts towards CIV allocation)	396	254	650
RBC (CIV)		456	456
Total	396	710	1,106
Fixed Interest			
Aberdeen	-60	896	836
Wellington	-12	455	443
PIMCO (CIV)		200	200
Total	-72	1,551	1,479
Property			
Schroders	367	11	378
M & G	-63	637	574
Total	304	648	952
Private Equity			
Pantheon	-18	3,514	3,496
Knightsbridge		1,294	1,294
Access		344	344
North Sea Capital		107	107
Total	-18	5,259	5,241
Infrastructure			
Equitix		1,231	1,231
Temporis		695	695
GIGM		269	269
Access	-3	248	245
I Squared		906	906
Total	-3	3,349	3,346
CIV shared costs	146		146
Custody	105		105
TOTAL	858	11,517	12,375

3.5 In 2022/23 the Fund has budget provision for the following staffing resources available to deliver its plans.

	FTE	Vacancies
Head of Treasury and Pensions	1	
Pensions Manager	1	
Investment and Accounting	3.72	3
Administration	13.78	
Governance & Compliance	3	1
Technical Support	2	
TOTAL	24.50	4

3.6 The Committee are invited to note the contents of this report and comment as they see fit.

4. CONSULTATION

4.1 Officers have carried out the budget review with regard to the recommendations of the governance review carried out by AON, the Fund's governance advisor.

5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

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

Approved by: Matt Davis, Interim Director of Finance on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

6. LEGAL CONSIDERATIONS

6.1 Burges Salmon LLP (a legal advisor appointed to the Pension Fund) comments that there are no direct legal implications arising from the content of this report and that the preparation of a budget, and the review of the budget, is an objective within the business plan for the Fund

7. HUMAN RESOURCES IMPACT

7.1 There are no direct workforce impacts arising from this report, but the pension scheme is an important staff benefit for recruitment and retention.

Approved by: Gillian Bevan, Head of Human Resources on behalf of Dean Shoesmith, Chief People Officer

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.

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

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

CONTACT OFFICER:

Matthew Hallett – Acting Head of Pensions and Treasury

BACKGROUND DOCUMENTS:

None.

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Croydon Council

REPORT TO:	Pension Committee 14 June 2022
SUBJECT:	Pension Fund Medium Term Business Plan 2022/25
LEAD OFFICER:	Matthew Hallett - Acting Head of Pensions and Treasury
CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management: This report recommends that the Pension Committee adopts a Business Plan for the management of the Fund	
FINANCIAL SUMMARY: There are no direct financial implications associated with this report but it should assist in the efficient management of the Fund which could have an impact on the General Fund of the Council.	

1. **RECOMMENDATION**

- 1.1 The Committee are asked to comment on and agree to the recommended Medium Term Business Plan 2022/25.

2. **EXECUTIVE SUMMARY**

- 2.1 This report presents to the Committee a draft Business Plan for the Fund for financial years 2022/23 to 2024/25 attached as Appendix A. It invites their comments and requests their agreement to the Plan.

3 **DETAIL**

- 3.1. At their meeting on 15 September 2020 the Committee considered guidance from The Pensions Regulator and CIPFA, as highlighted by Aon in their Governance Review of the Fund, recommending that “a medium term business plan should be created for the pension fund.” They agreed to note the draft “Medium Term Business Plan 2020-2023” as presented to them.
- 3.2 On 25 May 2021 the Committee agreed to note a draft Medium Term Business Plan 2021-24.
- 3.3 Attached as Appendix A is a draft Medium Term Business Plan 2022-25 based on the two earlier versions but with the following significant additions:

PEN 14062022

- Further implementation of agreed recommendations from the various iterations of the Aon Governance Review;
- Future developments likely to have a significant impact on the Fund and its resource requirements;
- Separation of “routine duties” from the “project based” work programme;
- Priorities and improvements to be implemented;
- Further “Administration” objectives; and
- Additional resource information.

3.4 The Committee are invited to comment on and, subject to any amendments they wish to make, agree the attached draft Medium Term Business Plan 2022-25

4. CONSULTATION

4.1 Officers have prepared the Business Plan with regard to the recommendations of the governance review carried out by AON, the Fund’s governance advisor.

5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

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

Approved by: Matt Davis, Interim Director of Finance on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

6. LEGAL CONSIDERATIONS

6.1. Burges Salmon LLP (a legal advisor appointed to the Pension Fund) comments that there are no direct legal implications arising from the recommendations within this report and that the preparation of a business plan is consistent with regulatory guidance published by the Pensions Regulator.

7. HUMAN RESOURCES IMPACT

7.1 There are no direct workforce impacts arising from this report, but the pension scheme is an important staff benefit for recruitment and retention.

Approved by: Gillian Bevan, Head of Human Resources on behalf of Dean Shoemith, Chief People Officer

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.

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

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

CONTACT OFFICER:

Matthew Hallett - Acting Head of Pensions and Treasury

BACKGROUND DOCUMENTS:

None.

APPENDIX

Appendix A: Medium Term Business Plan 2022-25

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CROYDON PENSION FUND

Medium Term Business Plan 2022-25

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

Approved by Pension Committee on 14 June 2022 (to be reviewed in March 2023)

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1 INTRODUCTION

2 PURPOSE OF THE BUSINESS PLAN

3 GOVERNANCE AND MANAGEMENT

4 AIMS AND OBJECTIVES

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6 REVIEW OF 2021/22

7 WORK PROGRAMME

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11 TRAINING AND DEVELOPMENT

12 KEY POLICY DOCUMENTS

1. INTRODUCTION

- 1.1 The London Borough of Croydon (the Council) is the Administering Authority for 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, priorities and improvements to be implemented over the medium term. It includes a review of important developments during 2021/22, the work plan of the Committee, the Board and officers for 2022/23 – 2024/25 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 2024/25.
- 2.3 The Plan enables progress and performance to be monitored in relation to priorities and 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

In its role as administering authority the Council has a fiduciary duty to the employers and members of the Fund and must not compromise this with its own particular interests.

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

3.3 The Pension Fund Team is managed by the Head of Pensions and Treasury who is supported by two sections. The Administration Section is headed by the Pensions Manager and is responsible for the day to day administration of pension benefits and the overall governance of the Fund. The Pension Investment Section is headed by the Pension Fund Investment Manager and is responsible for investment, accounting and governance matters including the production of the Annual Report and Accounts, the managing of the fund managers and overseeing the investments made through the London Collective Investment Vehicle (London CIV).

3.4 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 to:

- 1. 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.*

3.5 Further to the LGPS investment regulations (and connected statutory guidance) the Fund, along with all other London borough funds, is a member of the London 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.

3.6 At the request of the Pension Board, in 2015, the Fund commissioned a Governance Review from its independent Governance Adviser, Aon. During the spring and summer of 2016 the Board and Committee considered the Review and accepted Aon's recommendations. The Board agreed an action plan to plot progress in their implementation. In 2019 Aon were invited to carry out a further Review to assess progress against their earlier recommendations. The Review and associated action plan were considered by the Board and Committee during late 2019 and the early part of 2020 and again in 2021. The implementation of the various recommendations plays a significant part in the work plan for 2022/23 and subsequent years.

3.7 Of the original Aon recommendations as agreed by the Committee, only a few remain outstanding as follows:

- Comply further with the CIPFA Guidance on the preparation of the Fund Annual Report;
- Prepare a Data Improvement Plan;
- Review of governance structure;;
- Further develop Fund website; including information on Committee and Board membership;
- Prepare a Record Management Policy;
- Prepare a Conflicts of Interest Policy for the Fund – working is currently in progress on this:
 - Prepare a Mandatory Discretions Policy – a policy has been drafted and this is being presented to the Committee for consideration at their meeting of 14 June 2022..

Progress on all these matters will be made during 2022/23.

3.8 A further Governance Review was commissioned by the Board, carried out by Aon and reported in August 2021. This made various recommendations which were reported to the Board and Committee.

On 3 December 2021 the Committee agreed the following additional recommendations:

- To create a Head of the Pension Fund position, accountable directly to the Pension Committee and the S151 officer for all aspects of the Fund including governance, investment and pensions administration;
- To appoint non-Council employer representatives to the Pension Committee;
- To create an explicit policy on voting rights at the Committee that shall include enfranchising the second pensioner representative and trade union representative whilst seeking advice on the merits/demerits of increasing the number of Council members on the Committee so as to broaden experience of the Fund's activity across the Council; the Committee requested the Council settle this matter by April 2022.
- That the Committee be provided with external advice by March 2022 on creating an appropriate governance structure which distances the Fund from the Authority including consideration of the South Yorkshire Pension Fund model;
- That the Committee seeks an urgent external review of service delivery with respect to the pensions services team with suggestions of how to progress enhancement of service delivery to be enacted by March 2022;
- That the following recommendations from the Aon report be progressed with the following deadlines including:
 - Reports to Committee to be provided by March 2022 on the budget of the administration and management of the Fund and impact in

changes of resources and the impact of increases in workload as well as considering succession planning;

- That the Chair of the Local Board write to the Chief Whips of current party groups to draw attention to the report's concerns about lack of continuity on the Committee and the Council representatives on the Board and that the outgoing Chair write in similar vein after the May 2022 municipal elections;
- That the Committee recommends that the Council looks at appointing members to the Committee and the Board for a period of 4 years within the electoral cycle;
- That any new Committee members will be given timely induction training to ensure they can constructively contribute to the management of the Fund as soon as possible, and that such induction training requirements, subject to Monitoring Officer advice on the legality of such obligations are clearly set out in the Fund's policy and that this is explained and facilitated for all new members on joining the Committee or Board;
- Note that the Chair of the Committee shall be the representative on the LCIV Stakeholder Board and will now report back on a regular basis with information from the CIV;
- The CIV relationship structures (in line with Aon's 2019 report) shall be proposed for inclusion in the Council's Constitution, a report being expected by the Committee on this matter by March 2022;
- As proposed in the Aon report, an investigation be made for the reasons for late papers coming to the Committee and Board and a report to be made to Committee by March 2022 on the processes that lead to papers being produced, their efficacy and legality, including the role of pre-agenda meetings;
- That an external provider in LGPS matters is procured to draft a Conflict of Interests Policy for the Committee and the Board to be agreed by the Committee by March 2022;
- That the Committee will carry out a check on how the Fund complies with the recommendations of the Good Governance Review and where work will be required to ensure compliance by March 2023;
- That the Committee is provided with an evaluation against the new TPR Code requirements in due course and will address areas of partial compliance and non-compliance in a timely manner;
- That the Committee will require a report on the updated CIPFA Code of Practice and Framework for Officers, and Committee and action taken to address;
- Breaches of the law policy to be updated by September 2022
- That the Committee receive a report on compliance with the Aon report on publication of the Funds policies and documents by September 2023; and

- That the Committee are concerned to learn that “officers are being required to address Council business which is impacting on their ability to address Fund activity”
- That the Committee ask that summons to meetings be made in a timely fashion and that hard copies of papers be provided in a convenient fashion to those who request them (accepting that the cost of this will be charged to the Fund)
 - Where services are provided by the Council, including the provision of payroll and meeting support services, to put in place service level agreements covering delivery times, volumes and price.
 - To compile a 3-year financial plan covering admin, fund management and other overhead costs;
 - To review the operation of procurement and recruitment for the Fund;
 - That the administering authority should proactively consider the use of third party suppliers to increase the resources available to the Fund;
 - That the Fund Annual Report and Accounts be reported to the Pension Committee prior to being reported to the General Purposes and Audit Committee;
 - To include all negative and neutral rated items in the latest Aon report into an updated governance review action plan;
 - That a small annual allowance should be paid to Pension Board members to reflect the increasingly onerous skills and training requirements; and.
 - Consider the progress already achieved against the original governance review actions and the new governance review actions at every alternate meeting of the Committee.

3.9 The Good Governance Review carried out by Hymans Robertson for the LGPS Scheme Advisory Board recommends that each administering authority must undergo a biennial independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified.

4. AIMS AND OBJECTIVES

4.1 The primary objective of the Fund is to provide for members’ pension and lump sum benefits on their retirement or for their dependents’ benefits on death, before or after retirement on a defined benefits basis, in accordance with the Local Government Pension Scheme Regulations 2013 (as amended) and other applicable legislation (the LGPS Regulations).

4.2 As set out in the Funding Strategy Statement agreed in March 2020 and revised in May 2021:

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 required by 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.

4.3 The key administration objectives of the Fund are to optimise performance in respect of:

- Providing all active and deferred members with annual benefits statements each year;
- Advising new Scheme members of their entry into the Scheme;
- Advising members of their calculated benefits;
- Administering transfer in and transfer out of members as required;

- Providing details of retirement benefits on request; and
- Notifying dependents of death benefits.

5. STATISTICS

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

- Assets of the Fund were £1,538m 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;
- 10,044 members were contributing to the Fund;
- 11,532 former employees had their benefits deferred;
- 8,523 members were in receipt of a pension;
- Benefit payments in the previous year totalled £57.2m;
- Contributions from members in the previous year were £14.8m; and
- Contributions from employers in the previous year totalled £54.3m.

5.2 As at 31 March 2022 the statistics are expected to be largely similar with small percentage increases in the value of the Fund and in the expenditure and income arising from benefit payments and contributions respectively.

6 REVIEW OF 2021/22

6.1 As reported in the Business Plan considered by the Committee in May 2021, once again, at the time of writing the overall impact of the Coronavirus crisis on the Fund is unclear and may never be fully understood. However, only one of the four meetings of the Committee scheduled for the year had to be cancelled and all four of the scheduled Board meetings have been held. The auditors have not yet completed their reviews of either the 2019/20 or the 2020/21 Statements of Accounts.

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, the Risk Register and the Breaches of the Law log.

Specific projects included:

- Funding Strategy Statement update;
- Reconsideration of property transfer proposal;
- Government Actuary's Department Review of 2019 Actuarial Valuation;
- Environmental, Social and Governance Policy;
- Independent Governance Review;
- Employer Contribution Review;
- Governance Consulting Contract; and
- London CIV – Compliance with pooling requirements

7. WORK PROGRAMME

7.1 The work programme for Members, officers and advisers can be separated between routine day to day duties and less frequent one-off tasks. Paragraph 7.2 provides details of the former, largely the responsibility of officers, and Paragraph 7.3 details of the latter. Each of these is split into the following categories - "Governance," "Funding," "Investments" and "Administration."

7.2 Routine duties

Governance

- Support the Pension Committee and Pension Board;
- Implement the Governance Action Plan;
- Prepare and publish the Fund's Annual Report and Accounts;
- Assist in the preparation of the Pension Board Annual Report;
- Monitor the Fund's revenue budget;
- Monitor achievement of the Fund's Business Plan;
- Carry out routine accountancy duties including cash flow and treasury management, monitoring of income and expenditure and preparing statutory and non-statutory returns;
- Create, maintain, review and implement various governance policies including Training Policy, Risk Management Policy, Breaches of the Law Policy and relevant codes of practice;
- Prepare reports for Committee and Board;
- Create and implement a training plan for the Committee and Board;
- Answer audit and Freedom of Information Act queries;
- Complete the annual "The Pensions Regulator" return;
- Make arrangements for bulk transfers, process academy conversions, and new scheduled and admitted bodies;
- Organise and facilitate Employers Forum, other communications and advice and other relevant relationships;
- Monitor and report on contributions;
- Facilitate arrangements for the appointment of non-Councillor representatives on the Pension Committee and Pension Board;
- Deal with invoicing and payments to and from the Fund;
- Facilitate employers joining and leaving the Scheme, including arranging valuations and admission agreements (including bond and guarantee agreements); and
- Monitoring employer covenants.

Funding

- Agree funding strategy with actuary;
- Consult with employers as appropriate;
- Assist the actuary by providing data as required;
- Provide data to Government Actuary's Department as required; and
- Monitor employers' covenants as required;

Investments

- Monitor investment performance and produce quarterly review reports for Committee;
- Appoint, monitor and dismiss fund managers as appropriate;
- Monitor the Fund's investment risk management framework;
- Work with all other London boroughs as a member of the London CIV;
- Meet investment managers in rotation;
- Implement Scheme Advisory Board Code of Transparency and analysis of investment costs; and
- Engage with fund managers on their approach to responsible investment.

Administration

- Provide information to Scheme members and their beneficiaries as they join, leave or change their status in the Fund;
- Calculate and notify entitlements to retirement, leaving and death benefits;
- Process individual transfers into and out of the Fund;
- Provide ad hoc information to members, their representatives or their beneficiaries;
- Maintain accurate scheme member records;
- Provide data for employers under FRS102;
- Administer pension increase;
- Issue Annual Benefit Statements;
- Develop information technology efficiencies;
- Maintain and operate auto-enrolment arrangements;
- Maintain and publicise members self-service facilities;
- Maintain the Fund's Internal Dispute Resolution Procedure; and
- Advise members on annual allowance.

7.3 The more “project” based work programme for Members, officers and advisers envisaged over the next three years will be along the following lines.

	2022/23	2023/24	2024/25
Governance			
Review implementation of Governance Action Plan	Ongoing	Ongoing	Ongoing
Review Business Plan	June	March	March
Review Governance Policy and Compliance Statement		June	
Review Governance Best Practice Compliance Statement	June	June	June
Review Communications Policy	September		
Review Administration Strategy	September		
Review Internal Disputes Resolution Procedure	January to March		
Review Conflicts of Interest Policy	September		
Review Breaches of the Law Policy / Procedure	September		
Review Administering Authority Discretionary Policy	June		March
Review Risk Management Policy and Strategy	March		
Review Knowledge and Skills/ Training Policy	April		

Review budget including CIV costs	June	March	March
Review CIV relationship structures	September		
Review Fund Actuary contract		April to June	
Review Governance Consultancy contract		March	
Review Actuarial Services contract	September		
Review Custodial Services contract	September		
Review Investment Adviser Contract	March		May
Monitor performance of Investment Adviser against agreed strategic objectives	Ongoing	Ongoing	Ongoing
Respond to legislative changes	As required	As required	As required
Scheme Advisory Board Good Governance Review	March		
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			As required
Investments			
Review Investment Strategy Statement	March		

Review Pensions Enquiry Service contract	December		
Carry out asset allocation review and investigate new investment vehicles	Ongoing	Ongoing	Ongoing
Develop Environmental, Social and Governance investment policy	Ongoing	Ongoing	Ongoing
Comply with “pooling” requirements	Ongoing	Ongoing	Ongoing
Review savings achieved by CIV	September	July	July
Administration			
Triennial valuation – consultation with and results to employers	May to February		
Review Employer (admission/cessation/bulk transfer) Policy			December
Implement implications of McCloud judgement	As required	As required	As required
Review Record Management Policy	September		
Review Business Continuity Plan	June	April	
Review Committee administration	September		
Monitor Key Performance Indicators	Ongoing	Ongoing	Ongoing
Produce Data Improvement Plan	December		
Focus on information technology efficiencies	Ongoing	Ongoing	Ongoing
Review any service areas failing to meet agreed performance standards	As required	As required	As required
Review staffing structure to respond to increasing demands	As required	As required	As required
Recruitment and Retention Policy	September		
Roll-out of I-connect project	Ongoing		

Develop use of Employer Relationship Management software	Ongoing		
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7.4 Progress on relevant parts of the Programme will be regularly reported to meetings of the Committee and Board.

7.5 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 2021 the Fund had £1,748.6m 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 31 December 2021	Actual Allocation	Strategic Allocation
		£m	%	%
Equities				
LGIM	Counts towards allocation	721.7		
RBC	Yes	92.9		
Total		814.6	46.6	42.0
Fixed Interest				
Aberdeen		139.6		
Wellington		71.6		
PIMCO	Yes	94.5		
Total		305.7	17.5	23.0
Property				
Schroders		148.2		
M & G		63.3		
Total		211.5	12.1	16.0
Private Equity				
Pantheon		73.3		
Knightsbridge		65.3		
Access		22.8		

North Sea Capital		15.1		
Total		176.5	10.1	8.0
Infrastructure				
Equitix		75.2		
Temporis		57.8		
GIGM		22.1		
Access		29.7		
I Squared		23.7		
Total		208.5	11.9	10.0
Cash		31.8	1.8	1.0
TOTAL		1,748.6	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 figures in respect of "Contributions receivable" are based on current assumptions and are likely to change when the results of the latest triennial valuation are received.

	2020/21 Actual	2021/22 Forecast Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
	£'000	£'000	£'000	£'000	£'000
Contributions receivable	69,056	65,000	66,000	67,000	68,000
Benefits payable	-47,837	-51,000	-54,000	-56,000	-58,000
Management expenses*	-14,561	-17,230	-18,195	-18,970	-19,880
Investment income	7,309	8,000	8,500	9,000	9,500
Net income (-)	13,967	4,770	2,305	1,030	-380

*See table in paragraph 10.1 below

There are several items within the Fund Accounts which have a significant impact on the financial status of the Fund but which cannot be estimated with confidence. As an indication, these are detailed below for the years 2020/21 and 2021/22.

	2020/21 Actual	2021/22 Forecast Actual

	£'000	£'000
Individual transfers in from other funds	8,002	7,000
Bulk transfers in		18,500
Individual transfers out to other funds	-7,031	-10,000
Commutations, refunds and lump sum retirement and death benefits	-9,374	-10,000

10. RESOURCES

Finance

10.1 The following table provides actuals and estimates of the Fund Management Expenses over the five years from 2020/21. Apart from payroll all management services are carried out in-house by Council staff

	2020/21 Actual	2021/22 Forecast Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
	£'000	£'000	£'000	£'000	£'000
Administration					
System fees	391	410	430	450	475
Staff costs	724	740	780	830	880
Payroll administration	230	235	240	245	250
Other (net)	23	25	25	25	25
Total	1,368	1,410	1,475	1,550	1,630
Oversight and Governance					
Staff costs	501	510	530	560	590
Actuarial costs (net)	130	130	250	150	150
External audit fees	25	25	25	25	25
Memberships	8	10	10	10	10
Investment and governance advice	111	120	150	120	120
Legal advice	70	70	50	50	50
Rebate	-27				
Total	818	865	1,015	915	945
Investment Management					
Management fees	12,270	14,850	15,600	16,400	17,200
Custodian fees	105	105	105	105	105

Total	12,375	14,955	15,705	16,505	17,305
TOTAL	14,561	17,230	18,195	18,970	19,880

Staff

10.2 In 2022/23 the Fund has budget for the following staffing resource available to deliver the Plan

	FTE	Vacancies
Head of Treasury and Pensions	1	
Pensions Manager	1	
Investment and Accounting	3.72	3
Administration	13.78	
Governance & Compliance	3	1
Technical Support	2	
TOTAL	24.50	4

10.3 There are currently a number of developing issues each having or likely to have a significant impact on the management of the Scheme including:

- The departure of two senior managers;
- Implications of the McCloud judgement;
- Exit cap changes;
- Scheme Advisory Board Good Governance Review; and
- The Pensions Regulator's new Code of Practice.
- CIPFA Knowledge and Skills Framework
- Goodwin Case
- Covid Impact
- Section 114 impact
- Severance / Redundancy exercises
- Service Level Agreements and/or external provision for services to the Fund (eg Democratic Services and Legal Services)

During the year both the staffing structure and numbers will be reviewed to ensure that the Fund is able to cope with the increasing demands being placed upon it.

10.4 Arrangements for staff recruitment and retention, succession planning, procurement and the provision of specialist services will also be reviewed.

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

- 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 a range of opportunities to develop their skills in keeping with the Framework. These include, but are not limited to, on-line programmes provided by Hymans Robertson, induction training 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:

- Administration Strategy
- Annual Report and Accounts
- Breaches of the Law Policy
- Business Plan
- Communications Policy Statement
- Conflicts of Interest Policy (Board) – being adapted for Fund-wide application
- Discretions Policy
- Employer (admission / cessation / bulk transfer Policy
- Forward Plan
- Funding Strategy Statement

- Governance Policy and Compliance Statement
- Internal Disputes Resolution Procedure
- Investment Strategy Statement
- Knowledge and Skills Policy
- Risk Management Strategy
- Triennial Valuation Report

Croydon Council

REPORT TO:	Pension Committee 14 June 2022
SUBJECT:	Administering Authority Mandatory Discretions
LEAD OFFICER:	Matthew Hallett - Acting Head of Pensions and Treasury
CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON: Sound Financial Management: This report details the review of the Administering Authority's mandatory discretions to meet the requirements of the LGPS regulations.	
FINANCIAL IMPACT Failure to comply with regulations requirements could lead to mismanagement of the fund.	

1 RECOMMENDATION

The Committee is asked to:

- 1.1 Note the review of the existing polies and approve the suggested changes ready for consultation with scheme employers.

2 EXECUTIVE SUMMARY

- 2.1 Following the recommendation of the Governance Review commissioned by the Local Pension Board a review of the Administering Authority's mandatory discretions agreed on the 08 July 2014 has been carried out.

3 DETAIL

- 3.1 Regulation 60 of the Local Government Pension Scheme (LGPS) Regulations 2013 require Croydon Council, as an Administering Authority of the LGPS to formulate, publish and keep under review a policy in relation to the exercise of its functions under the LGPS where it may exercise its discretion.
- 3.2 The mandatory discretions are contained in the Local Government Pension Scheme Regulations 1995; The Local Government Pension Scheme Regulations 1997; the Local Government Pension Scheme (Transitional Provisions) Regulations 1997; the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007; the Local Government Pension Scheme (Administration) Regulations 2008; the Local Government Pension Scheme (Transitional Provisions) Regulations 2008; the Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.

- 3.3 A list of the discretions that the Administering Authority exercises, or chooses not to exercise is shown in Appendix A.
- 3.4 The following discretion is brought to your attention as it has been considerably changed following review
- 3.5 Abatement
- 3.6 Abatement is the process of reducing or suspending a LGPS pension when an individual re-enters local government employment (excluding agency workers). If the annual salary of the new employment plus the pension exceeds the annual salary for the retired employment then the pension is reduced or suspended. The abatement continues for the duration of the second employment or until there is a contractual change altering the annual salary such as a change in working hours.
- 3.7 Abatement was compulsory until 01 April 1998 when it became discretionary. In 2014 abatement was removed from the regulations for service accrued post 31 March 2014. Abatement for final salary membership remains as a discretion.
- 3.8 Croydon's current policy is to abate a final salary pension where there has been a cost to the employer to put the original pension into payment. This covers cases of redundancy, efficiency and ill health.
- 3.9 The new policy looks to remove abatement in all cases.
- 3.10 A change in policy will bring greater efficiency to the pension administration team as well as fairness for the members.
- 3.11 Abatement cases are identified following notification from the pensioner, the new LGPS fund or occasionally through the National Fraud Initiative (NFI).
- 3.12 Late notification can lead to pensions being overpaid and the need for repayment plans to be arranged with individual pensioners. This can lead to increased time spent by the pension and payroll teams dealing with cases and potential complaints.
- 3.13 There are a very small number of pensions currently abated. The team have responded to many more requests from pensioners asking how much they could earn before abatement applies. The removal of abatement would remove the need to carry out unnecessary calculations.
- 3.14 The cost of administering abatement and calculating potential cases far outweighs the savings made from abated pensions.
- 3.15 Removing abatement for final salary membership would bring the policy in line with current regulations. Anyone with only post 2014 membership is not subject to abatement and is free to return to any local government employment without penalty.

- 3.16 The pandemic highlighted the need to allow former skilled employees to return to local government employment if needed. On a national level a request was made for administering authorities to temporarily suspend abatement policies to allow former front-line staff to return to work.
- 3.17 The removal of abatement would allow greater flexibility for employers in recruitment and may help reduce dependence on agency workers who are not subject to abatement policies.
- 3.18 All pensions subject to abatement will be reinstated, in full, from the 01 August 2022.
- 3.19 There is a possibility some older cases have not been picked up by our reporting. Targeted communications will be issued to pensioners who could have been affected by abatement advising them of the change and asking them to contact us if they believe their pension was subject to abatement.
- 3.20 Other discretions have been reworded to allow greater flexibility, discretion and clarity on decision making for the administering authority in exceptional circumstance.

4 CONSULTATION

- 4.1 If the changes are approved a statement will be published within one month of the date of the determination issued

5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

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

Approved by: Matt Davis, Interim Director of Finance on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

6. LEGAL CONSIDERATIONS

- 6.1. Burges Salmon LLP (a legal advisor appointed to the Pension Fund) comments that there are no direct legal implications arising from the recommendations within this report, noting that any existing policies regarding abatement should be updated consistently with any agreed change in policy (this being the purpose of updating the policy at Appendix A). This policy must be kept under review.

7. HUMAN RESOURCES IMPACT

- 7.1 There are no direct workforce impacts arising from this report, but the pension scheme is an important staff benefit for recruitment and retention.

Approved by: Gillian Bevan, Head of Human Resources on behalf of Dean

Shoesmith, Chief People Officer

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.

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

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

CONTACT OFFICER:

Matthew Hallett - Acting Head of Pensions and Treasury

BACKGROUND DOCUMENTS:

None.

APPENDIX

Appendix A: Mandatory Administering Authority Discretions

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Policy Statement Mandatory Administering Authority Discretions London Borough of Croydon

Croydon Council Pension Fund acting as administering authority in relation to abatement of pension, Governance and Compliance Statement, Funding Strategy Statement and Communications Policy and pursuant to regulation 60 (1) of the Local Government Pension Scheme Regulations 2013 where it exercises functions where a former employer has ceased to be a scheme employer, has adopted these Policy Statements in relation to all relevant employees who are current, former (or eligible to be) members of the Local Government Pension Scheme for each section as shown in the table. For the avoidance of any doubt these Policy Statements do not apply to councillor members of the LGPS or to teachers who are members of the Teachers' Pension Scheme.

It should be noted that that none of the following discretionary powers is a contractual benefit or entitlement but instead decisions are made at the sole discretion of the Pension Fund within its current published policies which may be reviewed and amended at any time by the Pension Fund, again at its sole discretion.

This Policy statement is effective from -----
To be reviewed -----

Section 1. Administering Authority Mandatory Discretions (Croydon Council) in relation to post 31.3.14 active members (excluding councillor members) and post 31.3.14 leavers (excluding councillor members), being discretions under:

The Local Government Pension Scheme Regulations 2013 [Prefix R]

The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 [Prefix TP]

The Local Government Pension Scheme (Administration) Regulations 2008 [Prefix A]

The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 [Prefix B]

Discretions relating to employers which are no longer Scheme employers				
Number	Type	Regulation	Description	Policy
2	Waive Reduction	<i>R30(8)</i>	Whether to waive, in whole or in part, actuarial reduction on benefits which a member voluntarily draws before normal pension age other than on the grounds of flexible retirement (where the member only has post 31 March 2014 membership).	The administering authority will not waive any actuarial reduction on benefits paid which a member voluntarily draws before normal pension age.
3	Waive Reduction	<i>R30(8)</i>	Whether to waive, in whole or in part, actuarial reduction on benefits paid on flexible retirement.	The administering authority will not waive any actuarial reduction on benefits paid on flexible retirement.
4	Waive Reduction	<i>TP3(1), TpSch2 para 2(1), B30(5) and B30A(5)</i>	Whether to waive, in whole or in part, actuarial reduction on benefits which a member voluntarily draws before normal pension age other than on the grounds of flexible retirement (where the member only has post 31 March 2014 membership): a) on compassionate grounds (pre 1 April 2014 membership) and in whole or in part on any grounds (post 31 March 2014 membership) if the member was not in the Scheme before 1 October 2006, b) on compassionate grounds (pre 1 April 2014 membership) and in whole or in part on any grounds (post 31 March 2014 membership) if the member was in the Scheme before 1 October 2006, will not be 60 by 31 March 2016 and will not attain 60 between 1 April 2016 and 31 March 2020 inclusive, c) on compassionate grounds (pre 1 April 2016 membership) and in whole or	<p>The administering authority resolves to consider waiving actuarial reductions for members with compelling compassionate reasons on a case by case basis.</p> <p>The Head of Pensions in consultation with the Corporate Director Resources (S151 & Deputy Chief Executive Officer) would consider any applications under this discretion.</p>

			in part on any grounds (post 31 March 2016 membership) if the member was in the Scheme before 1 October 2006 and will be 60 by 31 March 2016, d) on compassionate grounds (pre 1 April 2020 membership) and in whole or in part on any grounds (post 31 March 2020 membership) if the member was in the Scheme before 1 October 2006, will not be 60 by 31 March 2016 and will attain 60 between 1 April 2016 and 31 March 2020 inclusive.	
8	Switch on 85 Year Rule	<i>TPSch2,para1(2) and 1(1)c</i>	Whether to “switch on” the 85 year rule for a member voluntarily drawing benefits on or after age 55 and before age 60 (other than on the grounds of flexible retirement).	<p>The administering authority would resolve to adopt this discretion in exceptional circumstances only and will consider applications on a case by case basis.</p> <p>The Head of Pensions in consultation with the Corporate Director Resources (S151 & Deputy Chief Executive Officer) would consider any applications under this discretion.</p>
Other Miscellaneous Discretions				
28	Abatement	TP3(13), A70(1) & A71(4)(c)	<p>Whether, where the member has entered a new employment with a scheme employer (other than one in which they are eligible to belong to the Teacher’s Scheme), any retirement pension payable to a member from any pension fund maintained by it will</p> <p>(i) be reduced</p> <p>(ii) on what grounds</p> <p>(iii) how much it will be reduced by</p>	The administering authority resolves that it will not abate the pension in these circumstances.

Key Strategies and Policies				
42	Communications Policy	61	Communication policy must set out the policy on provision of information and publicity about the LGPS to members, representatives of members, prospective members and Scheme employers; the format, frequency and method of communications; and the promotion of the Scheme to prospective members and their employers	A separate Communications Policy Statement has been formulated and can be viewed on the Pension Fund website
43	Funding Strategy Statement	58	Decide on Funding Strategy for inclusion in Funding Strategy Statement.	A separate Funding Strategy Statement has been formulated and can be viewed on the Pension Fund website
44	Governance and Compliance Statement	55	Governance Compliance Statement must state whether the administering authority delegates its function or part of its function in relation to maintaining a pension fund to a committee, a sub-committee or an officer of the administering authority and, if they do so delegate, state: - the frequency of any committee or sub-committee meetings, - the terms, structure and operational procedures appertaining to the delegation, and - whether representatives of employing authorities or members are included and, if so, whether they have voting rights. The policy must also state: - the extent to which a delegation, or the absence of a delegation, complies with Sec of State guidance and, to the extent it does not so comply, state the reasons for not complying, and - the terms, structure and operational procedures appertaining to the local Pensions Board.	A separate Governance Compliance Policy Statement has been formulated and can be viewed on the Pension Fund website

Section 2. Administering Authority Mandatory Discretions (Croydon Council) in relation to scheme members (excluding councillor members) who ceased active membership on or after 1.4.08 and before 1.4.14, being discretions under:

The Local Government Pension Scheme Regulations 2013 [Prefix R]

The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 [Prefix TP]

The Local Government Pension Scheme (Administration) Regulations 2008 [Prefix A]

The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 [Prefix B]

Discretions relating to employers which are no longer Scheme employers				
Number	Type	Regulation	Description	Policy
5	Waive Reduction	<i>B30(5), TPSch2 para 2(1)</i>	Whether to waive, on compassionate grounds, the actuarial reduction applied to benefits paid early under B30A (pensioner member with deferred benefits).	The administering authority will not waive any actuarial reduction and pay any pension strain costs arising out of a member voluntarily drawing benefits before normal pension age.
6	Waive Reduction	<i>B30(5), TPSch2 para 2(1)</i>	Whether to waive, on compassionate grounds, the actuarial reduction applied to deferred benefits paid early under B30 (member).	<p>The administering authority will only resolve to consider waiving actuarial reductions for members with compelling compassionate reasons on a case by case basis.</p> <p>The Head of Pensions in consultation with the Corporate Director Resources (S151 & Deputy Chief Executive Officer) would consider any applications under this discretion.</p>
9	Switch on 85 Year Rule	<i>TPSch2,para1(2) and 1(1)c</i>	Whether to “switch on” the 85 year rule for a member voluntarily drawing benefits on or after age 55 and before age 60.	<p>The administering authority will only resolve to adopt this discretion in exceptional circumstances and will consider applications on a case by case basis.</p> <p>The Head of Pensions in consultation with the Corporate Director Resources (S151 & Deputy Chief Executive) would consider any applications under this discretion.</p>

10	Early Payment of Deferred Benefits	<i>TPSch 2 para 1(2) and 1(1)c</i>	Whether to “switch on” the 85 year rule for a pensioner member with deferred benefits voluntarily drawing benefits on or after age 55 and before age 60.	<p>The administering authority will only resolve to adopt this discretion in exceptional circumstances and will consider applications on a case by case basis.</p> <p>The Head of Pensions in consultation with the Corporate Director Resources (S151 & Deputy Chief Executive) would consider any applications under this discretion.</p>
Other Miscellaneous Discretions				
29	Abatement	TP3(13), A70(1) & A71(4)(c)	<p>Decide policy on abatement of pre 1 April 2014 element of pensions in payment following re-employment where the member has entered a new employment with a scheme employer (other than one in which they are eligible to belong to the Teacher’s Scheme), any retirement pension payable to a member from any pension fund maintained by it will</p> <p>(i) be reduced (ii) on what grounds (iii) how much it will be reduced by</p>	The administering authority resolves that it will not abate the pension in these circumstances.

Section 3. Administering Authority Mandatory Discretions (Croydon Council) in relation to: a) councillor members who ceased active membership on or after 1.4.98., and b) any other scheme members who ceased active membership on or after 1.4.98. and before 1.4.08, being discretions under:

The Local Government Pension Scheme Regulations 1997

The Local Government Pension Scheme Regulations 2013 [Prefix R]

The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 [Prefix TP]

The Local Government Pension Scheme (Administration) Regulations 2008 [Prefix A]

The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 [Prefix B]

Discretions relating to employers which are no longer Scheme employers				
Number	Type	Regulation	Description	Policy
7	Waive Reduction	<i>31(5) and TPSch 2 para 2(1)</i>	Waive, on compassionate grounds, the actuarial reduction applied to deferred benefits paid early.	<p>The administering authority resolves to consider waiving actuarial reductions only for members with compelling compassionate reasons on a case by case basis.</p> <p>The Head of Pensions in consultation with the Corporate Director Resources (S151 & Deputy Chief Executive Officer) would consider any applications under this discretion.</p>
11	Switch on 85 Year Rule	<i>TPSch 2 para 1(2) and 1(1)f and R60</i>	Whether to “switch on” the 85 year rule for a member with deferred benefits voluntarily drawing benefits on or after age 55 and before age 60. Note: TPSch 2, para 2(2) does not reference para 1(1)(f) so strictly speaking there is no requirement to publish a policy under this regulation or R60. However, we understand that this is simply a regulatory omission and the appropriate party should publish a policy accordingly.	<p>The administering authority resolves to adopt this discretion in exceptional circumstances only and will consider applications on a case by case basis.</p> <p>The Head of Pensions in consultation with the Corporate Director Resources (S151 & Deputy Chief Executive) would consider any applications under this discretion.</p>
Other Miscellaneous Discretions				
30	Abatement	TP3(13), A70(1) & A71(4)(c)	Whether, where the member has entered a new employment with a scheme employer (other than one in	The administering authority resolves that it will not abate the pension in these circumstances.

			<p>which they are eligible to belong to the Teacher's Scheme), any retirement pension payable to a member from any pension fund maintained by it will</p> <ul style="list-style-type: none">(i) be reduced(ii) on what grounds(iii) how much it will be reduced by	
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DRAFT

Section 4. Administering Authority Mandatory Discretions (Croydon Council) in relation to scheme members who ceased active membership before 1.4.98, being discretions under:

The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (prefix TP)

The Local Government Pension Scheme (Administration) Regulations 2008 [prefix A]

Discretions relating to employers which are no longer Scheme employers				
Number	Type	Regulation	Description	Policy
14	Early Payment of Deferred Benefits	<i>TP3(5A)(vi), TL4, L106(1) and D11(2)©</i>	Grant application for early payment of deferred benefits on or after age 50 on compassionate grounds. Although the common provisions of the 1997 Transitional provisions regulations do not specify regulation D11(2)(c), there intention was that it should apply to this regulation.	<p>The administering resolves to consider early payment of deferred benefits on or after age 50 for members with compelling compassionate reasons on a case by case basis.</p> <p>The Head of Pensions in consultation with the Corporate Director Resources (S151 & Deputy Chief Executive Officer) would consider any applications under this discretion.</p>
Other Miscellaneous Discretions				
31	Abatement	TP3(13), A70(1) & A71(4)(c)	Whether, where the member has entered a new employment with a scheme employer (other than one in which they are eligible to belong to the Teacher's Scheme), any retirement pension payable to a member from any pension fund maintained by it will (i)be reduced (ii)on what grounds (iii)how much it will be reduced by	The administering authority resolves that it will not abate the pension in these circumstances.

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Croydon Council

REPORT TO:	Pension Committee 14 June 2022
SUBJECT:	Pension Committee Forward Plan
LEAD OFFICER:	Matthew Hallett - Acting Head of Pensions and Treasury
CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON: Sound Financial Management: Ensuring that the management of the Pension Fund is given appropriate guidance and direction through the governance of the Pension Committee.	
FINANCIAL IMPACT There are no direct financial implications associated with this report. However, the implications of decisions taken by the Committee for the Revenue Account of the Council can be significant.	

1. **RECOMMENDATION**

That the Committee consider and agree the Forward Plan for the remainder of financial year 2022/23.

2. **EXECUTIVE SUMMARY**

- 2.1 It is recommended best practice for the Committee to review the Forward Plan regularly. This report sets out a suggested work plan for the Committee for the remainder of financial year 2022/23, inviting suggestions for amendments or additions

3. **DETAIL**

- 3.1 The Forward Plan below sets out an agenda for each meeting to be held by the Committee in the remainder of financial year 2022/23. However, there is flexibility to amend the plan as required by senior officers in consultation with the Chair. The Plan takes into account the Action Plan arising from the Aon Governance Review and the Medium Term Business Plan 2022-25.
- 3.2 The Committee has committed to a programme of training and, in part, this can be delivered by sessions preceding or following the business parts of the scheduled meetings. The content of the training will be informed by the direction

of future legislation and regulations and the choice of investment vehicles, as well as requests from the committee for specific topics.

- 3.3 When appropriate the Committee will be offered a training session from one of their external advisers before the start of the formal meeting.
- 3.4 The Committee are asked to consider and agree the Forward Plan for the remainder of the financial year 2022/23.

4. CONSULTATION

4.1 Officers have prepared the Forward Plan with regard to the recommendations of the governance review carried out by AON, the Fund's governance advisor.

5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

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

Approved by: Matt Davis, Interim Director of Finance on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

6. LEGAL CONSIDERATIONS

- 6.1. Burges Salmon LLP (a legal advisor appointed to the Pension Fund) comments that there are no direct legal implications arising from the recommendations within this report. It is noted that the Forward Plan supports the implementation of the Medium Term Business Plan 2022-25.

7. HUMAN RESOURCES IMPACT

- 7.1 There are no direct workforce impacts arising from this report, but the pension scheme is an important staff benefit for recruitment and retention.

Approved by: Gillian Bevan, Head of Human Resources on behalf of Dean Shoesmith, Chief People Officer

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.

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

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

CONTACT OFFICER:

Matthew Hallett - Acting Head of Pensions and Treasury

BACKGROUND DOCUMENTS:

None.

APPENDIX

Appendix A: Forward Plan

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APPENDIX A

Forward Plan 2022/23

13 September 2022

- Fund Annual Accounts 2021/22
- Fund Annual Report 2021/22
- Risk Register Review
- Review of savings achieved by London CIV
- CIV relationship structures
- Committee administration
- Report from Pension Board
- Progress report for quarter ending June 2022
- Key Performance Indicators
- Triennial valuation – as required
- Recruitment and Retention Policy
- Progress on implementation of Aon Governance Review Action Plan
- Conflicts of Interest Policy
- Communications Policy
- Breaches of the Law Policy
- Breaches of the Law log
- Review Custodial Services Contract

December 2022

- Progress report for quarter ending September 2022
- Key Performance Indicators
- Triennial valuation – as required
- Data Improvement Plan
- Risk Register Review
- Issues raised by Scheme Advisory Board and/or The Pensions Regulator
- ESG issues
- Record Management Policy
- Breaches of the Law log
- Report from Pension Board

March 2023

- Progress report for quarter ending December 2022
- Key Performance Indicators
- Triennial valuation – as required
- Progress on implementation of Aon Governance Review Action Plan
- Investment Adviser Contract
- Governance of Best Practice Compliance Statement
- IDRP Review
- Funding Strategy Statement
- Investment Strategy Statement
- Internal Disputes Resolution Procedure
- Review of Risk Management Policy and Strategy
- Budget review including London CIV costs
- Business Plan 2023/26
- Good Governance Review
- Forward Plan Review 2023/24
- Breaches of the Law log
- Report from Pension Board

Croydon Council

REPORT TO:	Pension Committee 14 June 2022
SUBJECT:	Governance Best Practice Compliance Statement
LEAD OFFICER:	Matthew Hallett – Acting Head of Pensions and Treasury
CORPORATE PRIORITY/POLICY CONTEXT:	
Sound Financial Management: Ensuring that the management of the Pension Fund ('the Fund') is given appropriate guidance and direction through the governance of the Pension Committee.	
FINANCIAL SUMMARY:	
There are no direct financial implications associated with this report.	

1. **RECOMMENDATION**

- 1.1 The Committee are asked to review and agree the draft Governance Best Practice Compliance Statement attached as Appendix A.

2. **EXECUTIVE SUMMARY**

- 2.1 This report updates the Governance Best Practice Compliance Statement for consideration by the Committee.

3 **DETAIL**

- 3.1. Regulation 55 of the Local Government Pension Scheme Regulations 2013 and A3 of the Scheme Advisory Board Good Governance Review requires Local Government Pension Scheme Administering Authorities to measure their governance arrangements against the standards set out in the Statutory Guidance issued by the, then, Secretary of State for Communities and Local Government. The Committee is expected to review the Governance Best Practice Compliance Statement annually.
- 3.2 The draft compliance statement included as Appendix A sets out where the Pension fund is fully compliant with the guidance and, where it is not fully compliant, provides an explanation.
- 3.3 The Committee is asked to review and agree the attached Governance Best Practice Compliance Statement

4. CONSULTATION

4.1 Officers have prepared the Compliance Statement with regard to the recommendations of the governance review carried out by AON, the Fund's Governance Advisor.

5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

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

Approved by: Matt Davis, Interim Director of Finance on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

6. LEGAL CONSIDERATIONS

6.1. Burges Salmon LLP (a legal advisor appointed to the Pension Fund) comments that the Committee's role is to ensure the Pension Fund is properly operated in accordance with the Local Government Pensions Scheme Regulations 2013 ("the Regulations") (as amended) and all other relevant legislation and best practice as advised by the Pensions Regulator, including financial, governance and administrative matters.

6.2 Regulation 55 of the Regulations provides that an administering authority must prepare a written statement setting out—

(a) whether the authority delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority;

(b) if the authority does so—

(i) the terms, structure and operational procedures of the delegation,

(ii) the frequency of any committee or sub-committee meetings,

(iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights;

(c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and

(d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 106 [note relating to the establishment of Local Pension Boards].

6.3 In addition, an administering authority must keep a statement prepared under paragraph (1) of regulation 55 under review, and make such revisions as are appropriate, following a material change to any of the matters mentioned in that paragraph and detailed in 6.2 above.

Before preparing or revising a statement under this regulation, an administering authority must consult such persons as it considers appropriate.

An administering authority must publish its statement under regulation 55, and any revised statement.

7. HUMAN RESOURCES IMPACT

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

Approved by: Gillian Bevan, Head of Human Resources on behalf of Dean Shoesmith, Chief People Officer

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.

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

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

CONTACT OFFICER:

Matthew Hallett – Acting Head of Pensions and Treasury.

BACKGROUND DOCUMENTS:

None.

APPENDIX:

Appendix A: Governance Best Practice Compliance Statement

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Governance Best Practice - Compliance Statement

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

The following compliance statement sets out (in italics) where the Pension Fund is fully compliant with the guidance and, where it is not fully compliant, provides an explanation.

Principal A - Structure

- a. The management of the administration of benefits and strategic management of Fund assets clearly rests with the main committee established by the appointing council. *Fully compliant-Council Constitution delegates responsibility for the Pension Fund to the Pension Committee in respect of these matters*
- b. That representatives of participating LGPS employers, admitted bodies and Scheme members (including pensioners and deferred members) are members of either the main or secondary committee to underpin the work of the main committee. *Fully compliant-Pensioner and Union representatives are appointed to the Pension Committee; representatives of the admitted bodies, academies and scheme members are appointed to the Pension Board.*
- c. That where a secondary committee or panel has been established, the structure ensures effective communication across both levels. *Fully Compliant – reports on the work of the Committee are reported to the Board and vice versa; the Chair of the Board attends the Committee as an observer and, as appropriate, is invited to speak and, particularly, to report on the work of the Board.*
- d. That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel *Partially compliant - the Chair of the Board attends the Committee as an observer and, as appropriate, is invited to speak and, particularly, to report on the work of the Board.*

	Not Compliant			Fully Compliant
a)				✓
b)				✓
c)				✓
d)			✓	

Principle B – Committee Membership and Representation

- a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:-
 - i) Employing authorities (including non-scheme employers, eg admitted bodies);
 - ii) Scheme members (including deferred and pensioner scheme members);
 - iii) Where appropriate, independent professional observers; and
 - iv) Expert advisers (on an ad-hoc basis).

Fully compliant- The Committee includes eight Councillors and employing authorities are represented at the Board; Scheme members are represented by a staff side Union representative at the Committee and by three representatives at the Board; Pensioners are represented by 2 representatives at the Committee one of whom has voting rights; an investment adviser attends all meetings of the Committee and other expert advisers are invited to attend as and when required.

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

	Not Compliant			Fully Compliant
a)				✓
b)				✓

Principle C - Selection and role of lay members

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

	Not Compliant			Fully Compliant
a)				✓
b)				✓

Principle D – Voting

- a) The policy of individual administering authority on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees. *Fully Compliant-See Governance Statement Whilst one of the pensioners’ representatives and the trade union member representative do not have voting rights at the Committee, they are encouraged to participate fully in the meetings and decision making process.*

	Not Compliant			Fully Compliant
a)				✓

Principle E - Training/Facility time/Expenses

- a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process *Fully Compliant.*
- b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum. *Fully compliant*
- c) That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken. *Fully Compliant – the Council seeks to ensure that all members of both the Committee and Board are aware of the eight areas of knowledge and skills relating to the LGPS which CIPFA has identified as being the core technical requirements for those involved in decision taking; they are advised of training opportunities and a log is maintained of all training undertaken.*

	Not Compliant			Fully Compliant
a)				✓
b)				✓
c)				✓

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

Please see the Fund’s Knowledge and Skills / Training Policy

Principle F - Meetings (frequency/quorum)

- a) That an administering authority’s main committee or committees meet at least quarterly
Fully Compliant
- b) That an administering authority’s secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits. *Fully Compliant.*
- c) That an administering authority that does not include lay members in their formal governance arrangements must provide a forum outside of those arrangements by which the interest of key stakeholders can be represented. *Not applicable - Employer and scheme member interests are represented at the Pension Committee and the Pension Board.*

	Not Compliant			Fully Compliant
a)				✓
b)				✓
c)				n/a

Principle G - Access

- a) That subject to any rules in the Council’s Constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee *Fully compliant- Meeting papers are dispatched to all members 5 clear working days prior to each meeting and, at the same time, published on the website.*

	Not Compliant			Fully Compliant
a)				✓

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

Whilst one of the Pensioner representatives and the trade union member representative do not have voting rights, they are encouraged to fully participate in the meetings and decision making process.

Principle H - Scope

- a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements. *Fully Compliant-The Committee and Board review all aspects of the Pension Fund management.*

	Not Compliant			Fully Compliant
a)				✓

Principle I - Publicity

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

	Not Compliant			Fully Compliant
a)				✓

June 2022

To be reviewed in June 2023

Croydon Council

REPORT TO:	Pension Committee 14 June 2022
SUBJECT:	Knowledge and Skills Policy
LEAD OFFICER:	Matthew Hallett - Acting Head of Pensions and Treasury
CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management: Ensuring that the management of the Pension Fund is given appropriate guidance and direction through the governance of the Pension Committee.	
FINANCIAL SUMMARY: There are no direct financial implications associated with this report. However, the implications of decisions taken by the Committee for the Revenue Account of the Council can be significant.	
1. RECOMMENDATION	
1.1 The Committee are recommended to:	
1.2 Agree the attached Knowledge and Skills Policy, (Appendix E) and Adopt the CIPFA Knowledge and Skills Framework, (Appendix B).	

2. EXECUTIVE SUMMARY

- 2.1 This report sets out the steps required to bring current practices in regards to training in line with the actions suggested by the Governance Review and to comply with the new CIPFA framework.

3. DETAIL

- 3.1 From time to time the Committee have considered training matters at their meeting on 9 May 2019 when they received a report entitled "Training Support for Pension Committee" (Minute 22/19 refers) the Committee noted:

- the requirement of the Chartered Institute of Public Finance and Accounting [CIPFA] guidance for key skills for successful public sector scheme administration; and
- the channels for accessing training.

3.2 However, in the 2019 Governance Review, Aon made reference to Guidance provided by CIPFA, the Local Government Pension Scheme Advisory Board (SAB) and The Pensions Regulator (tPR) and concluded that:

It appears that all key elements are considered in relation to the Local Pension Board (SAB and TPR), but we are unable to verify this in relation to the wider requirements in line with the CIPFA guidance. Although some information is contained within the Fund's Training Log, we were advised that the original decisions were made at a Pension Committee meeting in 2010 and those papers are no longer publicly available.

We would therefore recommend that a single Fund Knowledge / Training Policy is created standardising the approach for all Fund stakeholders in accordance with the SAB and CIPFA requirements and that this is formally approved and adopted by the Committee and Board.

3.3 In the agreed Action Plan arising from the Review it was agreed that the Fund would:

Introduce a Pension Fund "Knowledge and Skills Policy" clarifying expectations for all those involved with the governance of the Fund (i.e. the Pensions Committee, Pension Board and Senior Officers).

The Committee agreed an amended policy at their March 2020 meeting.

3.4 Further recommendations made relating to this policy were made in the 2021 Governance review including providing more information on induction training.

3.5 Since the policy was last agreed the CIPFA knowledge and skills framework has been reviewed. This policy has now been updated to incorporate these requirements.

3.6 The Committee are recommended to agree the attached Knowledge and Skills Policy, and formally adopt the updated CIPFA Knowledge and Skills Framework.

4. CONSULTATION

4.1 Officers have prepared the Knowledge and Skills Policy with regard to the recommendations of the governance review carried out by AON, the Fund's governance advisor and the new CIPFA Framework.

5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

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

Approved by: Matt Davis, Interim Director of Finance on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

6. LEGAL CONSIDERATIONS

6.1. Burges Salmon LLP (a legal advisor appointed to the Pension Fund) comments that there are no direct legal implications arising from the recommendations within this report and note that an appropriate Knowledge and Skills Policy supports the effective governance of the Fund.

7. FREEDOM OF INFORMATION

7.1. Information that is provided to or held in relation to the subject matter of this report shall be processed and disclosed in accordance with the Freedom of Information Act 2000 and Data Protection Act 2018 and other appropriate legislation including the provisions of the General Data Protection Regulations

8. HUMAN RESOURCES IMPACT

8.1 There are no direct workforce impacts arising from this report but the pension scheme is an important staff benefit for recruitment and retention.

Approved by: Gillian Bevan, Head of Human Resources on behalf of Dean Shoesmith, Chief People Officer

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.

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

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

CONTACT OFFICER:

Matthew Hallett - Acting Head of Pensions and Treasury

BACKGROUND DOCUMENTS:

None

APPENDICES

Appendix A: CIPFA Framework Committee

Appendix B: CIPFA Framework Officers

Appendix C: CIPFA Framework Board

Appendix D: Key Documents

Appendix E: Knowledge and Skills Policy

Appendix A - PENSION COMMITTEE MEMBERS' FRAMEWORK

Pensions legislations and guidance

General pensions framework

A general understanding of the pensions legislative framework in the UK.

A general understanding of other legislation that is relevant in managing an LGPS fund, eg freedom of information, General Data Protection Regulation (GDPR) (as incorporated into UK legislation) and local authority legislation.

Scheme-specific legislation

A general understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration, funding, governance, communications and investment, including:

- a general understanding of the LGPS Regulations 2013
- a general understanding of the LGPS (Management and Investment of Funds) Regulations 2016.

An awareness of LGPS discretions and how the formulation of the discretionary policies impacts on the fund, employers and scheme members.

A regularly updated awareness of the latest changes to the scheme rules (as set out under regulation) and current proposals or potential changes to the scheme.

Guidance

A general understanding of the requirements of statutory guidance from the responsible authority – DLUHC (England and Wales), SPPA (Scotland) or the Department for Communities (Northern Ireland).

A general understanding of the requirements of The Pensions Regulator Code of Practice 14 (*Governance and Administration of Public Service Pension Schemes*).

An awareness of the requirements of guidance from the Scheme Advisory Board.

An awareness of the requirements of guidance from GAD.

An awareness of other guidance relevant to the LGPS, such as from CIPFA.

Pensions governance

An awareness of the LGPS regulations' main features, including any material developments and requirements relating to pension scheme governance.

An awareness of statutory and other guidance in relation to pension scheme governance, including DLUHC statutory governance guidance, The Pensions Regulator Code of Practice 14 (*Governance and Administration of Public Service Pension Schemes*), CIPFA/Solace, Scheme Advisory Board guidance and the Myners principles.

Pension regulators, Scheme Advisory Board and other bodies

A general understanding of how the roles and powers of DLUHC, TPR, the Money and Pensions Service and the Pensions Ombudsman relate to the workings of the scheme.

A general understanding of the role of the Scheme Advisory Board and how it interacts with other bodies.

General constitutional framework

A general understanding of the role of the administering authority in relation to the LGPS.

A general understanding of the role of pension committees in relation to the fund, administering authority, employing authorities, scheme members and taxpayers.
An awareness of the role and statutory responsibilities of the CFO and monitoring officer.

Fund-specific governance

A strong understanding of the roles, terms of reference and delegated responsibilities of the pension committee (including any sub-committees), the pension board and any other delegated responsibilities to senior officers.

A general understanding of how the asset pool was established, including the responsibilities of the joint governance committee (or equivalent).

A general understanding of the stakeholders of the fund and the nature of their interests.

A general understanding of who the key officers responsible for the management of the fund are, how the pension team is structured and how services are delivered.

A general understanding of the fund's strategies, policies and other key documents.

A general understanding of best practice risk management, including how that supports a structured and focused approach to managing risks. This should include how risk is monitored and managed and the fund's current key risks.

A general understanding of how conflicts of interest are identified and managed.

A strong understanding of how breaches in law are recorded and managed and, if necessary, reported to TPR, including each individual's personal responsibility in relation to breaches.

A general understanding of the fund's knowledge and skills policy and associated training requirements.

An awareness of the fund's process for dealing with complaints, including its internal dispute resolution procedure.

A general understanding of how the effectiveness of the fund's governance is reviewed.

Service delivery

A general understanding of the required budget and resources needed to manage and administer the fund.

A general understanding of the annual business planning cycle and budget setting.

A general understanding of the fund's key performance indicators and other performance measures.

A general understanding of the fund's business continuity policy and cyber security policy across all areas of fund activity, including administration.

Funding strategy and actuarial methods

An awareness of the LGPS regulations' main features, including any key developments and requirements relating to funding strategy and the setting of employer contributions, including associated guidance.

A general understanding of the role of the fund actuary.

A general understanding of the funding strategy statement (including employer funding flexibilities) and the expected delivery of the funding objectives.

A general understanding of the key risks to the fund relating to the funding strategy.

Valuations

A general understanding of the valuation process, including developing the funding strategy in conjunction with the fund actuary and inter-valuation monitoring.

An awareness of the costs to the employer, including employer contributions and early retirement strain costs.

An awareness of the different types of employers that participate in the fund

A general understanding of the importance of employer covenant, the relative strengths of the covenant across the fund's employers and how this impacts the funding strategy adopted.

A general understanding of any legislative and/or benefit uncertainty and the impact of this on the funding strategy.

A general understanding of the scheme valuation and other work carried out by GAD and the impact this has on the valuation process (ie, the cost management process/ Section 13 report).

New employer and exits

A general understanding of the implications of including new employers in the fund and of the exit of existing employers.

A general understanding of the relevant considerations in relation to the different types of new employer, eg outsourcings, academies (if appropriate), alternative delivery models, and also the considerations in relation to bulk transfers.

Pensions administration and communications

An awareness of the LGPS regulations' main features and requirements relating to:

- administration and communications strategies
- entitlement to and calculation of pension benefits
- transfers in and out of the scheme
- employee contributions
- the delivery of administration and communications (including associated guidance).

A general understanding of the fund's pensions administration strategy, including how it is delivered (including, where applicable, the use of third-party suppliers and systems), performance measures and assurance processes.

A general understanding of the fund's communications policy, including how it is delivered (including, where applicable, the use of third-party suppliers and systems), performance measures and assurance processes.

A general understanding of best practice in pensions administration, eg performance and cost measures.

A general understanding of the fund's processes and procedures relating to:

- member data maintenance and record keeping, including data improvement plans and relationships with employers for data transmission
- contributions collection.

An awareness of how the fund interacts with the taxation system in relation to benefits administration, including the annual and lifetime allowances.

A general understanding of additional voluntary contribution (AVC) arrangements, including:

- the AVC arrangements that exist
- the choice of investments to be offered to members
- the provider's investment and fund performance,
- the payment of contributions to the provider
- the benefits that can be received by scheme members
- how and when the AVC arrangements, including the investment choices, are reviewed.

Pensions financial strategy, management, accounting, report and audit standards

A general understanding of the Accounts and Audit Regulations and legislative requirements relating to the role of the committee and individual members in considering and signing off the fund's accounts and annual report.

A general understanding of the various elements of income into and expenditure of the fund, including the operational budget.

A general understanding of the cash flows of the fund and how risks are managed to ensure appropriate cash is available to pay benefits and other outgoings.

A general understanding of the role of both internal and external audit in the governance and assurance process.

Investment strategy, asset allocation, pooling, performance and risk management

An awareness of the LGPS regulations' main features and requirements relating to investment strategy, asset allocation, the pooling of investments and responsible investments, including associated guidance.

Investment strategy

A general understanding of the key risks that the fund is exposed to and how a fund's investment strategy should be considered in conjunction with these risks.

A general understanding of the risk and return characteristics of the main asset classes (equities, bonds, property) and the need to balance risk versus reward when determining the investment strategy.

A general understanding of the role of these asset classes in long-term pension fund investing.

A general understanding of the fund's cash flow requirements and how these impact on the types of investments considered.

Investment pool (England and Wales)

A general understanding of the structure, operation and purpose of the investment pooling arrangements, including the structure of the relationship with the other participants in the pool.

An awareness of the regulations, best practice and guidance relating to investment pooling and the delivery of the investment objectives of the administering authority/pension committee by their chosen investment pool.

An awareness of the boundaries of investment activities (eg strategy requiring advice from a suitably qualified person, in-house investment transactions) and which investment activities require FCA authorisation.

A general understanding of the interaction between the administering authority, the pension committee, the investment pool operator, investment pool oversight committee and other parties relating to the investment pooling arrangement – in particular, reporting requirements, influence and accountability.

A general understanding of the fund's investment strategy statement and the investment pool's interpretation and expected delivery of those investment objectives, including any objectives relating to environmental, social and governance factors.

Total fund

A general understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.

Performance of the committee

An awareness of the Myners principles and the need to set targets for the committee and to report against them.

An awareness of the range of support services provided to the committee, who supplies them and the nature of the performance monitoring regime.

Performance of the investment pool (England and Wales)

An awareness of the investment regulations and the requirements for monitoring investments.

A general understanding of the requirements of the investment pool in relation to the administering authority and pension committee investment strategy and how to effectively monitor the implementation of the investment strategy within the pool.

Responsible investment

An awareness of the latest developments and requirements in the area of responsible investment.

An awareness of the UK Stewardship Code and the United Nations Principles of Responsible Investment (UNPRI) and whether the fund is a signatory of these.

A general understanding of the fund's approach to responsible investment, including how views on environmental, social and governance issues are incorporated into the fund's investment strategy.

Risk management

A general understanding about how to manage and reduce risk and lessen the impact of risk on assets when it arises, including climate risk.

Financial markets and products

Financial markets

A general understanding of the primary importance of the investment strategy decision.

A general understanding of the workings of the financial markets, the investment vehicles available to the pension fund and the nature of the associated risks.

An awareness of the restrictions placed by legislation on the investment activities of LGPS funds.

MiFID II

A general understanding of MiFID II requirements relating to the knowledge of decision makers.

Investment pool (England and Wales)

A general understanding of the investment pool operator's approach to pooling and delivering access to the different asset classes and/or investment funds.

A general understanding of which assets and investments may sit outside of the investment pool and why their nature and characteristics permit this.

An awareness of how the fund interacts with the taxation system in the UK and overseas in relation to investments.

Pension services procurement, contract management and relationship management

Understanding public procurement

An awareness of the main public procurement requirements of UK and EU legislation and the use of national frameworks within the context of the LGPS.

Fund suppliers

Awareness of the key decision makers in relation to the fund's procurements.

A general understanding of the fund's suppliers and providers and their roles in the management of the fund.

An awareness of how the fund's suppliers are monitored, including:

- the Myners principles
- the need for strategic objectives for investment consultants.

Supplier risk management

A general understanding of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting external suppliers and providers.

A general understanding of how the pension fund monitors and manages the performance of their external suppliers and providers, including business continuity and cyber risk.

Investment pool (England and Wales)

An awareness of the nature of the relationship with the investment pool parties and a general understanding of:

- the extent of influence over the investment pool operator and oversight committee
- the terms for terminating a pooling agreement
- guidance on the requirement to pool investments.

Appendix B - SENIOR OFFICERS/MANAGERS' FRAMEWORK (INCLUDING LGPS SENIOR OFFICER)

Note the levels of knowledge expected that are included within this part are focused on the minimum expectations relating to all senior officers or managers within a fund, including the LGPS senior officer. However, collectively, there should be expert knowledge demonstrated in all areas. For example:

- The LGPS senior officer should have expert knowledge in governance matters.
- The head of investments should have expert knowledge in investment areas.
- The head of administration should have expert knowledge in administration areas.
- There should be a senior officer or manager with expert knowledge in all other areas, including funding and communications.

Pensions legislation and guidance

General pensions framework

A strong understanding of the pensions legislative framework in the UK, particularly:

- Pensions Act 1995
- Pensions Act 2004
- Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013
- Public Service Pensions Act 2013.

A strong understanding of other legislation that is relevant in managing an LGPS fund, eg freedom of information, GDPR (as incorporated into UK legislation) and local authority legislation.

Scheme-specific legislation

A detailed knowledge of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration, funding, governance, communications and investment, including:

England and Wales

- Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007
- Local Government Pension Scheme (Administration) Regulations 2008
- Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014
- Local Government Pension Scheme Regulations 2013
- Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

A detailed knowledge of LGPS discretions and how the formulation of the discretionary policies impacts on the fund, employers and scheme members.

A detailed knowledge of the latest changes to the scheme rules (as set out under regulation) and current proposals or potential changes to the scheme.

A strong understanding of how the scheme interfaces with other private and state pension provision.

Guidance

A detailed knowledge of the requirements of statutory guidance from the responsible authority – DLUHC (England and Wales), SPPA (Scotland) or the Department for

Communities (Northern Ireland).

A detailed knowledge of the requirements of The Pensions Regulator code of practice.

A detailed knowledge of the requirements of guidance from the Scheme Advisory Board.

A strong understanding of the requirements of guidance from GAD.

A strong understanding of other guidance relevant to the LGPS, such as from CIPFA.

Tax legislation

A strong understanding of pension scheme tax legislation and the UK pension scheme reporting framework, in particular:

- Finance Act 2004
- related statutory instruments.

Pensions governance

A detailed knowledge of the LGPS regulations' main features, including any material developments and requirements relating to the pension scheme governance.

A strong understanding of statutory and other guidance relating to pension scheme governance, including DLUHC/SPPA/Department for Communities statutory governance guidance, The Pensions Regulator Code of Practice 14 (*Governance and Administration of Public Service Pension Schemes*), CIPFA/Solace, Scheme Advisory Board guidance and the Myners principles.

Pension regulators, Scheme Advisory Board and other bodies

A detailed knowledge of how the roles and powers of DLUHC/SPPA/Department for Communities, The Pensions Regulator, the Money & Pensions Service and the Pensions Ombudsman relate to the workings of the scheme.

A detailed knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies.

General constitutional framework

A detailed knowledge of the role of pension committees in relation to the fund, administering authority, employing authorities, scheme members and taxpayers.

A detailed knowledge of the role and statutory responsibilities of the CFO and monitoring officer.

Fund-specific governance

An expert knowledge of the roles, terms of reference and delegated responsibilities of the pension committee (including any sub-committees), the pension board and any other delegated responsibilities to senior officers.

A detailed knowledge of how the asset pool was established, including the responsibilities of the joint governance committee (or equivalent).

A detailed knowledge of the stakeholders of the fund and the nature of their interests.

An expert knowledge of the role of key officers responsible for the management of the fund, how the pension team is structured and how services are delivered.

A detailed knowledge of the fund's strategies, policies and other key documents.

An expert knowledge of best practice risk management, including how that supports a structured and focused approach to managing risk. This should include how risk is monitored and managed and the fund's current key risks.

An expert knowledge of how conflicts of interest are identified and managed.

An expert knowledge of how breaches in law are recorded and managed and, if necessary, reported to The Pensions Regulator, including each individual's personal

responsibility in relation to breaches.

An expert awareness of the fund's knowledge and skills policy and associated training requirements.

A detailed knowledge of the fund's process for dealing with complaints, including its internal dispute resolution procedure.

A detailed knowledge of how the effectiveness of the fund's governance is reviewed.

Service delivery

An expert knowledge of the required budget and resources needed to manage and administer the fund.

An expert knowledge of the annual business planning cycle and budget setting.

An expert knowledge of the fund's key performance indicators and other performance measures.

An expert knowledge of the fund's business continuity policy and cyber security policy across all areas of fund activity, including administration.

Funding strategy and actuarial methods

A detailed knowledge of the LGPS regulations' main features, including any key developments and requirements relating to funding strategy and the setting of employer contributions, including associated guidance.

A detailed knowledge of the role of the fund actuary.

A detailed knowledge of the funding strategy statement (including employer funding flexibilities) and the expected delivery of the funding objectives.

A detailed knowledge of the key risks to the fund relating to the funding strategy.

Valuations

A detailed knowledge of the valuation process, including:

- the actual valuation processes
- agreeing the financial and demographic assumptions
- the development and publication of the funding strategy statement
- signing off the rates and adjustment certificate
- inter-valuation monitoring.

A detailed knowledge of the costs to the employer, including employer contributions and early retirement strain costs.

A strong understanding of the importance of employer covenant, the relative strengths of the covenant across the fund's employers, and how this impacts the funding strategy adopted.

A strong understanding of any legislative and/or benefit uncertainty and the impact of this on the funding strategy.

A strong understanding of the scheme valuation and other work carried out by GAD and the impact this has on the valuation process (ie the cost management process/Section 13 report).

New employer and exits

A strong understanding of the implications of including new employers into the fund and of the exit of existing employers.

A general understanding of the relevant considerations in relation to the different types of new employer, eg outsourcings, academies (if appropriate), alternative delivery models, and also the considerations in relation to bulk transfers.

A strong understanding of the requirements of HM Treasury's 'fair deal' guidance the Best Value Authorities Staff Transfers (Pensions) Direction 2007 and

related guidance concerning outsourcing and bulk transfers.

Other issues

A strong understanding of other pension arrangements, particularly with regard to staff transfers.

A strong understanding of the corporate and workforce ethos when working closely with HR colleagues to determine discretionary policies.

Pensions administration and communications

A detailed knowledge of the LGPS regulations' main features and requirements relating to:

- administration and communications strategies
- entitlement to and calculation of pension benefits
- transfers in and out of the scheme
- employee contributions
- the delivery of administration and communications (including associated guidance).

A detailed knowledge of the fund's pensions administration strategy, including how it is delivered (including, where applicable, the use of third-party suppliers and systems), performance measures and assurance processes.

A detailed knowledge of the fund's communications policy, including how it is delivered (including, where applicable, the use of third-party suppliers and systems), performance measures and assurance processes.

A strong understanding of best practice in pensions administration, eg performance and cost measures.

A detailed knowledge of the fund's processes and procedures relating to:

- member data maintenance and record keeping, including data improvement plans and relationships with employers for data transmission
- contributions collection.

A strong understanding of how discretionary powers operate.

A strong understanding of how the fund interacts with the taxation system in relation to benefits administration, including the annual and lifetime allowances.

A detailed knowledge of AVC arrangements, including:

- the AVC arrangements that exist
- the choice of investments to be offered to members
- the provider's investment and fund performance
- the payment contributions to the provider
- the benefits that can be received by scheme members
- how and when the AVC arrangements, including the investment choices, are reviewed.

Pensions financial strategy, management, accounting, report and auditing standards

A detailed understanding of the Accounts and Audit Regulations and legislative requirements relating to role of the committee and individual members in considering and signing off the fund's accounts and annual report.

A detailed knowledge of relevant pensions accounting standards as they apply to the scheme and to the employer:

- Pensions SORP
- FRS 102 (IAS 19)
- iFRM.

A detailed understanding of the approach to pensions external audit as set down in APB Practice Note 15.

A detailed understanding of the various elements of income into and expenditure of the fund, including the operational budget.

A detailed understanding of the cash flows of the fund and how risks are managed to ensure appropriate cash is available to pay benefits and other outgoings.

A detailed understanding of the role of internal and external audit in the governance and assurance process.

A strong understanding of and compliance with the CIPFA *Statement of Expertise* as it applies to:

- leadership and strategic management
- governance, ethics and values
- financial and performance reporting
- audit and accountability
- strategic and operational financial management
- partnerships and stakeholder relations
- change, risk and project management.

Investment strategy, asset allocation, pooling, performance and risk management

A detailed knowledge of the LGPS regulations' main features and requirements relating to investment strategy, asset allocation, the pooling of investments and responsible investments, including associated guidance.

Investment strategy

A detailed knowledge of the key risks that the fund is exposed to and how a fund's investment strategy should be considered in conjunction with these risks.

A detailed knowledge of the risk and return characteristics of the main asset classes (equities, bonds, property) and the need to balance risk versus reward when determining the investment strategy.

A detailed knowledge of the role of these asset classes in long-term pension fund investing.

A detailed knowledge of the fund's cash flow requirements and how these impact on the types of investments considered.

Investment management

A strong understanding of prevailing market conditions within UK and overseas equity markets and UK bond and property markets.

A strong understanding of the principles of portfolio construction within both bond and equity mandates.

A strong understanding of portfolio risk monitoring techniques.

A strong understanding of trading systems and practices within bond and equity markets.

A strong understanding of the importance of setting appropriate benchmark indices.

Investment pool (England and Wales)

A detailed knowledge of the structure, operation and purpose of the investment pooling arrangements, including the structure of the relationship with the other participants in the pool.

A detailed knowledge of the regulations, best practice and guidance related to investment pooling and the delivery of the investment objectives of the administering authority/pension committee by their chosen investment pool.

A detailed knowledge of the boundaries of investment activities (eg strategy requiring advice from a suitably qualified person, in-house investment transactions), and which investment activities require FCA authorisation.

A detailed knowledge of the interaction between the administering authority, the pension

committee, the investment pool operator, investment pool oversight committee and other parties relating to the investment pooling arrangements – in particular, reporting requirements, influence and accountability.

A detailed knowledge of the fund's investment strategy statement and the investment pool's interpretation and expected delivery of those investment objectives, including any objectives in relation to environmental, social and governance factors.

Total fund

A strong understanding of the importance of monitoring asset returns relative to the liabilities and a strong understanding of ways of assessing long-term risks.

A strong understanding of the merits of manager diversification.

Performance of the committee

A strong understanding of the Myners principles and the need to set targets for the committee and to report against them.

A detailed knowledge of the range of support services provided to the committee, who supplies them, and the nature of the performance monitoring regime.

Performance of the investment pool (England and Wales)

A detailed knowledge of the investment regulations and the requirements for monitoring investments.

A detailed knowledge of the requirements of the investment pool in relation to the administering authority and pension committee investment strategy and how to effectively monitor the implementation of the investment strategy within the pool.

A detailed knowledge of the non-financial risks within the operation and relationship with the investment pool (operator, oversight committee and other parties) and how these can be mitigated or best managed.

Responsible investment

A detailed knowledge of the latest developments and requirements in the area of responsible investment.

A strong understanding of the UK Stewardship Code and the UNPRI and whether the fund is a signatory of these.

A detailed knowledge of the fund's approach to responsible investment, including how views on environmental, social and governance issues are incorporated into the fund's investment strategy.

Risk management

A strong understanding about how to manage and reduce risk and lessen the impact of risk when it arises, including climate risk.

Financial markets and products

Financial markets

A detailed knowledge of the primary importance of the investment strategy decision.

A strong understanding of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks.

A strong understanding of the restrictions placed by legislation on the investment activities of LGPS funds.

MiFID II

A strong understanding of MiFID II requirements relating to the knowledge of decision makers.

Investment strategy

A strong understanding of long-term risk and return parameters of equity, bond and property markets and issues arising from short-term volatility.

A strong understanding of the effects on overall risk and return of combining these asset classes in the pension fund strategy.

A strong understanding of the relationship between the investment and funding strategies and the liabilities of the fund.

A strong understanding of 'alternative' asset classes available for pension fund investment (private equity, infrastructure, absolute return mandates, etc), including the practicalities of investing, prospective risks and returns and correlation with other asset classes.

A strong understanding of the costs and benefits of active and passive currency hedging strategies, including implementation issues.

Investment manager structures

A strong understanding of the relative attractions of active and passive management across different asset classes.

A strong understanding of the role of active manager risk within the investment arrangements.

A strong understanding of the concepts of 'risk budgeting', sources of return (alpha and beta) and improving the 'efficiency' of the arrangements.

A strong understanding of the practical implications of pooled and segregated mandates in terms of setting investment guidelines, effecting transactions and client reporting.

A strong understanding of the implications of combining managers with different investment styles.

Other issues

A strong understanding of the responsibilities of the custodian and procedures for reconciling information with investment providers.

A strong understanding of the costs and benefits of stock lending and commission recapture programmes.

Investment pool (England and Wales)

A detailed knowledge of the investment pool operator's approach to pooling and delivering access to the different asset classes and/or investment funds.

A strong understanding of which assets and investments may sit outside of the investment pool and their nature and characteristics.

A strong understanding of how the fund interacts with the taxation system in the UK and overseas in relation to investments.

Pension services procurement, contract management and relationship management

Understanding public procurement

A detailed knowledge of the background to current public procurement policy and procedures, the values and scope of public procurement and the roles of key decision makers and organisations.

A detailed knowledge of the main public procurement requirements of UK and EU legislation and the use of national frameworks within the context of the LGPS.

Fund suppliers

An expert knowledge of the key decision makers in relation to the fund's procurements
A detailed knowledge of the nature and scope of risks for the fund and of the importance of considering risk factors when selecting third parties.

A detailed knowledge of how the fund monitors and manages the performance of its outsourced providers.

A detailed knowledge of how the fund's suppliers are monitored, including:

- the Myners principles
- the need for strategic objectives for investment consultants.

Investment pool (England and Wales)

A detailed knowledge of the nature of the relationship with the investment pool parties and a detailed understanding of:

- the extent of influence over the investment pool operator and oversight committee
- the terms for terminating a pooling agreement
- guidance on the requirement to pool investments

Appendix C - Local Pension Boards: A Technical Knowledge and Skills Framework

Pensions legislation

A general understanding of the pensions legislative framework in the UK.

An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment.

An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.

A regularly updated appreciation of the latest changes to the scheme rules (under regulation).

Pensions governance

Knowledge of the role of the administering authority in relation to the LGPS.

An understanding of how the roles and powers of the DLUCH, the Pensions Regulator, the Money and Pensions Service and the Pensions Ombudsman relate to the workings of the scheme.

Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure.

Broad understanding of the role of pension fund committees in relation to the fund, administering authority, employing authorities, scheme members and taxpayers.

Awareness of the role and statutory responsibilities of the treasurer and monitoring officer.

Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.

A detailed knowledge of the duties and responsibilities of pension board members.

Knowledge of the stakeholders of the pension fund and the nature of their interests.

Knowledge of consultation, communication and involvement options relevant to the stakeholders.

Knowledge of how pension fund management risk is monitored and managed.

Understanding of how conflicts of interest are identified and managed.

Understanding of how breaches in law are reported.

Pensions administration

An understanding of best practice in pensions administration, eg performance and cost measures.

Understanding of the required and adopted scheme policies and procedures relating to: member data maintenance and record-keeping processes

internal dispute resolution

contributions collection

scheme communications and materials.

Knowledge of how discretionary powers operate. Knowledge of the pensions administration strategy and delivery (including, where applicable, the use of third party suppliers, their selection, performance management and assurance processes).

An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefits administration.

An understanding of what additional voluntary contribution arrangements exist and the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider's investment and fund performance report and the payment schedule for such arrangements.

Pensions accounting and auditing standards

Understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice.

Understanding of the role of both internal and external audit in the governance and assurance process.

An understanding of the role played by third party assurance providers.

Pensions services procurement and relationship management

Understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision makers and organisations.

A general understanding of the main public procurement requirements of UK and EU legislation.

Understanding of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.

An understanding of how the pension fund monitors and manages the performance of their outsourced providers.

Investment performance and risk management

Understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.

Awareness of the Myners principles of performance management and the approach adopted by the administering authority.

Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.

Financial markets and products knowledge

Understanding of the risk and return characteristics of the main asset classes (equities, bonds, property).

Understanding of the role of these asset classes in long-term pension fund investing.

Understanding of the primary importance of the investment strategy decision.

A broad understanding of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks.

An understanding of the limits placed by regulation on the investment activities of local government pension funds.

An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to investments.

Actuarial methods, standards and practices

A general understanding of the role of the fund actuary.

Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring.

Awareness of the importance of monitoring early and ill health retirement strain costs.

A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.

A general understanding of the relevant considerations in relation to outsourcings and bulk transfers.

A general understanding of the importance of the employer covenant and the relative strengths of the covenant across the fund employers.

Key Policy Documents

Board and Committee members should be familiar with the following key documents

1.	Member booklets, announcements and other key member and employer communications, which describe the Fund's policies and procedures (including any separate AVC guides) including documents available on the Fund's website	
2.	Any relevant policies of the Administering Authority and/or Pension Committee, for example policies on: <ul style="list-style-type: none"> • conflicts of interests • record-keeping • data protection and freedom of information • internal dispute resolution procedure • reporting breaches 	
3.	The Administering Authority's governance compliance statement (as required by regulation 55 of the Regulations)	
4.	The Administering Authority's funding strategy statement (as required by regulation 58 of the Regulations)	
5.	The Administering Authority's pension administration statement (as required by regulation 59 of the Regulations)	
6.	The Administering Authority's discretionary policy statement (as required by regulation 60 of the Regulations)	
7.	The Administering Authority's communications policy statement (as required by regulation 61 of the Regulations)	
8.	The Administering Authority's Investment Strategy Statement (as required by regulation 7 of the Investment Regulations)	

9.	The Administering Authority's internal controls risk register (for the purposes of section 249B of the 2004 Act)	
10.	The Fund's actuarial valuation report and rates and adjustment certificate (as required by regulation 62 of the Regulations)	
11.	The Fund's annual report and accounts (as required by regulation 57 of the Regulations) including any summary report (as required by regulation 56 of the Regulations)	
12.	Any accounting requirements relevant to the Fund	
13.	Any third party contracts and service level agreements	
14.	Any internal control report produced by third party service providers and investment managers	
15.	The Fund's standard form of admission agreement and bond and related policies and guidance	

Knowledge and understanding of the law relating to pensions

1. Background and Understanding of the Legislative Framework of the LGPS

- Differences between public service pension schemes like the
- LGPS and private sector trust-based schemes
- The historic role of the Independent Public Sector Pensions Commission (IPSPC) and its recommendations within the *Hutton Report*
- Key provisions of the 2013 Act
- The structure of the LGPS and the main bodies involved including the Responsible Authority, the Administering Authority, the Scheme Advisory Board, the Local Pension Board and the LGPS employers
- An overview of local authority law and how Administering Authorities are constituted and operate
- LGPS rules overview (including the Regulations, the Transitional Regulations and the Investment Regulations)
- Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007
- Local Government Pension Scheme (Administration) Regulations 2008 and their main features.
- Latest changes to scheme rules

2. General pensions legislation applicable to the LGPS

An overview of wider legislation relevant to the LGPS including:

- Automatic Enrolment (Pensions Act 2008)
- Contracting out (Pension Schemes Act 1993)
- Data protection (Data Protection Acts 1998 and 2018)
- Employment legislation including anti-discrimination, equal treatment, family related leave and redundancy rights
- Freedom of Information (Freedom of Information Act 2000)
- Pensions sharing on divorce (Welfare Reform and Pensions Act 1999)
- Tax (Finance Act 2004)
- Institutions for Occupational Retirement Provision) (IORP Directive)

3. Role and responsibilities of the Local Pension Board

- Role of the Pension Board
- Conduct and conflicts
- Reporting of breaches
- Knowledge and understanding
- Data protection

4. Role and responsibilities of the Pension Committee

- Ensure the Fund operates in accordance with the LGPS regulations
- Adopt Fund specific policies and monitor compliance
- Set Investment Policy and review performance
- Ensure Triennial Valuation is carried out
- Set the pension administration strategy
- Approve the Statement of accounts and annual report
- Ensure the Council discharges its obligation to other scheme employers
- To make representation to government concerning proposed changes to the LGPS if they choose to do so

5. Role and responsibilities of the Administering Authority

- Membership and eligibility
- Benefits and the payment of benefits
- Decisions and discretions
- Disclosure of information
- Record keeping
- Internal controls
- Internal dispute resolution
- Reporting of breaches
- Statements, reports and accounts

6. Knowledge of Stakeholders of the Pension Fund

- Consultation, communication and involvement options relevant to stakeholders

7. Funding and Investment

- Requirements for triennial valuation
- Rates and adjustment certificate
- Funding strategy statement
- Bulk transfers
- Permitted investments
- Restrictions on investments
- Statement of investment principles
- CIPFA guidance
- Appointment of investment managers
- Role of the custodian
- Myners principles
- Investment pooling
- Pensions accounting and auditing standards
- Risk management

8. Role and responsibilities of Scheme Employers

- Explanation of different types of employers
- Additional requirements for admission bodies
- Automatic Enrolment
- Deduction and payment of contributions
- Special contributions
- Employer decisions and discretions
- Redundancies and restructuring (including the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006)
- TUPE and outsourcing (including Fair Deal and the Best Value Authorities Staff Transfers (Pensions) Direction 2007)

9. Tax and Contracting Out

- Finance Act 2004
- Role of HMRC
- Registration
- Role of 'scheme administrator'
- Tax relief on contributions
- Taxation of benefits
- Annual and lifetime allowances Member protections
- National Insurance
- Contracting out (Pensions Scheme Act 1993)
- Impact of abolition of contracting out in 2016
- VAT and investments

10. Role of advisors and key persons

- Officers of the Administering Authority
- Fund actuary
- Auditor
- Lawyers
- Investment managers
- Custodians
- Administrators – in house and third party
- Procurement of services
- Contracts with third parties
- Monitoring and management of performance of outsourced providers

11. Key Bodies connected to the LGPS

An understanding of the roles and powers of:

- Courts
- Financial Services Authority
- HMRC
- Information Commissioner's Office
- Money and Pensions Service
- Pensions Ombudsman
- The Pensions Regulator (including powers in relation to Local Pension Boards)
- The Department for Levelling Up, Housing and Communities (DLUCH)
- The Scheme Advisory Board (SAB)

Supplementary information on Pooling

Investment Pool

- Broad understanding of the structure, operation and purpose of the investment pooling arrangements, including the structure of the relationship with the other participants within the pool.
- Appreciation of the regulation, best practice and guidance related to investment pooling and the delivery of the investment objectives of the administering authority/pension committee by their chosen investment pool.
- Appreciation of the boundaries under financial services law and where carrying on investment activities requires FCA authorisation.
- Understanding of the interaction between the administering authority, the pension committee, the investment pool operator, investment pool oversight committee and other parties relating to the investment pooling arrangements; in particular reporting requirements, influence and accountability.
- Understanding of the statement of investment principles or investment strategy statement and the investment pool's interpretation and expected delivery of those investment objectives.

Pensions accounting and auditing standards

- Awareness of the Accounts and Audit Regulations and legislative requirements relating to the role of the committee and individual members in considering and signing off the accounts and annual report.
- Awareness of the role of both internal and external audit in the governance and assurance process.

Understanding public procurement

- Understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision makers and organisations.
- A general understanding of the main public procurement requirements of UK and EU legislation.

Supplier risk management

Awareness of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.

Investment pool

Awareness of the nature of the relationship with the investment pool parties and an understanding of:

- the extent of influence over the investment pool operator and oversight committee
- the terms for terminating a pooling agreement; and
- guidance on the requirement to pool investments.

Investment performance and risk management

Total fund

Understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.

Performance of advisors

Awareness of the Myners principles of performance management and the approach adopted by the committee.

Performance of the committee

Awareness of the Myners principles and the need to set targets for the committee and to report against them.

Performance of support services

Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.

Performance of the investment pool

- Awareness of the Investment Regulations and the requirements for monitoring investments.
- Understanding of the administering authority and pension committee investment strategy requirements of the investment pool and how to effectively monitor the delivery of the investment strategy

Financial markets and products knowledge

Investment strategy

- Awareness of the risk and return characteristics of the main asset classes (equities, bonds, property).
- Understanding of the role of these asset classes in long-term pension fund investing.

Financial markets

- Understanding of the primary importance of the investment strategy decision.
- A broad understanding of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks.
- An awareness of the limits placed by regulation on the investment activities of local government pension funds.

Investment pool

- Appreciation of the investment pool operator's approach to pooling and delivering access to the different asset classes and/or investment funds.
- Understanding of which assets and investments may sit outside of the investment pool, and their nature and characteristics.

Valuations

- Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring.
- Awareness of the importance of monitoring early and ill health retirement strain costs.
- A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.

Outsourcing

A general awareness of the relevant considerations in relation to outsourcing and bulk transfers.

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LONDON BOROUGH OF CROYDON PENSION FUND

KNOWLEDGE AND SKILLS / TRAINING POLICY

Introduction

This is the Knowledge and Skills / Training Policy (Policy) of the London Borough of Croydon Pension Fund (Fund) which is managed and administered by the Council. The Policy details the training strategy for members of the Pension Committee, the Pension Board and Officers, including the Section 151 Officer, involved in the management of the Fund.

The Council has delegated responsibility for the implementation of this Policy to the Corporate Director of Resources and Section 151 Officer.

The SAB Good Governance Review is awaiting completion but it is expected that the guidance should clarify that the expectation is that the TPR requirements that apply to Local Pension Boards should equally apply to pension committees in respect of knowledge and skills and training. As a minimum those sitting on pension committees or the equivalent should comply with the requirements of MiFID* II opt-up to act as a professional client but the expectation is that a higher level and broader range of knowledge will be required.

**Following the introduction of Markets in Financial Instruments Directive (MiFID II) legislation in January 2018, financial institutions can no longer categorise a local authority as a “per se professional client”. Instead, a local authority must be classified as a “retail client” unless opted up by the financial institutions to “elective professional client” status. To attain professional status a Fund, as a collective, must be able to demonstrate sufficient expertise, experience and knowledge to satisfy financial institutions that it is capable of making investment decisions and understanding the nature of potential risks. This Policy assists the Fund in ensuring that levels of expertise, experience and knowledge are maintained to satisfy the MiFID II requirements.*

The Good Governance Review also states:

A pension committee member should put aside political considerations, act in the interest of all employers and members and act within a regulatory framework.

Aims and objectives

The Fund’s “governance” objectives are set out in its Governance Policy Statement and prominent amongst them is that:

- All officers and Pension Committee Members charged with the financial administration and decision-making with regard to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.

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

To assist in achieving the objective the Fund will aim to comply with:

- CIPFA Knowledge and Skills Frameworks;
- Knowledge and understanding requirements of the Pensions Act 2004 and the Public Service Pensions Act 2013; and
- The Pensions Regulator's (TPR) Code of Practice for Governance and Administration of Public Service Pension Schemes (Code of Practice No 14).
- .

CIPFA and TPR Knowledge and Skills Requirements

In January 2010 CIPFA launched technical guidance for Representatives on Pensions Committees and non-executives in the public sector contained in a knowledge and skills framework. The Framework detailed the knowledge and skills required by those responsible for pension scheme financial management and decision making in the public sector.

This has now been updated in the CIPFA Knowledge and Skills Framework for LGPS Committee and LGPS Officers 2021. The framework states that regardless of the range of responsibilities, those exercising a delegated responsibility on behalf of the administering authority and to whom this framework applies must be conversant with:

- the rules of the LGPS, and
- any document recording policy about the funding, investment, administration, communications or governance which is for the time being adopted in relation to the scheme.

Such persons must have knowledge and understanding of:

- the law relating to pensions, and
- such other matters as may be prescribed in legislation and guidance

A pension committee must:

- be able to demonstrate that it has the skills, knowledge and experience appropriate for governing its fund
- have a balance of knowledge and skills across the membership of the committee
- be able to apply that knowledge and skills in governing the fund.

Expectations in relation to Pension Committee Members are as follows:

- committing to undertake the role for a term of office
- having the capacity to attend meetings
- attending and participating constructively in meetings
- undertaking training and development appropriate to their role
- approaching matters with an open and independent mind, avoiding any pre-determination or bias

- having the confidence to challenge, influence and engage
- operating within the terms of reference of the committee and the administering authority's code of conduct.

Corporate Director of Resources and Section 151 Officer and Senior Officers

As a Chief Finance Officer has, as a minimum, statutory Section 151 responsibilities under the Local Government Act 1972 in respect of an administering authority, they must keep their knowledge of the LGPS up to date, and this should be evidenced through regular, continued professional development.

Similarly, the Code of Practice also relates to all individuals responsible for the management of the LGPS or who have a decision-making, scrutiny or oversight role. The degree of knowledge and understanding required is that which is appropriate for the purposes of enabling the individual to properly exercise their delegated responsibility on behalf of the administering authority.

In July 2015 CIPFA launched technical guidance for Local Pension Board members by extending the existing knowledge and skills framework. The new Framework details the knowledge and skills required by Pension Board members to enable them properly to exercise their functions under Section 248A of the Pensions Act 2004, as amended by the Public Service Pensions Act 2013. This guidance increases the emphasis on Pensions legislation and governance and highlights Pensions Administration as a new and separate area of knowledge and skills. The matrix for the pension board is attached as appendix C

The Framework covers eight areas of knowledge and skills identified as the core requirements:

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

The two primary roles of the Framework are:

- To enable the organisation to determine whether they have an adequate skills mix to meet their financial needs; and
- To allow individuals to assess their training needs, measure their progress and plan their development

The knowledge matrices for pension committee members and for senior officers are based on the core areas of knowledge listed above. They set out a list of competencies in each of the areas. They are attached to this policy as appendices A (committee members) and B (senior officers).

In 2016 CIPFA issued Investment Pooling Governance Principles for LGPS Administering Authorities, incorporating competencies relating to pooling in the LGPS. As regards training the key requirements are that Administering Authorities:

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

CIPFA's Code of Practice recommends (amongst other things) that Local Government Pension Scheme (LGPS) administering authorities:

- Formally adopt the CIPFA Knowledge and Skills Frameworks (or an alternative training programme);
- Ensure that the appropriate policies and procedures are put in place to meet the requirements of the Frameworks (or an alternative training programme); and
- Publicly report how these arrangements have been put into practice each year.

The Pensions Act 2004 and the Pensions Regulator's Code of Practice

Section 248A of the Pensions Act 2004, as amended by the Public Service Pensions Act 2013 (PSPA13) requires Pension Board members to be conversant with the rules of the LGPS and any document recording policy about the administration of the LGPS; and have knowledge and understanding of the law relating to pensions and any other matters which are prescribed in regulations.

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

These requirements have been incorporated and expanded on within The Pensions Regulator's Code of Practice 14 *Governance and administration of public service pension schemes*, effective from April 2015. Guidance has been issued by the Local Government Pension Scheme Advisory Board which details how these requirements relate to LGPS administering authorities. A Knowledge and Skills requirements document has been produced to meet these requirements (**Annex A**). The TPR are in the process of updating their code of practice and this policy will be reviewed once it has been finalised.

The Pensions Regulator's Code of Practice 14: Governance and Administration of Public Service Pension Schemes

This Code details the documents that pension board members need to be conversant with.

In paragraphs 43 to 44 the Code states:

For pension board members of funded pension schemes, documents which record policy about the administration of the scheme will include those relating to funding and investment matters. For example, where relevant they must be conversant with the statement of investment principles and the funding strategy statement. Pension board members must also be conversant with any other documented policies relating to the administration of the scheme. For example, where applicable, they must be conversant with policies relating to:

- *the contribution rate or amount (or the range/variability where there is no one single rate or amount) payable by employers participating in the scheme;*
- *statements of assurance (for example, assurance reports from administrators);*
- *third party contracts and service level agreements;*
- *stewardship reports from outsourced service providers (for example, those performing outsourced activities such as scheme administration), including about compliance issues scheme annual reports and accounts;*
- *accounting requirements relevant to the scheme;*
- *audit reports, including from outsourced service providers; and* ▪ *other scheme-specific governance documents.*

CIPFA Principles of Investment Decision Making and Disclosure

In response to the Government's report updating the Myners Principles, LGPS Administering Authorities are required to prepare and maintain statements of compliance against a set of six principles for pension fund investment, scheme governance, disclosure and consultation. These are included in the Investment Strategy Statement. The six principles are:

- Effective decision making
- Clear objectives
- Risk and liabilities
- Performance assessment
- Responsible ownership
- Transparency and reporting

Measuring and Monitoring Requirements

Evaluation

The CIPFA Framework requires administering authorities to monitor and review knowledge and skills of members and senior officers. As a minimum the following is required:

- record attendance at training and ensure action is taken where poor attendance is identified
- prepare tailored training plans for committee members and officers
- require members and officers to undertake self-assessment against the required competencies as set out in the Framework
- communicate regularly with members and officers, encouraging them to highlight training needs on an ongoing basis.

A record of training attended should be kept up to date and made available to stakeholders in the fund's annual report and accounts each year. Members are responsible for ensuring their training record is up to date and accurate.

On appointment, and annually thereafter, Pension Board and Pension Committee members will be asked to complete a competency self-assessment matrix. This will highlight skills gaps or areas for further development. The results of this will be used to inform the development of the training plan.

Training programmes will be flexible, allowing Board and Committee members to update particular areas of learning where required and acquire new areas of knowledge in the event of any changes or developments.

Members need to commit sufficient time to complete their learning needs.

A report will be presented to the Pension Committee on an annual basis setting out:

- The training provided/attended in the previous year at an individual level;
- Commentary on how this compares to the Training Plan; and
- Any actions required, such as a review of the Training Plan.

This information will also be included in the Fund's Annual Report and Accounts.

Pension Committee members and Pension Board members will be provided with details of forthcoming seminars, conferences and other relevant training events as well as an annual summary of the events attended.

Training will be a standing item on all Board and Committee meeting agendas.

In order to identify whether the objectives of this Policy are being met, the Administering Authority will maintain a training log which records attendance at training and compares this to the Training Plan.

Delivery

Training and developments support will be delivered through a variety of methods including:

- The Pensions Regulator's on-line toolkit;
- Free subscription to The Pensions Regulator's news by email service;
- Pension Committee and Board training items at meetings;
- Specific training sessions either internally developed or shared with other funds;
- Fund manager training;
- Investment Advisor and Actuary training;
- London CIV training;
- On -line Training facility provided by Hymans
- On-line facilities;

- Reading materials; and

- Personalised training.

Where appropriate, training will be provided jointly for the Board, Committee and officers.

Initial information and induction process

On joining the Pension Committee, the Pension Board or on appointment as a Senior Officer , individuals will be provided with access to the following Fund documentation:

- Members guide to the LGPS;
 - Latest Actuarial Valuation report;
 - Annual Report and Accounts;
 - Funding Strategy Statement;
 - Governance Policy and Compliance Statement;
 - Investment Strategy Statement including the Fund's statement of compliance with the Myners Principles;
 - Communications Policy;
 - Discretionary Policies; and
 - This Training Policy
-
- Pensions Administration Strategy
 - Access to all other Fund Policies

An induction module is available on the Hymans on- line training application which is available for committee members, board members and relevant Officers (including the Section 151 Officer) to access at any time.

Additionally, a Croydon-specific induction presentation has been created which will be provided to board and committee members and relevant officers (including the S151 Officer) on appointment.

Induction training sessions will be provided as required.

Demonstrating knowledge and understanding

The Council will maintain records of the learning of individual Board and Committee members, the Section 151 officer and the Board and Committee as a whole. This will assist members in demonstrating their compliance with their legal requirements and how risks associated with knowledge gaps have been mitigated. The training logs are published with the Fund's Annual Reports.

Costs

Any cost involved in providing training will be met directly by the Fund.

Key Risks

Nature of the Risks

The key risks to the delivery of this Policy are outlined below. The Pension Committee members, with the assistance of the Pension Board and Senior officers, will monitor these and other key risks and consider how to respond to them.

- Changes in Pension Committee and/or Pension Board membership and/or Senior Officers potentially diminishing knowledge and understanding;
- Poor attendance and/or a lack of engagement at training and/or formal meetings by Committee members, Board members and/or other Senior Officers resulting in a poor standard of decision making and/or monitoring;
- Insufficient resources being available to deliver or arrange the required training; and
- The quality of advice or training provided not being of an acceptable standard

How the Risks will be Measured / Monitored

The Risk Register has been adopted by the Pension Committee and Pension Board and will be reviewed at alternate meetings of each.

Consultation

A Governance review was carried out by Aon Hewitt and a report making recommendations was published on 30 May 2019. An action plan was approved by the Pension Committee on 11 February 2020, together with a recommendation to review progress on delivery of the plan in 12 months. This Policy addresses the recommendations made in the Review as follows:

- To introduce a policy covering the Pension Board, The Pension Committee and senior officers.
 - Have regard to the work with the London CIV
 - Be supported by training with reference to the CIPFA guidance
 - Should include a list of documents that the Board, Committee and senior officers should conversant with. **(Annex D)**
 - Link with training needs assessment and monitoring; all members and senior officers should complete the TPR toolkit.
 - Implement a training plan and annual assessment
 - Introduce Induction training
 - Consider further training opportunities including external events
-
- Maintaining an up- to- date training log

Approval, Review and Effective Date

The updated Pension Board Training Policy was approved by the Board at their meeting of 17 October 2019 and an amended Fund policy incorporating the CIPFA Local Pension Boards Framework and encompassing the Pension Committee and Senior Officers was approved by the Pension Committee at their meeting of 17 March 2020 and is effective from this date. This policy further incorporates recommendations of the 2021 governance review and the 2021 CIPFA knowledge and skills frameworks and is effective from **XXXX**

This Policy will be formally reviewed and updated every three years or sooner if the training arrangements or other matters included within it merit reconsideration.

Roles and Responsibilities

The Council has delegated responsibility for the implementation of this policy to the Corporate Director of Resources and Section 151 Officer.

The Implementation, assessment and management of the Training Plan will be carried out by the Governance and Compliance Manager, reporting to the Head of Pensions and Treasury.

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Croydon Council

REPORT TO:	Pension Committee 14 June 2022
SUBJECT:	Croydon Pensions Administration Team Key Performance Indicators for the Period from February 2022 to April 2022
LEAD OFFICER:	Matthew Hallett - Acting Head of Pensions and Treasury
CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON: Sound Financial Management: The Pension Committee is responsible for the effective administration of the Local Government Pension Scheme. These Key Performance indicators provide a measure of how well that administration functions.	
FINANCIAL IMPACT Poor administration may ultimately lead to incorrect calculation or payment of benefits or indeed financial penalties	

1. **RECOMMENDATION**

The Committee 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 for the three month period up to the end of April 2022

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 Pension Authorities) and is reporting to the committee on the LGPS administration performance for the period February 2022 to April 2022. The indicators cover legal deadlines; team performance targets, case levels, take up of the member self-service and the indicators and performance against these are details more fully in Appendix A to this report.
- 3.2 The team continue to perform well on life event cases such deaths and retirements.

- 3.3 Auto re-enrolment took place for all eligible Croydon Council staff, including staff in maintained schools, on the 01 January 2022. As expected there was a high volume of new starters and opt outs to process as well as increased activity in the pension inbox and phones.
- 3.4 Several reporting issues were identified with the Council's main payroll system and this has had a knock on effect with our starter processes. As evident in the KPIs we have experienced a reduction in the number of new starter cases hitting targets. The team has worked with payroll to resolve these issues and diverted resources to catch up with new starters cases. This work continues in conjunction with the new starters identified as part of the end of year processes.
- 3.5 Work continues on the backlog project. As at the 30 April 2022 there remain 1695 outstanding tasks assigned to the backlog project. Of these 891 are in the process of being calculated or checked.
- 3.6 We successfully recruited a new Senior Pensions Officer and a Pensions Officer and both are settling in well.
- 3.7 The administration team is now fully staffed and focus has turned to training and process improvements.
- 3.8 The administration team has been focusing on undecided leavers for the valuation. In order to maximize the numbers processed all team members were tasked with processing calculations and the checking was delayed until a later date. The checking stage has proved a useful training exercise for our new Senior Pensions Officer and the cases are steadily being cleared.
- 3.9 Pensions Increase was successfully implemented with pensioners receiving up to 3.1% increase from the 11 April 2022. Pensions that started part way through 2021/22 received partial pensions increase in accordance with the legislation. Pensioner members were informed of the pension increase via a newsletter.
- 3.10 Pensions increase for deferred members has been successfully completed.
- 3.11 Work has begun on end of year processes with positive and timely responses from the majority of our employers. We are working with the remaining employers to get their end of year reports in as soon as possible.
- 3.12 Member records are now being updated with pay and contributions details. We anticipate an increase in the number of starters and leaver cases identified through this process that we have not previously been informed of.

4. CONSULTATION

- 4.1 Officers have previously consulted with both the Pension Committee and Local Pension Board in the template for the key performance indicator report which forms the basis of Appendix A

5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

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

Approved by: Matt Davis, Interim Director of Finance on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

6. LEGAL CONSIDERATIONS

- 6.1. Burges Salmon LLP (a legal advisor appointed to the Pension Fund) comments that there are no direct legal implications arising from the recommendations within this report.

7. HUMAN RESOURCES IMPACT

- 7.1 There are no direct workforce impacts arising from this report but the pension scheme is an important staff benefit for recruitment and retention.

Approved by: Gillian Bevan, Head of Human Resources on behalf of Dean Shoesmith, Chief People Officer

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.

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

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

CONTACT OFFICER:

Matthew Hallett - Acting Head of Pensions and Treasury

BACKGROUND DOCUMENTS:

PEN 14062022

None.

APPENDIX

Appendix A: Croydon Pensions Admin Team Performance Report, February 2022 to April 2022

.









Croydon Pensions Admin Team Performance Report

May 2022



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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
		February 2022		March 2022		April 2022			
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	42	98%	116	97%	424	97%		<p>Following auto enrolment and some reporting issues the team were unable to complete all starters within the legal deadline.</p> <p>We have also seen an increase in new starter cases being identified by the end of year process (EOY).</p> <p>Resources within the team were diverted to assist with clearing the new starter cases. An above average number of starter cases were complete in April with only 14 missing the legal deadline.</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)	130	17%	191	20%	260	15%		Historical backlog has now been passed to Hymans Robertson for processing. As old cases are processed this will impact on performance against target. Until the backlog is cleared 100% performance against this deadline will not be met.






Legal	Total	%	Total	%	Total	%
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Process	Requirement	Number Completed	Achieved in legal deadline	Number Completed	Achieved in legal deadline	Number Completed	Achieved in legal deadline	Direction of Travel	Comments
		February 2022		March 2022		April 2022			
To process and pay a refund	Two months from the date of request	12	100%	8	100%	8	100%		
Obtain transfer details for transfer in, calculate and provide quotation to member	Two months from the date of request	5	100%	2	100%	2	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	43	100%	30	100%	48	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	48	100%	58	100%	66	98%		One cases missed the legal deadline due to an outstanding combine case that needed to be resolved first.

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
		February 2022		March 2022		April 2022			
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)	36	100%	13	100%	24	100%		
Provide all active and deferred members with annual benefit statements each year	By 31 st August								

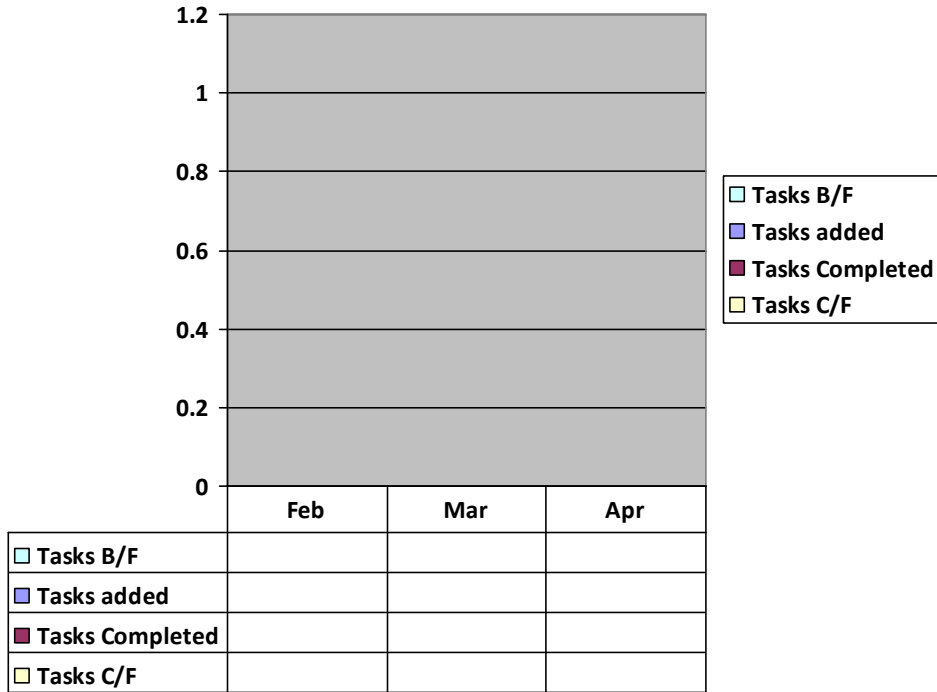
Team Performance Targets

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
		February 2022			March 2022			April 2022				
Send a notification of joining the LGPS to a scheme member	30 days from date of notification of joining member	42	86%	23	116	60%	26	424	53%	30	↓	<p>Following auto enrolment and some payroll reporting issues the team were unable to complete all starters within the legal deadline.</p> <p>We have also seen an increase in new starter cases being identified by the end of year process (EOY).</p> <p>Resources within the team were diverted to assist with clearing the new starter cases. An above average number of starter cases were complete in April.</p>
Inform a scheme member of their calculated benefits (refund or deferred)	40 working days from date of notification (from employer or scheme member)	130	14%	756	191	17%	873	260	11%	802	↓	<p>Historical backlog has now been passed to Hymans Robertson for processing. As old cases are processed this will impact on performance against target. Until the backlog is cleared 100% performance against target will not be met.</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
		February 2022			March 2022			April 2022				
To process and pay a refund	40 working days from the date of request	12	100%	3	8	100%	26	8	100%	4		
Obtain transfer details for transfer in, calculate and provide quotation to member	40 working days from the date of request	5	80%	11	2	100%	1	2	50%	18		One case missed the target. This was due to a delay in being allocated due to staff absences in March.
Notify the amount of retirement benefits	20 working days from date of retirement	43	100%	2	30	100%	3	48	100%	3		
Provide a retirement quotation on request	15 working days from date of request	48	100%	4	58	97%	5	66	95%	6		Two cases in March and three cases in April missed target. We hope to improve on this once our new pension officer is fully trained on estimates.
Calculate and notify (dependent(s) of amount of death benefits	20 working days from receipt of all information	36	97%	5	13	100%	6	TBC	TBC	TBC		One case missed target in February. The report for April has had to be rerun, figures not to be updated asap.

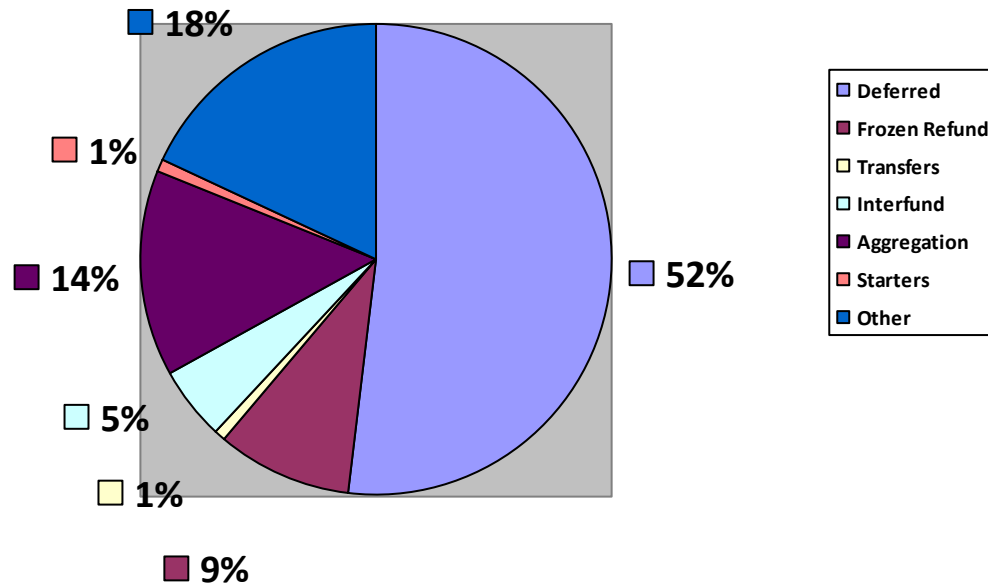
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Case levels



% outstanding tasks relate to historic backlog of deferred benefit cases

Outstanding Cases by Type



Member self-service

Scheme members registered	5222 (29%)
Number scheme members who accessed annual benefit statement Q2 Jun 2021 – Sep 2021	1065

Contributions Monitoring Report	
Contributions reconciled to schedules	% completed
Oct 21 to Mar 22	98.55

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Croydon Council

REPORT TO:	Pension Committee 14 June 2022
SUBJECT:	Local Government Pension Scheme Advisory Board / The Pensions Regulator Update
LEAD OFFICER:	Matthew Hallett - Acting Head of Pensions and Treasury
CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management: This report advises the Committee of the matters currently being considered by the Local Government Pension Scheme Advisory Board and The Pensions Regulator some of which are relevant to the financial management of the Fund.	
FINANCIAL SUMMARY: There are no financial implications associated with this report	

1. **RECOMMENDATION**

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

2. **EXECUTIVE SUMMARY**

- 2.1 This report advises the Committee 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)**

LGPS Investments in Russia

On 4 March 2022 SAB advised that they had drafted a relevant note available on the [Boycotts, Divestment and Sanctions](#) page of their website.

[https://www.lgpsboard.org/images/PDF/BDS/Investments in Russia 4 March 2022.pdf](https://www.lgpsboard.org/images/PDF/BDS/Investments_in_Russia_4_March_2022.pdf)

On 28 February 2022 SAB advised that in the light of events in Ukraine and resultant extant and potential sanctions by the UK Government any LGPS funds which are not already doing so should consider the implications for their investment portfolios and discuss with their pools and asset managers what action should prudently be taken.

McCloud response

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

On 11 May 2021, 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 13 May 2021 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 10 March 2022 the Public Service Pensions and Judicial Offices Act 2022 was given Royal Assent although not all of the provisions are in force.

On an unrelated point to McCloud, on 22 February 2022 an amendment to the Public Service Pensions and Judicial Offices Bill, relating to investment in line with UK foreign and defence policy, was passed at the report stage. This amendment remains in the finalised Public Service Pensions and Judicial Offices Act 2022 (section 100). The effect of this is that MHCLG may give guidance or directions to administering authorities on "*investment decisions which it is not proper for the scheme manager to make in light of UK foreign and defence policy*".

Levelling Up White Paper

On 2 February the Government published the [Levelling Up](#) [whitepaper](#) which includes references to the Government asking LGPS funds to publish plans for increasing local investment and to have an ambition for up to 5% of assets to be allocated to projects which support local areas. SAB understands that in this context local refers to UK rather than local to a particular fund and that there will be no mandate beyond the requirement to have a plan. Further details are expected to emerge over the period up to an expected summer consultation which SAB understands will also include the outstanding climate risk and reporting regulations and the pooling guidance.

The white paper also notes that the UK Infrastructure Bank is committed to expanding institutional investment in UK infrastructure, including exploring opportunities with the LGPS.

[Levelling Up the United Kingdom - GOV.UK \(www.gov.uk\)](#)

Pensions Dashboards

On 31 January 2022 the DWP launched a consultation on the draft Pensions Dashboards Regulations. The consultation closed on 13 March 2022..

<https://www.gov.uk/government/consultations/pensions-dashboards-consultation-on-the-draft-pensions-dashboards-regulations-2022>

Section 13 Report

On 16 December 2021 the Department for Levelling Up, Housing and Communities published the Government Actuary's Department report on the 2019 fund valuations as required by Section 13 of the Public Service Pensions Act 2013. The report can be found via the link below:

<https://www.gov.uk/government/publications/local-government-pension-scheme-review-of-the-actuarial-valuations-of-funds-as-at-31-march-2019>

Letter from Mr Michael Lynk

On 11 January 2022 the Chair of and representatives from LAPFF, together with the SAB Secretary held a call with Mr Lynk to discuss his [letter](#). The discussion was productive and it was agreed to a follow up with another call in a month or so. It was made clear that LGPS funds' primary objective in investment is to ensure pensions are paid but they do take human rights issues seriously in their decisions and through LAPFF are actively engaging with many of the companies listed on the database. In that respect Mr Lynk will provide further information on the database in particular the process for removing companies from it.

On 22 November 2021 a letter was sent to all LGPS pension committee chairs (link below) from Mr Michael Lynk , United Nations Special Rapporteur on the Palestinian Territories asking a number of questions regarding their investments.

<https://lgpsboard.org/images/Other/LetterLynk22112021.pdf>

Cost Control

On 7 October 2021 HMT published its Cost Control Directions. On their publication the Board became able to publish the results of their own cost management process which were agreed in the summer subject to confirmation of the HMT Directions. Details can be found via the link below:

[LGPS Scheme Advisory Board - Cost Management \(lgpsboard.org\)](https://lgpsboard.org)

Code of Transparency

Following a consultation with Code signatories proposed amendments to the LGPS Code of Transparency were agreed by the Board at its meeting on 27 September 2021. The updated Code wording can be found via the link below:

<https://lgpsboard.org/index.php/the-code>

[The Pensions Regulator new code of practice](#)

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:

Adapting Pensions to Climate Change

On 28 October 2021 TPR published its “Climate Adaptation Report” in which it argues that too few schemes give enough consideration to climate-related risks and opportunities, which means that investment and saver outcomes could suffer. It reports that a survey of defined benefit schemes showed that more than half had not allocated time or resources to assessing any financial risks and opportunities associated with climate change. The Report can be accessed at:

<https://www.thepensionsregulator.gov.uk/en/document-library/corporate-information/climate-change-and-environment/climate-adaptation-report>

Asset Allocation by Defined Benefits Schemes

On 21 October 2021 TPR confirmed that from 2023 it will ask “trustees” of defined benefits schemes for more information about how they allocated their assets.

New Code of Practice

On 24 August 2021 TPR published its interim response to the consultation on its new code of practice. Full details can be accessed via the link above.

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.

4. CONSULTATION

4.1 No consultation is required.

5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

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

Approved by: Matt Davis, Interim Director of Finance on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

6. LEGAL CONSIDERATIONS

- 6.1. Burges Salmon LLP (a legal advisor appointed to the Pension Fund) comments that there are no direct legal implications arising from the content of this report.

7. HUMAN RESOURCES IMPACT

- 7.1 There are no direct workforce implications arising from the recommendations within this report but the improvement to practice is welcomed as the pension scheme is a key employee benefit to employees.

Approved by: Gillian Bevan, Head of Human Resources on behalf of Dean Shoesmith, Chief People Officer

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.

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

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

CONTACT OFFICER:

Matthew Hallett - Acting Head of Pensions and Treasury

BACKGROUND DOCUMENTS:

None.

Croydon Council

REPORT TO:	PENSION COMMITTEE 14 June 2022
AGENDA ITEM:	
SUBJECT:	Part A - Progress Report for Quarter Ended 31 March 2022
LEAD OFFICER:	Matthew Hallett Head of Pensions and Treasury
CORPORATE PRIORITY/POLICY CONTEXT:	
<p>Sound Financial Management: Reviewing and ensuring that the performance of the Council's Pension Fund investments are in line with their benchmark and in line with the assumptions made by the Actuary.</p>	
FINANCIAL SUMMARY:	
<p>This report shows that the market value of the Pension Fund (the Fund) investments as at 31 March 2022 was £1,727.9m compared to £1,750.3m at 31 December 2021, a decrease of £22.4m and a return of -1.3% over the quarter. The performance figures, independent information and analysis on the fund managers and markets have been provided by the Fund's independent investment advisor Mercer.</p>	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1	RECOMMENDATIONS
1.1	The Committee is asked to note the performance of the Fund for the quarter ended 31 March 2022.

2 EXECUTIVE SUMMARY

- 2.1 This report provides an update on the Fund's performance for the quarter to 31 March 2022. The report falls into four parts. Section 1 addresses performance against strategic goals. The second section considers the asset allocation strategy and how that is being applied, specifically current and planned investments. The third section deals with risk management and the fourth and final section summarises the recent investment manager site visit. Detailed numeric data and commentary from the Fund's advisors is included as appendices to this report.

3 DETAIL

Section 1: Performance

- 3.1 At the 2019 Triennial Actuarial Valuation the whole of fund funding position was 88% using a future investment return assumption (otherwise described as the discount rate) of 4.0% p.a. The Fund would be 100% funded if an assumed investment return of 4.8% p.a. was used. In setting the Pension Fund's investment strategy, performance is measured against a benchmark return of CPI + 4% for the whole fund. Achieving this benchmark return will ensure the investments achieve a higher return than as calculated in the valuation and on the basis that other assumptions remain constant, the funding gap will close.
- 3.2 Since the valuation date the Fund has made a cumulative return of 37.5% against a return of 12.5% assumed by the valuation. This has had a positive impact on the funding level.

Section 2: Asset Allocation Strategy

- 3.3 The Pension Committee discussed changes to the current asset allocation strategy at the Committee meeting held on 17 March 2020 (Minute A27/20 refers). However, reviewing the current allocation it is apparent that the target allocation cannot yet be applied as it has not been formally adopted because, as per the Minute – "Officers pointed out that they were not able to give investment advice and the Pension Fund's investment adviser had not been given the opportunity to offer appropriate advice to inform the decision." The prudent option is therefore to measure allocation against the prior allocation. This option is supported by the Scheme's investment advisors. Any proposal to amend this asset allocation will require a period of consultation with such persons as it considers appropriate.

3.4 The target portfolio can be broken down as follows:

Asset Class		Target Allocation	Allowable Tolerance
Equities including allocation to emerging markets.		42%	+/- 5%
Fixed interest		23%	+/- 5%
Alternates		34%	+/- 5%
<i>Comprised of:</i>			
Private Equity	8%		
Infrastructure	10%		
Property	16%		
Cash		1%	
Total		100%	

3.6 Monitoring of asset allocation

3.6.1 **Global Equity** – Global equities were broadly negative during the quarter as inflation pressures continued to mount, geopolitical tensions escalated, and Russia invaded the Ukraine. The equity investments held by Fund do not have any direct exposure to Russia or the Ukraine but suffered as a result of the general sell off in equity markets. The Global equity return for the quarter was -4.18%.

The LGIM Developed World (ex-Tobacco) Equity fund returned -3.54% for the quarter, although the return for the year was 12.86%.

The LCIV RBC fund returned -9.06% over the quarter experiencing one of its worst quarters since inception. The return for the year was 10.08% which is 5.31% below the MSCI World Total Return benchmark. The fund continues to outperform the benchmark since inception.

Global equities are now at 45.2% compared to the target allocation of 42% with a 5% tolerance. This has largely been due to equity returns significantly outpacing most of the other areas of the portfolio over the last few years.

3.6.3 **Fixed Interest** – During the quarter our fixed interest investments posted a negative return of -7.24% with Aberdeen Standard -5.33%, Wellington -6.37% and the LCIV Global Bond -10.71%.

Losses in the global bond markets were characterised by rising inflation and the expectations surrounding the path of monetary policy. Russia's invasion of the Ukraine also led to pressure on the bond market especially as external Russian debt traded at distressed levels. The allocation is now stand at 16.4% which is outside the target allocation of 23% allowing for a 5% tolerance. This is largely due to the poor performance of bonds.

3.6.2 **Infrastructure** – Due to the nature of the assets performance of Infrastructure investments and indeed Private Equity, discussed in more detail below, is better measured over a period of time, rather than on a quarter by quarter basis. All the Fund's Infrastructure investments are performing in line with their targets. The renewable investments have performed particularly well due to increased inflation expectations and increases in power prices, both of which have a positive impact on the returns. The allocation currently stands at 12.3% compared to a target of 10%.

3.6.4 **Private Equity** – Our Private Equity managers continue to perform extremely well and have been the main contributor to positive returns over the last few years. The

performance of private equity investments tends to follow the same direction as global equities. Note the valuations tend to be lagged so the positive returns are largely as a result of the previous quarter. The allocation is at 10.8% which is above the target allocation of 8%.

3.6.5 **Property** – The Property allocations showed good performance over the quarter and now stand at 12.7% of the Fund. This is well short of the target of 16% and is largely as a result of the excess returns from global equities. Commercial property investments suffered as a result of COVID-19, but are now showing positive returns.

3.6.6 The table below illustrates the movement in the Fund’s valuation during the quarter and the current asset allocation against the target.

London Borough of Croydon Pension Fund Fund valuation and asset allocation for the quarter ending 31 March 2022

	Valuation at 31/12/2021 £'000	Net cashflow £'000	Gain/Loss £'000	Valuation at 31/03/2022 £'000	Asset allocation Fund percentage	Asset allocation target percentage
Equities					45.2%	42%
Legal & General FTSE World (Ex Tobacco)	721,648	-	25,667	695,982		
LCIV RBC	92,813	-	8,372	84,441		
LCIV	150			150		
Fixed Interest					16.4%	23%
Standard Life	139,574	-	7,441	132,133		
Wellington	71,576	-	4,556	67,020		
LCIV Global Bond	94,564	-	10,123	84,441		
Infrastructure					12.3%	10%
Access	29,667	907	1,268	31,842		
Temporis	57,850	9,000	7,180	56,030		
Equitix	75,169	271	303	75,137		
Macquarie GIG Renewable Energy	23,809	1,482	-	22,327		
I Squared	23,688	1,392	1,730	26,810		
Private Equity					10.8%	8%
Knightsbridge	65,276	1,088	8,352	74,715		
Pantheon	73,324	2,963	3,617	73,978		
Access	22,795	2,433	1,352	21,714		
North Sea	15,133	-	1,256	16,388		
Property					12.7%	16%
Schroders	148,204	-	7,544	155,747		
M&G	63,226	201	1,165	64,190		
Cash					2.6%	1%
Legal & General FTSE4Good Cash	738	-	3	741		
Cash	31,084	13,022	-	44,106		
Fund Total	1,750,287	602	22,994	1,727,895	100%	100%

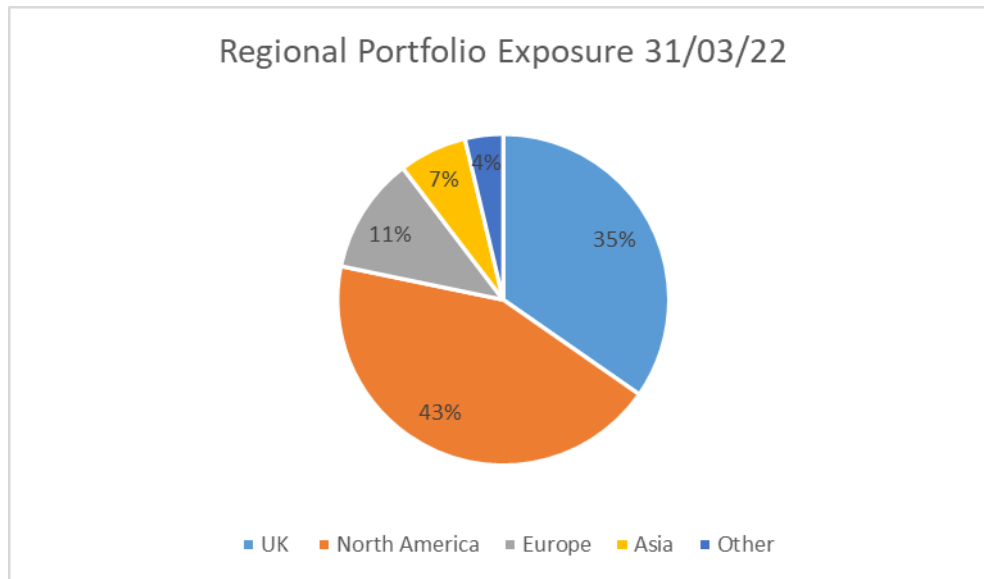
Valuations are based on the bid price as reported by the Fund Managers. The valuations of the Infrastructure and Private Equity funds are the latest available and can be lagged by 3 months.

3.7 Regional Exposure

3.7.1 The Committee asked for an indication of the geographical dispersion of the underlying assets comprising the portfolio. This is set out graphically in the chart below. This information is for illustrative purposes only. It should be noted that there

are differences in the period represented as some data is updated far more frequently than others.

Graph 2: Geographic dispersion of funds.



3.7.2 The descriptor Asia includes Japan, Korea and Australia. The rest of the world (RoW) includes the continent of Africa and Latin America.

3.7.3 It should be noted that of the 35% invested in the UK 12.7% is allocated to Property and 8.9% to Infrastructure. The majority of the Private Equity and Global Equity investments are in the US and Canada.

Section 3: Risk Management

- 3.7 The principle risk addressed by the Funding Strategy is that returns on investment will fall below the target asset outperformance assumption to ensure that the Pension Fund matches the value of liabilities in the future. Dependent upon that are of course a number of issues.
- 3.8 The global economy will always represent a specific risk and opportunity for the Fund and will effectively be impossible to quantify or evaluate. As each asset class, investment strategy and characteristic will be impacted differently by any number of macroeconomic scenarios it is critical to ensure that the portfolio is sufficiently diversified. This will ensure that opportunities can be exploited and downside volatility reduced as far as possible.
- 3.9 Mercer, the Fund's investment adviser, have drafted a Fund Monitoring Report, for the 3 months to 31 March 2022. These reports are included in Part B of this Committee agenda.

Section 4: Investment Manager Visits

- 3.10 There were no manager meetings held in the quarter.

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 investment of the Council's Pension Fund and compares the return on investment of the Fund against the benchmark return.

Approved by: Matt Davis, Interim Director of Finance on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

6. LEGAL CONSIDERATIONS

6.1 . Burges Salmon LLP (a legal advisor appointed to the Pension Fund) comments that there are no direct legal implications arising from the recommendations within this report.

The Committee must, however, be mindful of their fiduciary duty to make investment decisions in the best long-term interests of scheme beneficiaries and taxpayers within the investment strategy framework.

7. HUMAN RESOURCES IMPACT

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

Approved by: Gillian Bevan, Head of Human Resources on behalf of Dean Shoesmith, Chief People Officer

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. FREEDOM OF INFORMATION/DATA PROTECTION CONSIDERATIONS

11.1 This report and Appendices contain confidential information which could be of a sensitive nature, disclosure of which could prejudice the commercial interest of the companies involved and those of the Council's Pension Fund and will be reported in the closed part of the agenda. On application of the public interest test it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

CONTACT OFFICER:

Matthew Hallett, Acting Head of Pensions and Treasury,

BACKGROUND DOCUMENTS:

Included in Part B of the agenda.
Quarterly reports from each fund manager (circulated under separate cover to the Committee Members.) Exempt pursuant to Schedule 12A paragraph 3 of the Local Government Act 1972 as amended.

Appendices:

There are no part A appendices.

Part B appendices:

Exempt pursuant to Schedule 12A paragraph 3: Information relating to the financial or business affairs of any particular person (including the authority holding that information), the following appendices are considered to be precluded from publication:

Appendix A: London Borough of Croydon Returns to 31 March 2022, Mercer

Appendix B: Market Background and Market View Q4 2022, Mercer

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