

Pension Board Agenda



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

A meeting of the **Pension Board** which you are hereby summoned to attend, will be held on **Thursday, 23 March 2023** at **2.00 pm** in **Council Chamber, Town Hall, Katharine Street, Croydon CR0 1NX**

Stephen Lawrence-Orumwense
Monitoring Officer
London Borough of Croydon
Bernard Weatherill House
8 Mint Walk, Croydon CR0 1EA

Tariq Aniemeka-Bailey
tariq.aniemeka-bailey@croydon.gov.uk
www.croydon.gov.uk/meetings
Tuesday, 14 March 2023

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

N.B This meeting will be paperless. The agenda can be accessed online at www.croydon.gov.uk/meetings

AGENDA – PART A

1. Apologies for Absence

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

2. Minutes of the Previous Meeting (Pages 5 - 12)

To approve the minutes of the meeting held on Thursday, 12 January 2023 as an accurate record.

3. Disclosure of Interests

Members are invited to declare any disclosable pecuniary interests (DPIs) and interests they may have in relation to any item(s) of business on today's agenda.

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. Update from Pension Committee

Verbal update from the Acting Head of Pensions and Treasury.

6. Pensions Administration Report Review (Pages 13 - 26)

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 February 2023.

7. Pension Fund Medium Term Business Plan Review (Pages 27 - 48)

This report presents to the Board a draft Business Plan for the Fund for financial years 2023/24 to 2025/26 attached as Appendix A. It invites their comments and requests their agreement to the Plan.

8. Scheme Advisory Board (SAB) Good Governance Review (Pages 49 - 90)

This report details the requirements of the SAB Good Governance Review and the Fund's progress in implementing the recommendations.

9. Risk Management Policy Review (Pages 91 - 102)

This report updates the Board on the review of the Fund's Risk Management Policy and invites their comments.

10. Review of Risk Register (Pages 103 - 128)

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

11. Breaches of the Law Log (Pages 129 - 142)

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 Board to monitor breaches on a regular basis. This report presents the current log (Appendix A) for the Board's consideration and comment.

12. Board Training Update (Pages 143 - 194)

This report advises the Board of training undertaken by the Pension Board members in Year 2022/23 to 28 February 2023 and asks them note the contents of the Logs attached to this report as Appendix A and Appendix B.

The report shows details of the LGPS National Knowledge Assessment 2022 attached as Appendix C and Appendix D to this report

13. Updates from Scheme Advisory Board and The Pensions Regulator (Pages 195 - 202)

This report advises the Board of the matters currently being considered by the Local Government Pension Scheme Advisory Board and The Pensions Regulator which are relevant to the Fund. Any implications for the Fund have been noted and are being addressed in consultation with Fund advisers.

14. 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

Pension Board

Meeting held on Thursday, 12 January 2023 at 2.00 pm in Room 1.03, Bernard Wetherill House, 8 Mint Walk, Croydon CR0 1EA

MINUTES

Present: Michael Ellsmore (Chair);
Co-optees: Richard Elliott, Teresa Fritz, Ava Payne and David Whickman
Councillor Margaret Bird

PART A

37/20 Minutes of the Previous Meeting

The minutes of the meeting held on 13 October 2022 were agreed as an accurate record.

A member of the board stated that he would like to have an action tracker which would allow members to track the progress of the action points from previous meetings.

38/20 Disclosure of Interests

The Chair explained that he believed that if an individual had been appointed by an employer and there was a conflict with a matter that related to the administering body then members should declare an interest.

39/20 Urgent Business (if any)

The Chair stated that members of the board were not covered by the Council's insurance policy as they had their own separate insurance policy. In order for Board members to renew their insurance policy they needed to individually confirm that they were not aware of any claims, circumstances, investigations, legal proceedings or any other matters that would give rise to a claim under the insurance policy.

40/20 Update following Pension Committee December 2022

The Acting Head of Pensions and Treasury introduced the report and explained to Members that the report summarised what was discussed at the

previous Pensions Committee meeting. There were no amendments to the risk register and the Committee agreed to amendments to the constitution, such as, Board member remuneration, the voting rights of Staff Representatives on the Committee, and maintaining one pensioner voting member.

In response to questions from members, officers informed the Board that the proposed allowances would have to be taken to the Monitoring Officer before they could be added to the constitution.

RESOLVED:

To note the most significant matters arising from the meeting of the Pension Committee on 6 December 2022.

41/20 Pensions Administration Team KPI Report September to November 2022

The Pension Manager introduced the report and stated that there was a notable increase in the number of leavers that had been completed in their Key Performance Indicators (KPIs). The Board heard that it was hoped that this improvement would continue, as the Pensions Administration Team had worked through their backlog.

The Pension Administration Team had sent notifications to members of the pension scheme, who they had calculated benefits for, to encourage them to log onto the pensions scheme member self-service. Officers would also be notifying employers to encourage them to inform their active members to sign up to the pension scheme member self-service.

The Pension Administration Team had completed their annual allowance calculation processes ahead of the October 2022 deadline. The Pension Administration Team had also received their data quality assessment scores; they scored 97.4% on the common data, 96.4% on the scheme specific data and had made a start on clearing any errors.

The Pension Administration Team had appointed a new administrator who would be joining the team shortly and there was a senior administrator who

had recently returned from maternity leave.

The Pension Manager explained that in regard to cyber security, the team had finished their mapping phase and had contacted AON for support on the next step in the process.

In response to questions from members, officers informed the Board that the graph in the report contained information from three different reports. The purple bars on the chart represented the outstanding tasks and the vast majority of these were related to the tracing tasks backlog work which officers were in the process of clearing. The light blue line on the chart represented the work that had been completed during the specified period and the dark blue line represented the new cases that had been added of the specified period. The Board heard that approximately 1/3 of the backlog involved cases that had been transferred from other local authorities.

The Pension Manager agreed to present a report which would provide an update on the cyber security project at a future meeting.

RESOLVED:

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

42/20 Review of Breaches Log

The Acting Head of Pensions and Treasury introduced the report and explained that four amendments had been made to the breaches log since the last Pension Board meeting. The rating for the Hymans backlog project had been changed to green, as the project had been completed. The other three entries related to the annual reporting accounts; this included the 2019/20; 2020/21 and the 2021/22 accounts which were all outstanding. The grading of these entries had been changed to amber.

The issue with Councils accounts had been experienced across the Local Government Pension Scheme, as there was an ongoing accounting issue with valuation of infrastructure. The Acting Head of Pensions and Treasury stated that officers would aim to publish an unaudited form of the Annual Report and

Accounts for 2021-22 soon.

In response to a question from a member, the Board were informed that in the public sector pension funds were not a separate legal entity and formed part of the Council's accounts. However, there was a separation in terms of assets which was part of legislation. The Acting Head of Pensions and Treasury had not reported the unaudited accounts to the Pension Regulator as the actuary was still content to sign off on the valuation. The Acting Head of Pensions and Treasury did not feel as though having unaudited accounts would have a negative impact on member experience as they were still having their benefits paid, however, if members of the Board felt as though it should be reported to the Pension Regulator then he would be willing to do so.

RESOLVED:

- To note the contents of the Pension Fund Breaches Log, Appendix A.
- To support the notion to report the three years of unaudited accounts to The Pensions Regulator.

43/20 Progress on Governance Review Action Plan

The Acting Head of Pensions and Treasury introduced the report and explained that following a discussion in July, officers went through the recommendation. The Acting Head of Pensions and Treasury introduced the report and explained that following a discussion in July 2022, officers went through the recommendations from the AON governance review. Officers were then able to draft the governance action plan which contained completed items and items which were still to be completed.

In response to a question from a member, it was explained that Officers had contacted the legal pensions representative in regard to the conflict-of-interest policy, and the Council were currently focused on Council business rather than the business with the Pension Fund. The conflict-of-interest policy had been drafted but had been with the Council's legal team for several months. The Section 151 Officer was responsible for reviewing the structure of the Pensions department in the Council. The Acting Head of Pensions and Treasury did not believe that this would be completed by March 2023.

The Board expressed its continued frustration at the delay in the agreeance with the conflict-of-interest policy.

RESOLVED:

To note the progress made in completing the actions agreed as detailed in the Governance Review Action Plan.

s from the AON governance review. Officers were then able to draft the governance action plan which contained completed items and items which were still to be completed.

In response to a question from a member, officers informed the Board that:

- Officers had contacted the legal pensions representative in regard to the conflict-of-interest policy and the Council were currently focused on Council business rather than the business with the Pension Fund.
- The conflict-of-interest policy had been drafted but had been with the Council's legal team for several months.
- The Section 151 Officer was responsible for reviewing the structure of the Pensions department in the Council. The Acting Head of Pensions and Treasury did not believe that this would be completed by March 2023.

The Board expressed its continued frustration at the delay in the agreeance with the conflict-of-interest policy.

RESOLVED:

- To note the progress made in completing the actions agreed as detailed in the Governance Review Action Plan.

44/20 Publishing Board Information

The Acting Head of Pensions and Treasury introduced the report and explained that as part of the Pensions Regulator recommendations, the members of the board would have to determine the information that should be published about individual board members.

In response to a question from members, officers informed the Board that the Pension Committee members would be asked if they would have information published about them.

RESOLVED:

- To agree the information to be published on the Fund's website in respect of Pension Board members as set out in paragraph 3.5.
- The Board agreed to have information published but recommended that this should be mirrored by the Pensions Committee.

45/20 Communications Policy

The Acting Head of Pensions and Treasury introduced the report and explained that the communications policy was last considered by the Pension Board and Pension Committee in 2019. Officers had made small changes to the policy and brought the policy to the meeting to ensure that Board Members were happy with the policy that had been drafted.

In response to a question from a member, officers informed the Board that they would consider drafting an ancillary document which would make the information more palatable for members of the scheme to digest when they view their statement. The Board heard that the administration strategy contained a plan on how the service could become more proactive rather than reactive.

RESOLVED:

To comment on the draft Communication Policy Statement.

46/20 Review of Pension Board Member Training

The Acting Head of Pensions and Treasury introduced the item and explained that the report documented the training undertaken by the members of the Pension Board over recent months; officers were happy with the attendance for the sessions which had been on offer. The Pension Board had a 100% completion rate of the Hymans knowledge assessment, which would enable officers to identify future training needs across the Pension Board and Pension Committee.

In response to questions from members, officers informed the Board that any training that the Board Members went on would be documented and that members would need to inform officers of any sessions that they had attended. There would be a session with the Members of the Pension Committee to discuss the investment strategy review to formulate the views of the Committee around issues such as climate change.

RESOLVED:

To note the contents of the Pension Board Training Log.

47/20 SAB and TPR Update December 2022

The Acting Head of Pensions and Treasury introduced the report and explained that attention had been drawn to the reporting of climate risk and task force on climate-related financial disclosures (TCFD) reporting and officers would rely on their investment advisors to assist with the reporting requirements. The Acting Head of Pensions and Treasury stated that the first reporting year would be 2023/24.

RESOLVED:

To note the contents of this report.

The meeting ended at 2.49 pm

Signed:

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Date:

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Croydon Council

REPORT TO:	Pension Board 23 March 2023
SUBJECT:	Croydon Pensions Administration Team Key Performance Indicators for the period December 2022 to February 2023
LEAD OFFICER:	Matthew Hallett - Acting Head of Pensions and Treasury

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 February 2023.

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 December 2022 to February 2023. 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.

4. **COMMENTARY**

- 4.1 The team continue to perform well on life event cases such deaths and retirements. A few cases missed target over the period but the average days remained below target for most case types.
- 4.2 We are continuing to send tracing letters to our backlog DB cases and have issued over 1000 letters so far. This part of project should be completed within the next few months.
- 4.3 User registration continues to be an issue for many members wishing to sign up for member self-service and the team spend a lot of time trying to resolve this issue. Updated troubleshooting guidance has been issued to the team but it is likely issues will continue until member self-service is upgraded later this year.

- 4.4 A decision has been taken to delay a membership wide push for member self-service until the updated service is available.
- 4.5 In January the team focused on interfund transfers between Croydon and other LGPS funds. The auto aggregation requirements of the LGPS regulations 2014 have resulted in an increase in interfund cases and this type of case now accounts for approximately a third of the workload. The team carried out several successful Blitz Days and we are continuing to monitor case levels.
- 4.6 In February DLUHC issued a short consultation on changes to the revaluation date in the LGPS from the 1 to 6 April with effect from 1 April 2023 in order to lessen the impact of high inflation on the annual allowance.
- 4.7 It has now been confirmed the proposed changes to the regulations will be made and the revaluation date will change to the 06 April. This will require a software update to Altair and we anticipate this to be completed by the summer. It is likely there will be a number of manual adjustments for retirement calculations during this period.
- 4.8 The first communications have been sent to all employers regarding the End of Year process. Emphasis has been placed on the importance of timely and accurate data, particularly in respect of pre 2014 pensionable pay, to assist with the Annual Allowance calculations.
- 4.9 A new member of the Administration Team joined us in January 2023. He joins us from the Local Pension Partnership Administration and has settled in very well. The Team Leaders are working with him to ensure he is fully trained as soon as possible.

5. CONSULTATION

- 5.1 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

6. DATA PROTECTION IMPLICATIONS

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

No.

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

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

Approved by: Alan Layton on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

CONTACT OFFICER:

Matthew Hallett - Acting Head of Pensions and Treasury

BACKGROUND DOCUMENTS:

None.

APPENDIX

Appendix A: Croydon Pensions Admin Team Performance Report, December 2022 to February 2023

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Croydon Pensions Admin Team Performance Report

March 2023



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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
		December 2022		January 2023		February 2023			
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	268	100%	303	99.01%	147	100%		4 cases missed target in January 2023
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)	60	81.67%	53	75.47%	58	67.24%		12 cases missed target in December 2022. 13 cases missed target in January 2023. 19 cases missed target in February 2023.

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
		December 2022		January 2023		February 2023			
To process and pay a refund	Two months from the date of request	20	100%	18	100%	9	100%	➡	
Obtain transfer details for transfer in, calculate and provide quotation to member	Two months from the date of request	1	100%	4	100%	3	100%	➡	
Notify the amount of retirement benefits	One month from the date of retirement if on or after normal pension age or two months from the date of retirement if after normal pension age	37	100%	45	100%	52	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	36	100%	76	100%	74	98.65%	⬇	2 cases missed target in February 2023. One case was delayed while the deferred benefit was calculated. The other case was a completed case that was incorrectly reopened and task comments added. Training has been provided to the team to prevent this in the future.





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
		December 2022		January 2023		February 2023			
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)	14	92.86%	37	100%	23	100%		One case missed target in December 2022. This was due to a delay in signing off the death grant payment.
Provide all active and deferred members with annual benefit statements each year	By 31 st August								

Team Performance Targets

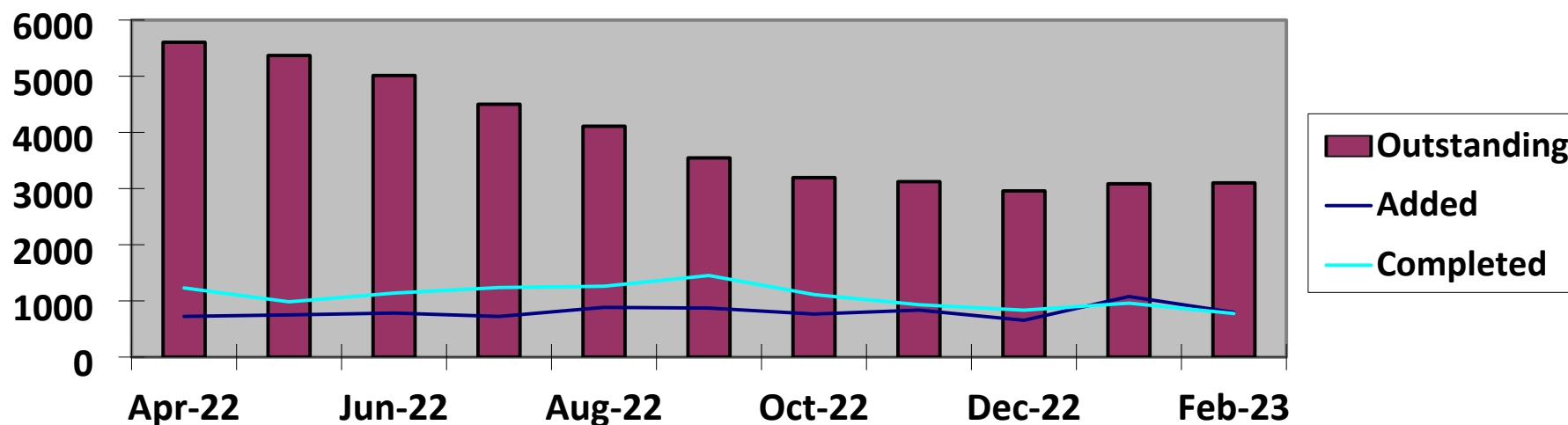
Process	Team Target	Total Number Completed	% Achieved against target	Average days to process	Total Number Completed	% Achieved against target	Average days to process	Total Number Completed	% Achieved against target	Average days to process	Direction of Travel	Comments
		December 2022			January 2023			February 2023				
Send a notification of joining the LGPS to a scheme member	30 days from date of notification of joining member	268	100%	1	303	98.68	6	147	100%	0	↑	
Inform a scheme member of their calculated benefits (refund or deferred)	40 working days from date of notification (from employer or scheme member)	60	80%	111	53	75.47%	97	58	67.24%	249	↓	

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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
		December 2022			January 2023			February 2023				
To process and pay a refund	40 working days from	20	100%	3	18	100%	1	9	100%	2	→	

	the date of request											
Obtain transfer details for transfer in, calculate and provide quotation to member	40 working days from the date of request	1	100%	1	4	100%	2	3	100%	1		
Notify the amount of retirement benefits	20 working days from date of retirement	37	100%	1	45	100%	2	52	100%	3		
Provide a retirement quotation on request	15 working days from date of request	36	100%	2	76	98.68%	3	74	97.30%	19		One case missed target in January 2023. Two cases missed target in February 2023. One case was delayed while the deferred benefit was calculated. The other case was a completed case that was incorrectly reopened and task comments added. Training has been provided to the team to prevent this in the future.
Calculate and notify (dependent(s) of amount of death benefits	20 working days from receipt of all information	14	92.86%	9	37	100%	2	23	100%	2		One case missed target in December 2022. Delay in death grant being signed off.

Case levels



Number of outstanding cases

The Backlog Project tracing tasks have been removed as they do not represent work to be completed.

Member self-service

Total Scheme members registered	6010 (22.74%)
Number scheme members who accessed annual benefit statement Q2 Jul 2022 – Sep 2022	737
Breakdown by member status	
• Actives	30.14%
• Deferred	20.25%
• Pensioners & Dependents	17.98%

Contributions Monitoring

Contributions reconciled to schedules	% Completed
October 2022	98.62%
November 2022	100%
December 2022	99.31%

Croydon Council

REPORT TO:	Pension Board 23 March 2023
SUBJECT:	Pension Fund Medium Term Business Plan 2023/26
LEAD OFFICER:	Matthew Hallett – Acting Head of Pensions and Treasury

1. **RECOMMENDATION**

- 1.1 The Board are asked to comment on and agree to the recommended Medium Term Business Plan 2023/26.

2. **EXECUTIVE SUMMARY**

- 2.1 This report presents to the Board a draft Business Plan for the Fund for financial years 2023/24 to 2025/26 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 2020/23” as presented to them.
- 3.2 On 25 May 2021 and 14 June 2022 the Committee agreed to note the appropriate draft Medium Term Business Plan for 2021/24 and 2022/25. The Board last considered the Plan for 2021/24 on 14 October 2021.
- 3.3 Attached as Appendix A is a draft Medium Term Business Plan 2023/26 based on the two earlier versions but with the following significant additions:
- 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; and
 - Additional timescales and deadlines for objectives set out in the Plan.
- 3.4 On 14 March 2023 the Committee considered and agreed this draft for 2023/26.

- 3.5 The Board are invited to comment on and agree the attached draft Medium Term PB 23032023

Business Plan 2023/26.

4. DATA PROTECTION IMPLICATIONS

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

No.

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

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

Approved by: Alan Layton on behalf of the Corporate Director of Resources and S151 Officer

CONTACT OFFICER:

Matthew Hallett – Acting Head of Pensions and Treasury

BACKGROUND DOCUMENTS:

None.

APPENDIX

Appendix A: Medium Term Business Plan 2023/26

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CROYDON PENSION FUND

Medium Term Business Plan 2023-26

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

Approved by Pension Committee on 14 March 2023 (to be reviewed in March 2024)

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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 defined benefit 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 2022/23, the work plan of the Committee, the Board and officers for 2023/24 – 2025/26 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 2025/26.
- 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 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 and accounting 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 help ensure that the Scheme complies with governance and administration requirements.
- 3.5 Under the “pooling” guidance and supporting regulations 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 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 the Adviser’s recommendations. The Board agreed an action plan to plot progress in their implementation. In 2019 and 2021 Aon were invited to carry out further reviews to assess progress against their earlier recommendations and to take into account new developments. The reviews and associated action plans are regularly considered by the Board and Committee. During 2022 the Board and Committee reviewed the outstanding recommendations to be implemented and at the October 2022 Committee meeting agreed the Governance Review Action Plan to be taken forward. This is included in Annex I. The implementation of the various recommendations plays a significant part in the work plan for 2023/24 and subsequent years.

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, as required by the Local Government Pension Scheme Regulations 2013 (as amended from time to time).
- 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 defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

The funding objectives are:

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

Although the Funding Strategy Statement is currently being updated and set to be agreed in March 2023, the statements made above remain current.

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 2022 were as follows:

- Assets of the Fund were £1,731m predominantly invested in equities, bonds, property, infrastructure and private equity;
- The Fund was 97% funded (based on 31 March 2022 valuation data);
- The Fund had approximately 100 contributing employers;
- 9,926 members were contributing to the Fund;
- 11,856 former employees had their benefits deferred;
- 8,910 members were in receipt of a pension;
- Benefit payments in the previous year totalled £60.2m;
- Contributions from members in the previous year were £14.2m; and
- Contributions from employers in the previous year totalled £47.9m.

5.2 As at 31 March 2023 the assets of the Fund are likely to have decreased by between 5-7% and the other statistics are expected to be largely similar with small percentage increases in the expenditure and income arising from benefit payments and contributions respectively.

6. REVIEW OF 2022/23

6.1 As reported in the Business Plan considered by the Committee in June 2022, at the time of writing, the overall impact of the Coronavirus crisis on the Fund is unclear and may never be fully understood. However, five meetings of the Committee and four of the Board have been held. The auditors have not yet completed their reviews of the 2019/20, the 2020/21 or the 2021/22 Statements of Accounts.

6.2 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:

- Providing support to the Actuary during the Triennial Valuation;
- Providing support to the Actuary in preparation of the updated Funding Strategy Statement;
- Review of independent Common Data Quality Report and Specific Data Quality Report;
- Update of various policies including:
 - *Discretions Policy review June 2022*
 - *Knowledge and Skills Policy review June 2022*
 - *Breaches Policy review October 2022*
- Governance and Compliance Statement review October 2022

- Governance Review Action Plan October 2022
- Constitutional changes in respect of Committee and Board October 2022
- Training Plan October 2022
- Reviewing various contracts December 2022

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, including the preparation of reports, for 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;
- 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; and
- Maintain the Fund's Internal Dispute Resolution Procedure.

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.

Area	Item	Date
Administration	Business Continuity Plan Review	Apr-23
Governance	Contract Review - Actuarial Services	Apr-23
Governance	Governance Best Practice Compliance Statement Review	Jun-23
Administration	Recruitment and Retention Policy	Jul-23
Investments	CIV Savings Review	Jul-23
Governance	Contract Review - Custodial Services	Sep-23
Governance	Structure Review	Sep-23
Governance	Scheme Advisory Board Good Governance Review	Sep-23
Administration	Data Improvement Plan	Oct-23
Administration	Procurement and Recruitment for the Fund - Review Operation	Dec-23
Administration	Options Appraisal of Admin Function	Dec-23
Governance	Budget Review (including CIV costs)	Mar-24
Governance	Business Plan Review	Mar-24
Governance	Contract Review - Investment Advisor	May-24
Governance	Governance Best Practice Compliance Statement Review	Jun-24
Investments	CIV Savings Review	Jul-24
Administration	Admission Policy Review	Dec-24
Governance	Budget Review (including CIV costs)	Mar-25
Governance	Business Plan Review	Mar-25
Administration	Triennial Valuation - Consultation with and Results Issued to Employers	May-25
Funding	Triennial Valuation Consultations and Calculations	May-25
Governance	Governance Best Practice Compliance Statement Review	Jun-25
Governance	Knowledge and Skills Policy Review	Jun-25
Investments	CIV Savings Review	Jul-25
Administration	Committee Administration Review	Jul-25
Governance	CIV Relationship Structures Review	Sep-25
Administration	Prepayments Policy Review	Oct-25
Administration	Academies Funding Policy Review	Oct-25
Administration	Bulk Transfer Policy Review	Oct-25
Administration	Cessation Policy Review	Oct-25
Administration	Contribution Review Policy Review	Oct-25
Governance	Breaches of the Law Policy and Procedure Review	Oct-25
Funding	Funding Strategy Statement Preparation	Nov-25
Funding	Triennial Valuation Employer Contribution Rates Calculation and Consultations	Nov-25
Investments	Contract Review - Pensions Enquiry Service	Dec-25

Governance	Communications Policy Review	Jan-26
Governance	IDRP Review	Jan-26
Funding	Triennial Valuation Rates and Adjustments Certificate Issued	Mar-26
Investments	Investment Strategy Statement Review	Mar-26
Governance	Administration Strategy Review	Mar-26
Governance	Budget Review (including CIV costs)	Mar-26
Governance	Business Plan Review	Mar-26
Governance	Risk Management Policy and Strategy Review	Mar-26
Administration	Record Management Policy Review	Oct-26
Administration	Key Performance Indicators Monitoring	Ongoing
Administration	Information Technology Efficiencies	Ongoing
Administration	Cyber Security Mapping and Procedures	Ongoing
Administration	Data Dashboard Implementation Progress	Ongoing
Administration	I-Connect Roll Out	Ongoing
Administration	Employer relationship Management Development	Ongoing
Investments	Environmental, Social and Governance Investment Policy (Develop)	Ongoing
Investments	Asset Allocation Review (including Investigation of new Investment Vehicles)	Ongoing
Investments	Pooling Requirements - Compliance	Ongoing
Governance	Governance Review Updates	Ongoing
Governance	Investment Advisor - Performance Monitoring	Ongoing
Governance	Mandatory Discretions Policy (Administrative Authority)	Ongoing
Governance	Staffing Structure and Numbers Review	Ongoing
Governance	The Pensions Regulator Single Code of Practice Implementation Progress	Ongoing
Governance	Legislative Changes Responses	As Required
Administration	Mc Cloud Implementation	As Required
Governance	Scheme Advisory Board Reports Responses	As Required
Administration	Service Areas not meeting agreed performance standards Review	As Required
Administration	Staffing Structure Review - Responding to Increasing Demands	As Required
Governance	The Pensions Regulator Reports Responses	As Required
Funding	Triennial Valuation (Interim)	As Required

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 31 December 2022 the Fund had £1,621m assets under management. Funds are invested across 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 2022	Actual Allocation	Strategic Allocation
		£m	%	%
Equities				
LGIM	Counts towards allocation	632.2		
RBC	Yes	78.2		
Total		710.4	43.8	42.0
Fixed Interest				
Aberdeen		122.0		
Wellington		56.1		
PIMCO	Yes	79.4		
Total		257.5	15.9	23.0
Property				
Schroders		137.2		
M & G		64.4		
Total		201.6	12.4	16.0
Private Equity				
Pantheon		73.9		
Knightsbridge		67.7		
Access		15.7		
North Sea Capital		21.1		
Total		178.4	11.0	8.0
Infrastructure				
Equitix		79.0		
Temporis		58.1		

GIGM		24.2		
Access		35.6		
I Squared		29.2		
Total		226.1	14.0	10.0
Cash		46.6	2.9	1.0
TOTAL		1,620.7	100.0	100.0

9. CASHFLOW

9.1 The table below summarises the income and expenditure included in the Fund Annual Accounts.

	2020/21 Actual	2021/22 Actual	2022/23 Forecast Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
	£'000	£'000	£'000	£'000	£'000	£'000
Contributions receivable	69,056	62,124	65,000	67,000	68,000	69,000
Transfers in	8,002	26,050	9,000	10,000	10,000	10,000
Benefits payable	-47,837	-48,778	-52,000	-58,000	-61,000	-64,000
Transfers out	-7,031	-10,180	-19,000	-10,000	-10,000	-10,000
Lump sums	-9,374	-11,413	-10,900	-11,000	-11,000	-11,000
Management expenses*	-3,152	-3,843	-3,731	-3,705	-3,735	-3,895
Investment income	7,309	8,000	8,500	9,000	9,500	10,000
Net income/ deficit (-)	16,973	21,960	-3,131	3,295	1,765	105

*The management expenses in the above table are those that are invoiced to the Fund and so paid from the Fund's cashflow. The majority of Investment Manager fees are charged within the Fund's investment holdings. See table 10.1.

In the table above the estimates for transfers in and transfers out are assumed to cancel each other out as they cannot be predicted with any degree of accuracy. The figures for investment income take into account RBC, PIMCO, Schroders and M&G. Dividend income for L&G, Aberdeen and Wellington is included within the unit pricing for the Funds, so is not separately identified. The calls and distributions for the Private Equity and Infrastructure managers are assumed to be cash neutral.

To summarise, although the Fund is approaching the point where the cashflow turns negative, there is still enough scope within the Fund's investments to be able to draw further investment income which means the Fund should not become a forced seller of assets.

10. RESOURCES

Finance

10.1 The following table provides actuals and estimates of the Fund Management Expenses over the six years from 2020/21.

	2020/21 Actual	2021/22 Actual	2022/23 Forecast Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
	£'000	£'000	£'000	£'000	£'000	£'000
Administration						
System fees	391	565	430	460	480	500
Staff costs	724	754	747	900	925	950
Payroll administration	175	170	170	170	170	170
Admin backlog	-	154	54	-	-	-
Central recharge for HR and Finance	69	61	60	60	60	60
Other (net)	9	-5	5	5	5	5
Total	1,368	1,699	1,466	1,595	1,640	1,685
Oversight and Governance						
Staff costs	501	525	475	520	535	550
Actuarial costs (net)	130	220	300	200	200	300
External audit fees	25	32	32	32	32	32
Memberships	8	10	10	10	10	10
Investment and governance advice	111	130	100	150	120	120
Legal advice	70	160	250	100	100	100
Rebate	-27					
Total	818	1,077	1,167	1,012	997	1,112
Investment Management						
Management fees	12,270	14,532	14,000	14,000	14,000	14,000
Custodian fees	105	96	98	98	98	98
Total	12,375	14,628	14,098	14,098	14,098	14,098
TOTAL	14,561	17,404	16,731	16,705	16,735	16,895
Less investment management fees included within the funds	-11,409	-13,561	-13,000	-13,000	-13,000	-13,000
TOTAL included in table 9.1	3,152	3,843	3,731	3,705	3,735	3,895

Staff

10.2 In 2023/24 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	2
Administration	14	2
Governance & Compliance	4	2
Technical Support	2	
TOTAL	25	6

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:

- Implications of the McCloud judgement;
- Exit cap changes;
- Scheme Advisory Board Good Governance Review;
- The Pensions Regulator's new Code of Practice.
- CIPFA Knowledge and Skills Framework
- Goodwin Case
- Section 114 impact
- Severance / Redundancy exercises
- Services to the Fund from Democratic Services and Legal Services
- Cyber Security Requirements
- Data Dashboards
- Climate / Green Investment Reporting/TFCDs

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 A Knowledge and Skills Policy incorporating the CIPFA Knowledge and Skills Framework requirements for Board and Committee members and Officers and the TPR knowledge requirements and a Training Plan have been adopted by Fund.

- 11.2 Members of both the Pension Committee and 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 and other relevant bodies as well as sessions delivered by Fund Advisors. Access to webinars on specified subjects and many sessions are available both in person and remotely.
- 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:
- Academies Funding Policy
 - Administration Strategy
 - Annual Report and Accounts
 - Breaches of the Law Policy
 - Business Plan
 - Business Continuity Plan
 - Communications Policy Statement
 - Conflicts of Interest Policy (Board) – being adapted for Fund-wide application
 - Contribution Review Policy
 - Data Improvement Plan
 - 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
 - Mandatory Discretions Policy
 - Prepayments Policy
 - Record Management Policy
 - Risk Management Strategy
 - Training Plan
 - Triennial Valuation Report

Annex I - Governance Review Action Plan				
Category	Action	Comments	Date Due	Status
Non-Pension Officer Actions	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	At the June 2022 Pension Committee, the Chair of the Board requested that Committee members committed to four-year terms to aid continuity.		
Non-Pension Officer Actions	The Section 151 Officer to review the structure of the Pensions Function and how that sits within the Council structure.	This will be carried out when considering the plan for 2023/24	31 March 2023	
Constitutional Actions	To create a Fund wide Conflicts of Interest Policy covering Committee, Board and Senior Officers and incorporating work with the LCIV	Officers are awaiting comment from the Monitoring Officer	October 2022	In Progress
Constitutional Actions	That a small annual allowance should be paid to Pension Board members to reflect the increasingly onerous skills and training requirements	This is being done through amendment to the Constitution Officers support this.	October 2022	In Progress
Constitutional Actions	To include LCIV relationships structures in the constitution	This is being done through amendment to the Constitution	October 2022	In Progress
Constitutional Actions	Update Part 3 of the Constitution to be consistent to avoid any confusion around the responsibilities of the Pension Board	This is being done through amendment to the Constitution	October 2022	In Progress

Constitutional Actions	Clearly documented Scheme of Delegation – to include greater detail regarding the delegation to the Director of Finance Investment and Risk and Section 151 Officer in the next update to the constitution	This is being done through amendment to the Constitution	October 2022	Completed
Constitutional Actions	To review voting rights of categories of Pension Committee members. Board would like to see inclusion of a voting non-council employer representative and a voting member representative.	This is being done through amendment to the Constitution	October 2022	In Progress

Resourcing	To review the operation of procurement and recruitment for the Fund	This will be worked on over the year and reported back.	July 2023	Not Yet Due
Resourcing	That the administering authority should proactively consider the use of third party suppliers to increase the resources available to the Fund	The Fund is using Hymans to assist with backlog work and continues to benefit from governance consultancy provision from AON. Additionally, Burges Salmon now undertake legal comment for reports.	Completed	Completed
Resourcing	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.	It was felt that the service had improved, so no formal SLA's were required at this stage. This is to be reviewed in six months	Completed	Completed
Resourcing	That the resourcing required in order to provide an efficient service be reviewed especially considering McCloud and Pension Dashboards. The Board receive a report on resourcing twice a year	This will be added to the agenda planner	January 2023	Completed

Resourcing	The Board requested that an options appraisal of the Pensions Administration Function be carried out.		July 2023	Not Yet Due
Finance and Business Planning	That the Fund Annual Report and Accounts be reported to the Pension Committee prior to being reported to the General Purposes and Audit Committee	There are currently 3 years of accounts where the audit is still to be completed. When the backlog has been removed this will be incorporated in the normal cycle of reporting.	July 2023	Not Yet Due
Finance and Business Planning	To report when the 2019/20 pension fund report and accounts have been signed off by audit		January 2023	Overdue
Finance and Business Planning	To compile a 3-year financial plan covering admin, fund management and other overhead costs	This was presented to Committee in June 2022 and further enhancements will be incorporated into the next review.	March 2023	Completed

Website	That the Committee receive a report on compliance with the Aon report on publication of the Funds policies and documents by September 2023		September 2023	Not Yet Due
Website	Consider adding additional information from Code of Practice paragraph 96 about the Pension Board and Pension Committee members onto the Fund website	Request sent to members for relevant information provision. Still awaiting details from 4 members.	January 2023	In Progress
Policy and Process	To review the Breaches of the Law Policy		October 2022	Completed

Policy and Process	To review the Investment Strategy Statement- to include compliance statement against the Myners Principles	Will be done alongside the Triennial Valuation	March 2023	Completed
Policy and Process	To review the Administration Strategy		December 2022 Moved to March 2023	Completed
Policy and Process	To review the Communications Policy		December 2022	Completed
Policy and Process	To create a Data Improvement Plan	Checks are currently carried out on data but officers will formalise this in a policy document	March 2023 Moved to October 2023	Not Yet Due
Policy and Process	To review the Governance and Compliance Policy		June 2023	Not Yet Due
Policy and Process	To review the IDRP procedure to include details on what is exempt (as per section 50(9) of the 1995 Pensions Act		January 2023	Completed
Policy and Process	To create a Record Management Policy		January 2023 Moved to October 2023	Not Yet Due
Policy and Process	Regularly review knowledge and skills requirements as a standing agenda item for Board and Committee meetings	Added to forward plan	Ongoing	Completed
Projects	That the Committee will carry out a check on how the Fund complies with the recommendations of the Good Governance and where work will be required to ensure compliance by March 2023	Some work on actions required by the Fund has already been undertaken. Officers will continue to progress actions required.	March 2023	Completed

Projects	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 noncompliance in a timely manner	The TPR Code is still in draft form and has not yet been agreed. Officers have begun to look at the draft document and will complete a full assessment of Fund compliance and carry out actions to address requirements in due course.	TBC	Not Yet Due
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REPORT TO:	Pension Board 23 March 2023
SUBJECT:	SAB Good Governance Review Progress Update
LEAD OFFICER:	Matthew Hallett - Acting Head of Pensions and Treasury

1. RECOMMENDATION

The Board is asked to:

- 1.1 Consider the contents of this report and to comment as appropriate.

2. EXECUTIVE SUMMARY

- 2.1 This report details the requirements of the SAB Good Governance Review and the Fund's progress in implementing the recommendations.

3. DETAIL

- 3.1 In January 2019, the Scheme Advisory Board (SAB) appointed Hymans Robertson to facilitate a review of governance structures for the LGPS. Hymans Robertson issued a report in July 2019 outlining the results of the review. The following conclusions were included in the report:

- Governance structure is not the only determinant of good governance. Funds with similar governance models produced differing results;
- There was a clear view that the establishment of new bodies was not necessary and instead there should be greater guidance within the existing structures;
- There is preference for a set of mandatory standards that all funds should achieve, drawing on current good practice;
- Standards should be regularly and independently reviewed.

- 3.2 Leading on from these conclusions Hymans made the following proposals:

- There should be an outcome- based approach, based on minimum standards.

- This outcome based approach should include:
 1. Robust conflict management, including defining roles and responsibilities.
 2. Assurance the sufficiency of administration, along with the appropriate budget.
 3. Policy on employer and member engagement.
 4. Regular independent review of governance.
 5. Enhanced training (particularly for S151s and S101 committees).
 6. Update of relevant guidance and better sign-posting.

3.3 The Good Governance Review Phase 2 report was agreed by the SAB on 6 November 2019.

The Phase 2 Report included proposals categorised into six main areas:

- General;
- Conflicts of interest;
- Representation;
- Skills and training;
- Service delivery for the LGPS functions;
- Compliance and improvement.

The Scheme Advisory Board accepted the proposals in the Good Governance report Phase 2 on 3 February 2020 and requested that the project team and working groups provide further detail on the implementation of these proposals. Following consultation meetings it was decided that some proposals from the Phase 2 Report needed further consideration and analysis ahead of implementation. This detail was included in the Phase 3 report which was issued in February 2021.

The table below details the proposals as set out in the Hymans Robertson Good Governance Report to the SAB – Phase 3 (Appendix A):

Area	Proposal
A. General	<p>A1. MHCLG will produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals below. (“the Guidance”).</p> <p>A2. Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund. (“the LGPS senior officer”).</p> <p>A3. Each administering authority must publish an annual governance compliance statement that sets out how they comply with the governance requirements for LGPS funds as set out in the Guidance. This statement must be co-signed by the LGPS senior officer and S151.</p>

B. Conflicts of Interest	<p>B.1 Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, with specific reference to key conflicts identified in the Guidance.</p> <p>B.2 The Guidance should include reference to the latest available legal opinion on how statutory and fiduciary duties impact on all those involved in the management of the LGPS, and in particular, those on decision making committees.</p>
C. Representation	C1. Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to voting rights for each party.
D. Knowledge and Understanding	<p>D1. Introduce a requirement in the Guidance for key individuals within the LGPS, including LGPS officers and pensions committees, to have the appropriate level of knowledge and understanding to carry out their duties effectively.</p> <p>D2. Introduce a requirement for s151 officers to carry out LGPS relevant training as part of CPD requirements to ensure good levels of knowledge and understanding.</p> <p>D3. Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.</p> <p>D4. CIPFA should be asked to produce appropriate guidance and training modules for s151 officers.</p>
E. Service Delivery for LGPS Function	<p>E1. Each administering authority must document key roles and responsibilities relating to the LGPS and publish a roles and responsibilities matrix setting out how key decisions are reached. The matrix should reflect the host authority's scheme of delegation and constitution and be consistent with role descriptions and business processes.</p> <p>E2. Each administering authority must publish an administration strategy.</p> <p>E3. Each administering authority must report the fund's performance against an agreed set of indicators designed to measure standards of service.</p> <p>E4. Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year.</p>
F. Compliance and Improvement	<p>F1. Each administering authority must undergo a biennial Independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified. IGR reports to be assessed by a SAB panel of experts.</p> <p>F2. LGA to consider establishing a peer review process for LGPS Funds.</p>

3.4 Proposal A1 is for the MHCLG to produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals listed in the table.

DHLUHC Ministers have given approval to take the recommendations forward and put them into law with the exception of recommendation B2. However, to date, these have not been enacted in law and statutory guidance has not yet been issued.

Recommendation B2 concerning fiduciary duty was originally written as follows:

****B.2 The Guidance should refer all those involved in the management of the LGPS, and in particular those on decision making committees, to the guide on statutory and fiduciary duty which will be produced by the SAB – now updated****

However, this has since been amended to the following:

B.2 The Guidance should include reference to the latest available legal opinion on how statutory and fiduciary duties impact on all those involved in the management of the LGPS, and in particular those on decision making committees.

There are no immediate plans for SAB to opine on or publish a statement on fiduciary duty given the conflict between Nigel Giffin's opinion and those of the Supreme Court in the Palestine case. Therefore, this recommendation has been updated.

The remainder of the recommendations are expected to be taken forward and officers are currently working to progress these.

3.5 ***A2. Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund. ("the LGPS senior officer")***.

This is one of the core recommendations within the report and is a matter for the section 151 officer to take forward. Several example models are provided within the report, along with core requirements of the role, underpinning principles and characteristics, personal competencies and organisational structure.

3.6 ***A3. Each administering authority must publish an annual governance compliance statement that sets out how they comply with the governance requirements for LGPS funds as set out in the Guidance. This statement must be signed by the LGPS senior officer and, where different, co-signed by the S151 officer.***

B.1 Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, including reference to key conflicts identified in the Guidance.

C.1 Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to representation and voting rights for each party.

The Annual Governance Compliance Statement was agreed at the October 2022 Pension Committee. Officers have prepared a Conflicts of Interest Policy which is with the Council's Monitoring Officer for review. Proposed changes to the Council's Constitution which include representation and voting rights were agreed by Pension Committee in December 2022. The proposed Constitution changes have been passed to the Monitoring Officer for updating the Council's Constitution. The Monitoring Officer has given a commitment to have the Conflicts of Interest Policy reviewed and the constitution changes enacted by May 2023.

3.7 D.1 Introduce a requirement in the Guidance for key individuals within the LGPS, including LGPS officers and pensions committee members, to have the appropriate level of knowledge and understanding to carry out their duties effectively.

D.2 Introduce a requirement for s151 officers to carry out LGPS relevant training as part of their CPD requirements to ensure good levels of knowledge and understanding.

D.3 Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.

D.4 CIPFA and other relevant professional bodies should be asked to produce appropriate guidance and training modules for s151 officers and to consider including LGPS training within their training qualification syllabus

The intention is that SAB engage with the professional accountancy bodies to develop LGPS training modules for accountancy professionals operating within local authorities. The Pension Committee adopted an updated Knowledge and Skills Policy and the CIPFA Knowledge and Skills Framework at the June 2022 meeting. A training plan is in place which includes mandatory elements and training is reviewed as a standing item at both Pension Committee and Pension Board. Training undertaken will be published in the Governance and Compliance Statement and as part of the Annual Report.

3.8 E.2 Each administering authority must publish an administration strategy.

The Fund has an administration strategy in place and will keep this under review. It will be updated on consideration of any revisions to statutory guidance that maybe put into place.

3.9 E.3 Each administering authority must report the fund's performance against an agreed set of indicators designed to measure standards of service.

The working group considered this and recommended that rather than attempting to define a universal set of standards for administration across the LGPS, the KPIs should focus on ensuring that each fund has defined service standards, and has the governance in place to monitor their service standards and to benchmark those standards against other funds where appropriate.

Reports covering the Pensions Administration Service including KPIs are provided to Pension Committee and Pension Board at every meeting. Reporting will be kept under review and quality of reporting and what is reported on will be enhanced over time.

3.10 E.4 Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year.

The Fund produces a Business Plan every year which covers the next three years. This is presented to Pension Committee and Board to agree. Improvements to the plan have been made and Officers recognise that further improvements need to be made to full incorporate recommendations from the Good Governance review which states:

- 1. Budgets for pension fund functions should be sufficient to meet all statutory requirements, the expectations of regulatory bodies and provide a good service to Scheme members and employers.*
- 2. Required expenditure should be based on the fund's business plan and deliverables for the forthcoming year*

It is expected that the Committee and Board will take an active role in the business planning process going forward. Details of whether the budget has been approved will need to be included in the governance compliance statement which will need to be signed by the section 151 officer.

Officers have accessed training provided by Hymans via webinars on business planning. Fund Advisors have led member engagement sessions in other authorities as part of the planning process. This may be an option that the Fund may choose to explore.

3.11 F.1 Each administering authority must undergo a biennial Independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified.

Croydon has already undergone two independent governance reviews, the first in 2019 and the second in 2021. This is a process that is familiar to officers and has facilitated improvements which have been incorporated into the workplan, policies and procedures.

Officers will be looking to the Board and Committee to support procurement of a third review with AON later in the year. However, it would be prudent to make more progress on incorporating the SAB Good Governance Review recommendations before that.

3.12 F.2 LGA to consider establishing a peer review process for LGPS Funds.

This is a matter for the LGA to progress.

3.13 The Board are asked to consider the contents of this report and comment as appropriate.

4. CONSULTATION

4.1 Officers have consulted Hymans Robertson on progress of the SAB Governance Review and many of the recommendations have already been taken forward with input from both Committee and Board.

Further input may be sought from the Fund's governance advisors AON on further implementation of these actions.

5. DATA PROTECTION IMPLICATIONS

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

NO

Approved by: Matthew Hallett on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

CONTACT OFFICER:

Matthew Hallett, Acting Head of Pensions and Treasury

APPENDIX:

Appendix A: Hymans Robertson Good Governance Phase 3 Report to SAB

BACKGROUND DOCUMENTS:

None.

Good Governance: Phase 3 Report to SAB

February 2021

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Good Governance: Phase 3

Report to SAB

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Introduction

The Scheme Advisory Board accepted the proposals in the Good Governance report Phase 2 on 3 February 2020 and requested that the project team and working groups provide further detail on the implementation of these proposals. The project has suffered delays as a result of COVID and the requirement for key stakeholders in their main roles to focus on and prioritise the response to the pandemic. However, some meetings were held early in 2020 and working papers and notes have been circulated over the last months to collate feedback and reflect the wide range of views from the group.

We considered that some proposals from Phase 2 didn't need further detail in order to progress with implementation and focussed on the proposals which needed further analysis or consideration ahead of implementation. We have provided additional details on these proposals for the consideration of the SAB. This paper should be read in conjunction with the paper from Phase 2.

For reference, all the proposals from Phase 2 are listed below and we have indicated with a * the proposals addressed further in this report.

Area	Proposal
A. General	* A.1 MHCLG will produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals below. ("the Guidance").
	* A.2 Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund. ("the LGPS senior officer").
	A.3 Each administering authority must publish an annual governance compliance statement that sets out how they comply with the governance requirements for LGPS funds as set out in the Guidance. This statement must be co-signed by the LGPS senior officer and S151.
B. Conflicts of interest	* B.1 Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, with specific reference to key conflicts identified in the Guidance.
	* B.2 The Guidance should refer all those involved in the management of the LGPS, and in particular those on decision making committees, to the guide on statutory and fiduciary duty which will be produced by the SAB – now updated*
C. Representation	* C.1 Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to voting rights for each party.
D. Knowledge and understanding	* D.1 Introduce a requirement in the Guidance for key individuals within the LGPS, including LGPS officers and pensions committees, to have the appropriate level of knowledge and understanding to carry out their duties effectively.
	* D.2 Introduce a requirement for s151 officers to carry out LGPS relevant training as part of CPD requirements to ensure good levels of knowledge and understanding.
	* D.3 Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.
	* D.4 CIPFA should be asked to produce appropriate guidance and training modules for s151 officers.
E. Service Delivery for the LGPS Function	E.1 Each administering authority must document key roles and responsibilities relating to the LGPS and publish a roles and responsibilities matrix setting out how key decisions are reached. The matrix should reflect the host authority's scheme of

	delegation and constitution and be consistent with role descriptions and business processes.
	*E.2 Each administering authority must publish an administration strategy.
	*E.3 Each administering authority must report the fund's performance against an agreed set of indicators designed to measure standards of service.
	*E.4 Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year.
F. Compliance and improvement	*F.1 Each administering authority must undergo a biennial Independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified. IGR reports to be assessed by a SAB panel of experts.
	F.2 LGA to consider establishing a peer review process for LGPS Funds.

Atypical administering authorities

This report has been drafted largely using terminology relevant to the majority of administering authorities who are local authorities. However, it is recognised that there are some administering authorities which do not fit this model. In taking forward any of the proposals outlined in this report it will be necessary to ensure that principles can be applied universally to LGPS funds and that any guidance recognises the unique position of some funds.

Use of terms

Throughout this document the following terms have a specific meaning unless the context makes clear that another meaning is intended;

Administering authority refers to a body listed in part 1 of Schedule 3 to the LGPS Regulations 2013 that is required to maintain an LGPS pension fund. In particular the term is used here when such a body is carrying out LGPS specific functions.

For example "Each administering authority must publish an annual report".

Committee a committee formed under s101 of the Local Government Act 1972 to which the administering authority delegates LGPS responsibilities and decision making powers. Alternatively, can refer to an advisory committee or panel which makes recommendations on LGPS matters to an individual to whom the administering authority has delegated LGPS decision making responsibility.

For example "The pensions committee should have a role in developing the business plan".

Host authority refers to a council or other body that is also an administering authority but is used to refer to that body when it is carrying out wider non-LGPS specific functions.

For example "Delivery of the LGPS function must be consistent with and comply with the constitution of the host authority"

The fund carries a more general meaning and is used to refer to the various activities and functions that are necessary in order to administer the LGPS.

For example "Taking this course of action will improve the fund's administration".

Alternatively, the term is used in the context of the scheme members and employers who contribute to the LGPS arrangements of a specific administering authority.

For example “The number of fund employers has increased in recent years”.

Further Discussion on Recommendations

A General

A.1 MHCLG will produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals below. (“the Guidance”).

The intention throughout this review has been that any SAB recommendations should be enacted via the introduction of new statutory governance guidance which will supersede current guidance¹. It was felt that this approach would be quicker and more responsive than relying on changes to secondary legislation. The LGPS regulations contain a provision² that allows the secretary of state to issue guidance on the administration and management of the scheme.

We have noted that the outcome of The Supreme Court’s judgment on LGPS boycotts (The Palestinian Case)³ may impact the extent to which future changes are enacted through guidance rather than changes to legislation.

A.2 Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund. (“the LGPS senior officer”).

This is one of the core recommendations in Phase 2 report and we have provided further detail on the proposal below, including details on the core requirements of the role, organisational guidelines and personal competencies for individuals.

Core Requirements

The role of the LGPS senior officer is to lead and take responsibility for the delivery of the LGPS function. The core requirements include but are not limited to:

- Following appropriate advice, developing the fund’s strategic approach to funding, investment, administration, governance and communication;
- Ensuring that there is a robust LGPS specific risk management framework in place which embeds risk management into the culture of the fund and identifies, assesses and mitigates the risks facing the fund;
- Ensuring the pension fund is organised and structured in such a way as to deliver its statutory responsibilities and compliance with The Pensions Regulator’s codes of practice;
- Managing delivery of the LGPS function to meet service level agreements;
- Providing advice to members of committees that have a delegated decision-making responsibility in respect of LGPS matters;
- Providing advice and information to members of local pensions board to assist them in carrying out their responsibilities;
- Ensuring that the role of the pension fund and LGPS matters are understood and represented at the local authority’s senior leadership level;

¹ [LOCAL GOVERNMENT PENSION SCHEME GOVERNANCE COMPLIANCE STATEMENTS STATUTORY GUIDANCE – NOVEMBER 200](#)

² See Regulation 2(3A)

³ [R \(on the application of Palestine Solidarity Campaign Ltd and another\) \(Appellants\) v Secretary of State for Housing, Communities and Local Government \(Respondent\)](#)

- Working with partner funds and the pool company (if appropriate) to ensure effective governance in respect of investment pooling arrangements;
- Where the LGPS Senior Officer is not themselves the local authority's s151 officer, support the s151 officer to ensure the proper administration of the fund's financial affairs; and
- Acting with the highest integrity in the interests of the fund's members and employers.

Underpinning principles and characteristics

This section considers what needs to be in place for an LGPS senior officer to successfully deliver the role. It is split into the organisation principles that the administering authority should consider when drawing up the role of Senior Officer as well as the personal characteristics and competencies that the individual should exhibit.

Organisational Principles

In appointing a LGPS senior officer, administering authorities should have consideration of the following organisational principles.

Representing the fund at a senior level. The Senior Officer should be of sufficient seniority to ensure that pension issues can be brought the attention of the senior leadership team as necessary. This also ensures that the Senior Officer is close enough to the strategic direction of the host organisation and able to influence decisions where they impact on the management of the fund. It is unlikely that the Senior Officer role could be carried out effectively by an individual lower than third tier in the organisation.

Capacity. The role of Senior Officer is demanding and those undertaking it should be able to give it the necessary attention. While the Senior Officer might have some other responsibilities within the organisation, these should not be of a scale that they impact adversely on the ability to ensure the effective delivery of the LGPS function. When considering capacity, it would be appropriate to consider both the Senior Officer role and the capacity and seniority of their direct reports working in the LGPS.

Reporting Lines. As the individual with responsibility for delivering the LGPS function, it is appropriate that those with key LGPS functions come under a reporting structure which falls under the Senior Officer's supervision.

From time to time the fund will employ resource and expertise from other areas of the authority, for example project management, IT or legal services. It is not the intention that all that all of these functions should fall under the Senior Officer, however the expectation is that key functions such as investment, administration, employer liaison, communications, fund accounting etc do.

Resourcing. The senior officer is responsible for the delivery of the LGPS function and as such must be able to ensure that they run an operation that is sufficiently resourced. The intention is that the Senior Officer is responsible for drawing up the fund's budget and agreeing it with the Pension Committee.

In doing so the Senior Officer needs to be cognisant of the need to maximise the value of any spend from the public purse.

Personal Competencies

The following are the personal and professional attributes that should be embodied by the LGPS Senior Officer.

An ability to build strong relationships and influence. The Senior officer will be expected to influence matters at the highest levels of the organisation. They should be comfortable dealing with elected members and understand the requirements of working in a political environment.

The Senior Officer will need to build and maintain strong relationships with employers within the Fund as well as partners within the investment pool.

The Senior Officer will also need the ability to build strong relationships with professional advisers, including challenging them when appropriate and work to enable the effective operation of the pension board

The Senior Officer will also be expected to represent the fund at a national level.

Strong technical skills. There is no requirement for an LGPS senior officer to have a specific professional qualification, although a relevant qualification (accounting, investment, actuarial, pensions management, legal) may be advantageous. They should have a strong understanding of all aspects of the LGPS. The Senior Officer should have a good grasp of the funding, investment and regulatory matters that impact the fund. They should also be able to explain and simplify difficult concepts to non-technical audiences.

Strategic thinking. It is the role of the Senior Officer to set the strategic direction of the fund. This requires an individual who can synthesise information from a broad range of sources, learn from experiences and bring new ideas to the table. The LGPS senior officer should develop a strong idea of how the delivery of the service will change over time and how the fund can be ready to meet new challenges.

Operational effectiveness. The Senior Officer should be leader with the ability to drive improvement within the organisation and motivate others to buy into their vision. They will need to put plans in place to deliver effective services yet be flexible enough to deal with a volatile pensions landscape.

Strong ethical standards. The LGPS environment can produce the potential for conflicts of interest to arise. The Senior officer should be an individual who embodies the highest ethical standards and acts in the interests of the fund's members and employers. They demonstrate and positively promote the seven principles of public life.

Organisational Structure

Appendix 1 contains examples of how the Senior officer role could be incorporated into various organisational structures.

A.3 Each administering authority must publish an annual governance compliance statement that sets out how they comply with the governance requirements for LGPS funds as set out in the Guidance. This statement must be signed by the LGPS senior officer and, where different, co-signed by the S151 officer.

In order to improve the transparency and auditability of governance arrangements, each fund must produce an enhanced annual governance compliance statement, in accordance with the statutory governance guidance, which sets out details of how each fund has addressed key areas of fund governance. The preparation and sign off of this statement will be the responsibility of the LGPS senior officer and it must be co-signed by the host authority's s151 officer, where that person is not also the LGPS senior officer. The expectation will also be that committees and local pension boards would be appropriately involved in the process.

It should be noted that the current LGPS regulations⁴ require that administering authorities publish an annual governance compliance statement concerning matters relating to delegation and representation on pension committees. We recommend that amendments are made such that all requirements are incorporated into a single governance compliance statement.

⁴ See Regulation 55 “Administering Authorities: Governance Compliance Statement”

B Conflicts of Interest

B.1 Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, including reference to key conflicts identified in the Guidance.

One of the key objectives of the Good Governance Review was to consider how potential conflicts of interest manifest themselves within current LGPS set up and to suggest how those potential conflicts can be managed to ensure that they do not become actual conflicts. In doing so, the SAB was of the view that the democratically accountable nature of the LGPS be maintained.

Since almost all LGPS funds are rooted in local authority law and practice, those elected members who serving on pension committees are subject to local authority member codes of conduct⁵. These will require members to register existing conflicts and to recognise when conflicts arise during the course of their duties and how to deal with them. Elected members must also comply with the Seven Principles of Public Life (often referred to as the Nolan Principles). Non-elected members sitting on committees and local pension boards should be subject to the same codes and principles.

There are, however, specific conflicts that can arise as a result of managing a pension fund within the local authority environment. The intention of this recommendation is that all administering authorities publish a specific LGPS conflicts of interest policy. This should include information on how it identifies, monitors and manages conflicts, including areas of potential conflict that are specific to the LGPS and will be listed in The Guidance. The expectation is that the areas covered will include:

- Any commercial relationships between the administering authority or host authority and other employers in the fund/or other parties which may impact decisions made in the best interests of the fund. These may include shared service arrangements which impact the fund operations directly but will also include outsourcing relationship and companies related to or wholly owned by the Council, which do not relate to pension fund operations;
- Contribution setting for the administering and other employers;
- Cross charging for services or shared resourcing between the administering authority and the fund and ensuring the service quality is appropriate for the fund;
- Dual role of the administering authority as an owner and client of a pool;
- Investment decisions about local infrastructure; and
- How the pension fund appropriately responds to Council decisions or policies on global issues such as climate change.
- Any other roles within the Council being carried out by committee members or officers which may result in a conflict either in the time available to dedicate to the fund or in decision making or oversight. For example, some roles on other finance committees, audit or health committees or cabinet should be disclosed.

⁵ **Similar codes apply for non-local authority administering authorities.**

Each administering authority's policy should address:

- How potential conflicts of interest are identified and managed;
- How officers, employer and scheme member representatives, elected members, members of the local pension board and advisers and contractors understand their responsibilities in respect of ensuring that conflicts of interest are properly managed;
- Systems, controls and processes, including maintaining records, for managing and mitigating potential conflicts of interest effectively such that they never become actual conflicts;
- How the effectiveness of its conflict of interest policy is reviewed and updated as required;
- How a culture which supports transparency and the management and mitigation of conflicts of interest is embedded; and
- How the specific conflicts that arise from its dual role as both an employer participating in the Fund and the administering authority responsible for delivering the LGPS for that fund are managed.

In putting together such a policy it is recognised that membership of the LGPS is not, in and of itself, a conflict of interest.

The Guidance should require each fund to make public its conflicts of interest policy.

B.2 The Guidance should include reference to the latest available legal opinion on how statutory and fiduciary duties impact on all those involved in the management of the LGPS, and in particular those on decision making committees.

There are no immediate plans for SAB to opine on or publish a statement on fiduciary duty given the conflict between Nigel Giffin's opinion and those of the Supreme Court in the Palestine case. Therefore, this recommendation has been updated.

C Representation

C.1 Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to representation and voting rights for each party.

One of the key principles of the Good Governance Review is the recognition that each administering authority knows its own situation best and that The Guidance should avoid being overly prescriptive and limiting. In the matters of delegating responsibilities and appointing members to committees, most administering authorities must comply with the Local Government Act 1972. Nothing within The Guidance can, or should, override or limit the provisions of the 1972 Act. The intention behind this recommendation is simply that administering authorities prepare, maintain and publish their policy on representation and to require that they provide:

- the rationale for their approach to representation for non-administering authority employers and local authority and non-local authority scheme members on any relevant committees; and
- the rationale as to whether those representatives have voting rights or not.

The SAB's view is that **it would expect** scheme managers to have the involvement employers and member representatives on any relevant committees.

In addition to representation on committees, administering authorities should state other ways in which they engage their wider employer and Scheme membership

The Guidance should also acknowledge the important principle that administering authorities may wish to retain a majority vote on decision making bodies in order to reflect their statutory responsibilities for maintaining the fund.

D Skills and training

D.1 Introduce a requirement in the Guidance for key individuals within the LGPS, including LGPS officers and pensions committee members, to have the appropriate level of knowledge and understanding to carry out their duties effectively.

There was widespread agreement throughout the Good Governance Review process that those making decisions about billions of pounds of public money and the pension provision of millions of members should be properly trained to carry out the responsibilities of their role. The level of knowledge and understanding of technical pensions topics will vary according to role.

The Guidance should require the Administering Authority to identify training requirements for key individuals having regard for:

- topics identified in relevant frameworks or in publications by relevant bodies (e.g. CIPFA, TPR etc)
- the workplan of the Administering Authority; and
- current or topical issues.

The Administering Authority should develop a training plan to ensure these training requirements are met and maintain training records of key individuals against the training plan. These records should be published in the Governance Compliance Statement.

Pension Committees

The private sector has seen an increasing move towards the professionalisation of trustees and the introduction in to the LGPS in recent years of TPR, local pension boards and MIFID have made knowledge and skills for committees and boards a greater focus.

The membership of committees typically includes some or all of the following:

- administering authority elected members;
- other local authority elected members;
- other employer representatives; and
- scheme member representatives.

Training requirements for pensions committees apply to all members.

The Guidance should clarify that the expectation is that the TPR requirements that apply to Local Pension Boards should equally apply to pension committees. 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.

At committee, knowledge should be considered at a collective level and it should be recognised that new members will require a grace period over which to attain the requisite knowledge.

A pension committee member is not being asked to be a subject matter expert or act operationally. Instead the role involves receiving, filtering and analysing professional advice in order to make informed decisions.

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

When considering what training is appropriate for committee members, it might help to consider how pension committee operate and what makes an effective committee. To carry out the role effectively a committee member must have the following;

- An ability to focus on the issues that make the most difference and produce the most value and not be distracted by lower order issues;
- Access expert professional advice in the form of external advisers and administering authority officers; and
- An ability to seek reassurance, challenge the information provided and bring their own experiences to bear in decision making.

D.2 Introduce a requirement for s151 officers to carry out LGPS relevant training as part of their CPD requirements to ensure good levels of knowledge and understanding.

Treasury Guidance⁶ requires that all government departments should have professional finance directors and that “It is good practice for all other public sector organisations to do the same, and to operate to the same standards”.

Professionally qualified in this context refers to both being a qualified member of one of the five bodies comprising the Consultative Committee of Accounting Bodies (CCAB) in the UK and Ireland; and having relevant prior experience of financial management in either the private or the public sector.

The intention behind this recommendation is that an understanding of the LGPS should be a requirement for s151 officers (or those aspiring to the role). During the Good Governance project itself the view was put forward by some the profession that requiring an element of LGPS training could form part of an individual’s ongoing continuous professional development requirements. This would have the advantage of ensuring the topics covered remain current and relevant.

The expectation would be that an appropriate level of LGPS knowledge must be attained by S151 officers of an administering authority. A level of LGPS knowledge should also be attained by S151 officers of other public bodies participating in the LGPS in order that they can understand issues relating to the participation of their own organisation, although it is not expected that that they should have the depth and breadth of knowledge required of the S151 officer of an administering authority.

D.3 Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.

Many funds already publish training strategies which set out training strategies which establish how members of the Pension Committee, Pension Board and fund officers will attain the knowledge and understanding they need to be effective and to challenge and effectively carry out their decision making responsibilities. The intention is that all LGPS funds should produce a strategy which should set out how those involved with the fund will:

- have their knowledge measured and assessed;
- receive appropriate training to fill any knowledge gaps identified;
- ensure that knowledge is maintained; and
- evidence the training that is taking place

⁶ See *Managing Public Money (July 2013), Annex 4.1*

D.4 CIPFA and other relevant professional bodies should be asked to produce appropriate guidance and training modules for s151 officers and to consider including LGPS training within their training qualification syllabus.

The intention is that SAB engage with the professional accountancy bodies to develop LGPS training modules for accountancy professionals operating within local authorities.

E Service delivery for the LGPS Function

E.2 Each administering authority must publish an administration strategy.

This proposal has been progressed by the Cost Management, Benefit Design and Administration subcommittee to the SAB. When it met on the 6th January 2020 the following proposals were discussed:

- Changing the status of Regulation 59 from discretionary to mandatory and introduce the requirement for Pension Administration Strategy statements to be prepared and maintained in accordance with new statutory guidance
- Reviewing the remainder of Regulations 59 and 70 to identify whether any additional changes should be made;
- Exploring the scope for empowering administering authorities to penalise inefficient scheme employers in a more effective way;
- Recommending that MHCLG publishes new statutory guidance including :-
 - Minimum standards of performance;
 - Assessment of inefficiency costs;
 - Timescales for submitting scheme data
- Extending Regulation 80 to include a duty on all scheme employers to comply with the new Pension Administration Strategy statements.
- Changing the name of the statement to make it clear that it is wholly relevant to scheme employers.

E.3 Each administering authority must report the fund's performance against an agreed set of indicators designed to measure standards of service.

The working group considered this and recommend that rather than attempting to define a universal set of standards for administration across the LGPS. the KPIs should focus on ensuring that each fund has defined service standards, and has the governance in place to monitor their service standards and to benchmark those standards against other funds where appropriate.

Governance KPIs

Subject Area	KPI	Notes
Breadth of representation	1. Percentage make-up (employer/member) on committee and board and number of LPB representation	
	2. Average attendance level at meetings (percentage) – split between absence and vacancies	<i>1. and 2. may be incorporated in the Governance Compliance Statement (GCS) by including a clear statement of committee members and their attendance at meetings</i>
Training and expertise	3. Hours of relevant training undertaken across panel/board in last year	
	4. Relevant experience across senior management team	A qualitative statement on the LGPS Senior Officer and their direct reports (or other senior pensions staff) to include professional qualifications and financial services/pension/LGPS experience. Also include % time spent on pension fund business by each person
Compliance/Risk	5. Number of times risk register reviewed annually – number of times on agenda at committee/board.	This is not measuring the quality of the register but the expectation that it will be viewed regularly at the committee should also improve quality.
	6. Number of times carried out business continuity testing and/or cyber security penetration testing	<i>Key focus of TPR</i>
Appropriate governance time spent on key areas	7. Split of committee/board spent on administration/governance/investment	How should this be measured, is it just by number of items on the agenda keeping in mind it needs to be auditable?

Administration KPIs

		Notes
Data quality	1. Common/conditional data score, in line with TPR expectations	
	2. Annual Benefit Statement percentage as at 31 August	<i>Include explanation where less than 100%.</i>
Service standards/SLAs	3. Number and percentage of pension set-ups (new retirements) within disclosure requirement timeframe	
	4. Does the Fund monitor and report its own standards?	Y/N
	5. Percentage of calls to customer helpline answered and resolved at first point of contact	
Engagement and communication – capabilities and take-up	6. Specify which online services are available to members/employers	<i>Measuring services provided by Fund online, perhaps against an agreed standardised list.</i>
	7. Percentage of members registered for the fund's online services and the percentage that have logged onto the service in the last 12 months split by status	<i>Measuring take up of services</i>
	8. Number of employer engagement events and/or briefings held in last 12 month and percentage take-up	<i>Percentage take-up could be weighted to size of employer.</i>
Customer satisfaction	9. Percentage of members (or employers if appropriate) satisfied with the service provided by their LGPS fund (this could be obtained via a simple questionnaire of no more than 5 questions).	<i>Members and employers should be measured separately, and funds should also report the number completing the questionnaire to ensure appropriate coverage. For consistency in comparison we suggest a general question is drafted and Funds told to incorporate into their surveys – e.g. “The service was excellent – Strongly Disagree/Disagree/Agree/Strongly Agree.”</i>

E.4 Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year.

Each Administering Authority has a specific legal responsibility to administer the LGPS within their geographical region and to maintain a specific reserve for that purpose. It is important therefore that the fund's budget is set and managed separately from the expenditure of the host authority.

Budgets for pension fund functions should be sufficient to meet all statutory requirements, the expectations of regulatory bodies and provide a good service to Scheme members and employers. The budget setting process should be one initiated and managed by the fund's officers and the pension committee and assisted by the local pension board.

Required expenditure should be based on the fund's business plan and deliverables for the forthcoming year. The practice should not simply be to uprate last year's budget by an inflationary measure or specify an "available" budget and work back to what level of service that budget can deliver.

The body or individual with delegated responsibility for delivering the LGPS service should have a role in setting that budget. Typically, this will involve the pension committee being satisfied that the proposed budget is appropriate to deliver the fund's business plan, but it is recognised that other governance models exist within the LGPS. Whichever approach is used, it should be clearly set out in the roles and responsibilities matrix and be consistent with the host authority's scheme of delegation and constitution.

Where a proposed budget is approved, the senior LGPS officer will confirm in the governance compliance statement that the administering authority has approved the budget required to deliver the pensions function to the required standard.

If the budget is not approved, the senior LGPS officer will declare that in the governance compliance statement, including the impact of that on service delivery as expressed in a reduced business plan.

These statements in the governance compliance statement will be co-signed by the S151 officer where this is not the same person as the senior LGPS officer.

F Compliance and Improvement

F.1 Each administering authority must undergo a biennial Independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified.

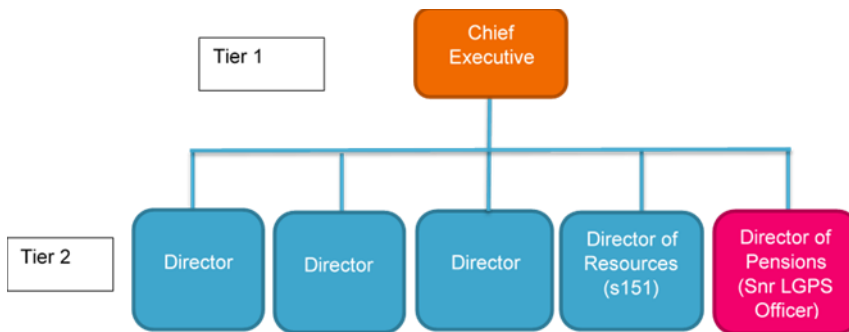
IGR reports to be assessed by a SAB panel of experts.

The Phase 2 report sets out the key features required in the Independent Governance Review. A sample outline for further discussion is included in Appendix 3.

Appendix 1 - Senior officer organisational structures

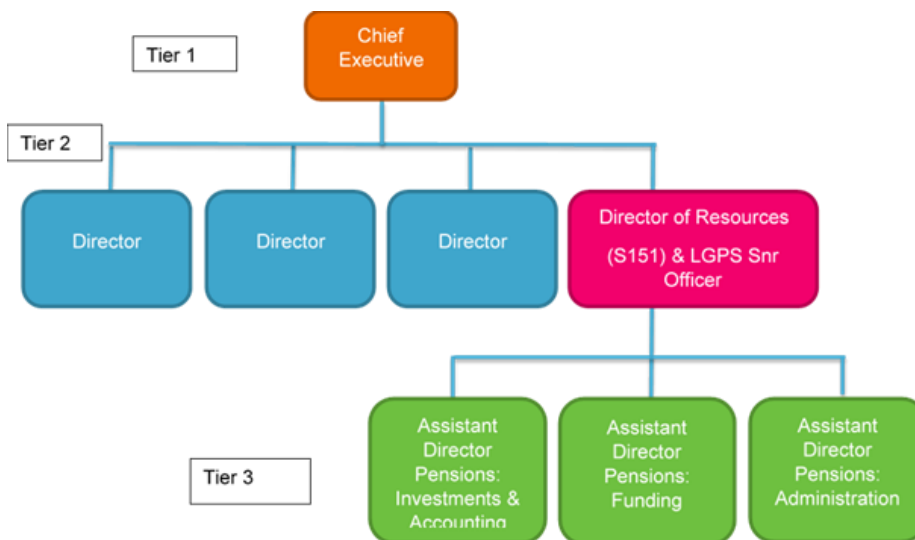
The following organisational structure charts show where the LGPS senior officer role may sit.

Example 1



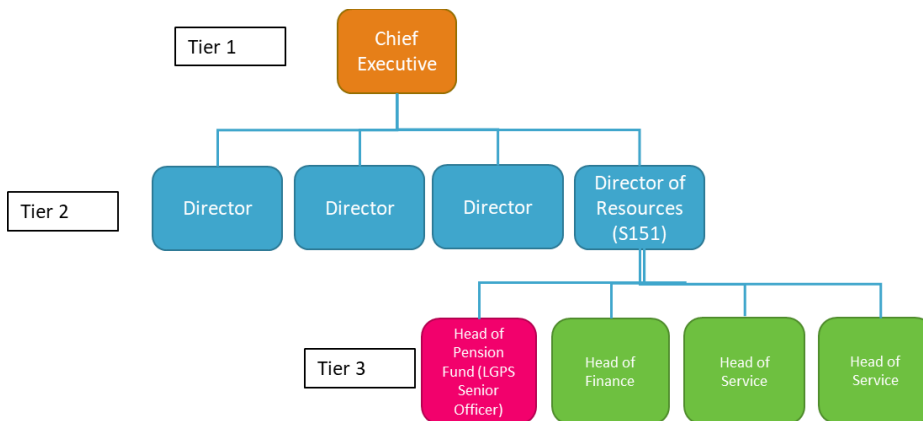
In this structure the LGPS Senior Officer is the Director of Pensions. As a tier 2 officer in the organisation the Director of Pensions will have the appropriate seniority for the role and with only LGPS responsibilities they will have the capacity to focus solely on delivery of the LGPS function.

Example 2



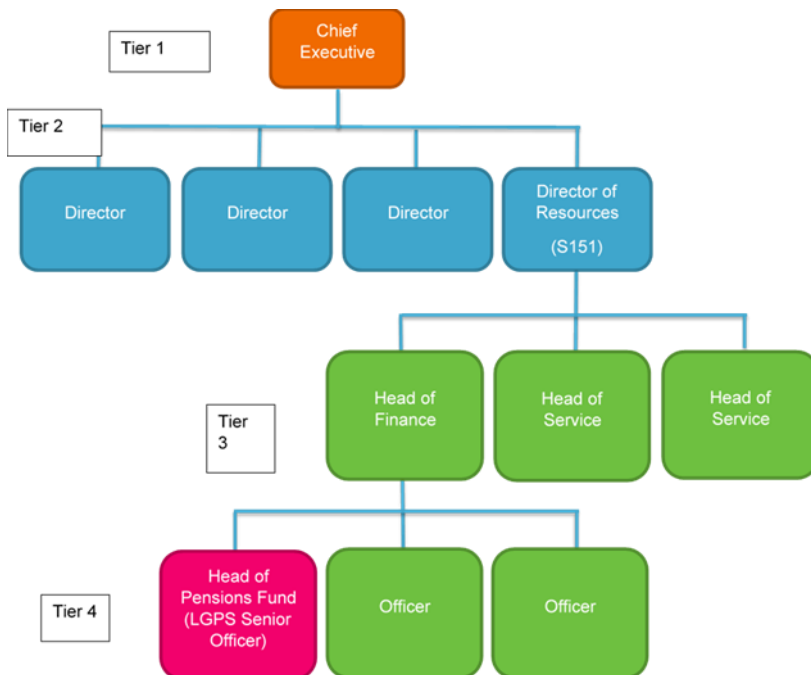
In this model the LGPS Senior Officer is a Tier 2 Director with significant other responsibilities. The diagram shows the LGPS Senior Officer as the Director of Resources and s151 officer, but a similar situation could arise if pension responsibilities lay within another Directorate, for example under a director with responsibility for legal/governance (in which case the LGPS Senior Officer would likely be the monitoring officer as well). Although the Senior officer has other responsibilities in this scenario, they are supported by a senior team of assistant directors, who are themselves tier 3 officers. The strength of the management team in this case is likely to mean that the LGPS Senior Officer has the ability to delegate aspects of LGPS delivery to an appropriately senior team, while retaining the ability to influence the strategic direction of the fund.

Example 3



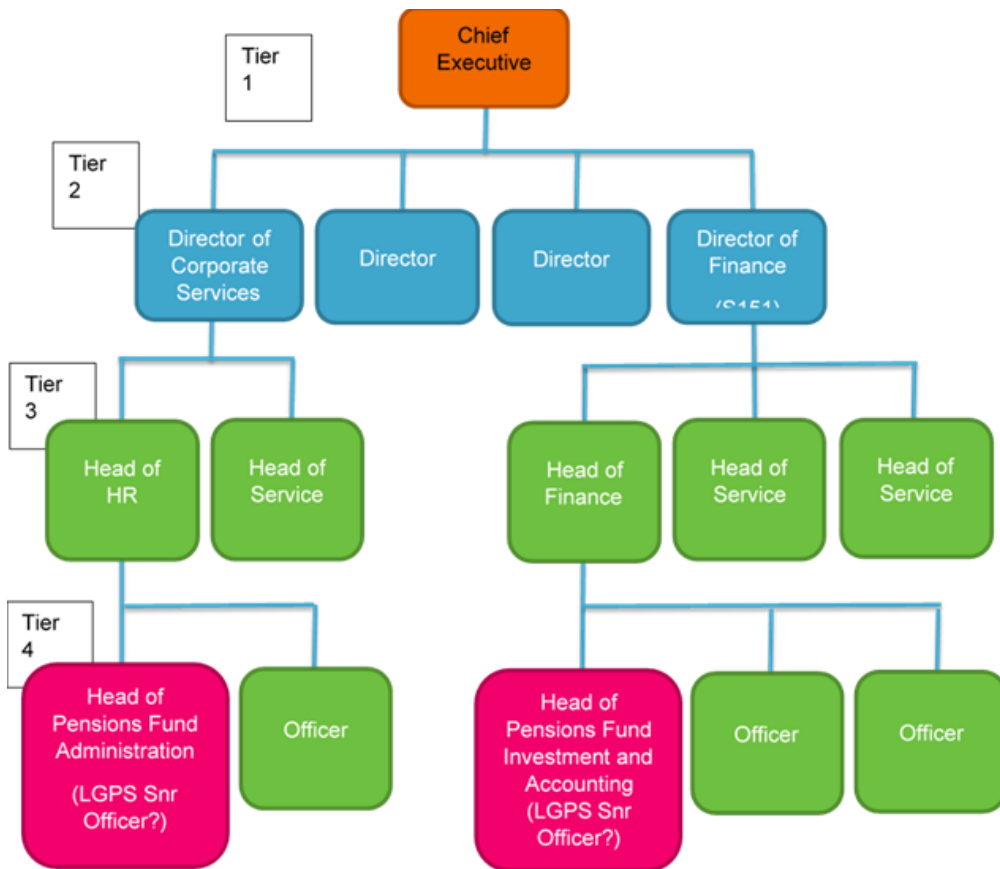
Under this structure the Head of Pensions is a Tier 3 officer reporting to the S151 officer.

Example 4



Under this structure the Head of Pensions sits at tier 4 with a reporting line that runs through the Head of Finance, Director of Resources (s151) and to the Chief Executive. As long as the reporting lines are clear and there is sufficient support for the Head of Pensions from senior officers this structure may provide an appropriate level of seniority and capacity for the Senior officer. However, some members of the working group expressed the view that in order to manage the scope and exert the required influence, the LGPS Senior Officer role should be held by an individual no lower than Tier 3.

Example 5



In this structure it becomes difficult to identify where the LGPS Snr officer should sit. While the investment and accounting functions sit within the function at tier 4, the administration of the fund is delivered by a fourth tier officer in the corporate services directorate who reports to the Head of HR. such an arrangement makes it difficult to for any one person to have full sight of all LGPS functions. Separate reporting lines in this fashion militate against a joined strategy and decision making for the fund.

Appendix 2 - Governance compliance statement

The following is an example of a governance compliance statement. It is recognised that under the current LGPS regulations, administering authorities must prepare, publish and maintain a statement on the following matters;

- (a) whether the authority delegates its functions, or part of its functions under the LGPS 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 (local pension boards: establishment).

These matters should continue to form part of each administering authority's governance compliance statement.

It is recommended that the new governance compliance statement incorporates the existing requirements alongside the recommendations arising from this review.

A Conflicts of interest

A1. Conflicts of Interest Policy

The Fund has published a conflict of interest policy which sets out:

- How it identifies potential conflicts of interest (including those set out in recommendation B1)
- How it ensures that understand their responsibilities in respect of ensuring that conflicts of interest are properly managed;
- That the policy applies to officers, elected members, members of the local pension board and advisers and contractors;
- Systems, controls and processes for managing and mitigating conflicts of interest effectively;
- How it reviews the effectiveness of its conflict of interest policy and updates it as required;
- How it embeds a culture which supports the management and mitigation of conflicts of interest.

The Governance Compliance Statement includes a link to this policy.

A2. Conflicts of Interest Process

The fund embeds the management of conflicts of interest into its everyday processes. This includes:

- Providing regular training to members of the pension committee, pension board and officers on identifying and managing potential conflicts of interest;
- Ensuring a record is kept of situations where the Conflict of Interest Policy has been applied to mitigate or manage a potential conflict situation;
- Ensuring that a declaration of interests forms part of the agenda for all pension committee and pension board meetings and that an annual declaration of interests is completed;
- Ensuring actual and potential conflicts of interest are considered during procurement processes; and
- Ensuring that conflicts of interest form part of the Fund's suite of policies for example the Funding Strategy Statement and Administration Strategy.

A3. The Council as administering authority and employer

The Council recognises that its dual role as both an employer participating in the Fund and the body legally tasked with its management can produce the potential for conflicts of interest. It is important that these potential conflicts are managed in order to ensure that no actual or perceived conflict of interest arises and that all of the Fund's employers and scheme members are treated fairly and equitably.

The Fund achieves this in the following ways:

- The Funding Strategy Statement sets out the Fund's approach to all funding related matters including the setting of contribution rates. This policy is set with regard to the advice of the Fund actuary and is opened to consultation with all Fund employers before being formally adopted by the Pension Committee. The approach to contribution setting is based on specific employer characteristics such as its time horizon, strength of covenant and risk profile. This approach ensures a consistency across all employers and removes the possibility of any employer receiving more, or less, favourable treatment.
- The Fund also has an admissions policy which details its approach to admitting new employers to the Fund. This includes its approach to the use of guarantors, bonds and the setting of a fixed contribution rate for some employers. This policy, in conjunction with the Funding Strategy Statement, ensures a consistent approach when new employers are admitted in to the Fund.
- The Fund's administration strategy sets out the way in which the Fund works with its employers and the mutual service standards that are expected. The policy details how the Fund will assist employers to ensure that they are best placed to meet their statutory LGPS obligations. On occasions where an employer's failure to comply with required processes and standards has led to the Fund incurring additional cost, the policy also provides for that cost to be recovered from the employer in question. This policy has been opened to consultation with all the Fund's employers and is operated in a consistent fashion across all of the employer base.
- The pension fund is run for the benefit of its members and on behalf of all its employers. It is important therefore that the Fund's budget is set and managed separately from the expenditure of the Council. Decisions regarding pension fund resource are taken to the Pension Committee who then make recommendation to the S151 officer.

B Clarity of Roles and Responsibilities

B.1 Clear decision making

The Council's constitution and scheme of delegation set out the terms of reference for the Pension Committee.

The Pension Board's terms of reference and the membership and terms of reference for any sub-committees are also published.

The scheme of delegation is supported by:

- clearly documented role and responsibilities for the LGPS Senior Officer, S151 and pension fund officers / Head of Pension Fund; and
- a decision matrix which sets out the key decisions that are required to be made in the management of the Fund and the role that the main decision makers have in those decisions. The matrix sets out when an individual or body is responsible for a decision, accountable for a decision or where they must be consulted or informed of a decision.

On a regular basis the Fund's business processes are referenced against the decision matrix, to ensure that they properly reflect the correct responsibility and accountability.

The terms of references for the Committee & Board are publicly available and should be reviewed on a regular basis.

C Sufficiency of resources for service planning and delivery

In order to ensure that the Fund has the appropriate resource to deliver its statutory obligations it has adopted a 3 stage approach.

C.1 Business planning and budget setting

The Fund operates a 3 year business plan which sets out the priorities for the Fund's services. It is comprehensively reviewed, updated and agreed by the Pension Committee before the start of each financial year. If necessary, the plan is reviewed and updated on a more frequent basis. The business plan is publicly available.

The business plan takes into account the risks facing the Fund, performance of the Fund (including backlogs of work) and anticipated regulatory changes.

The business plan also includes the Fund's budget. Resource requirements (including staff recruitment, procurement and other specialist services) are determined by the requirements of the Fund's business plan.

The business plan also sets out the Key Performance Indicators (KPIs) which will be used to monitor progress against the business plan.

Progress against the business plan, including actual spend, is monitored by the Pension Committee on a regular basis and published in the Fund's annual report and accounts.

C.2 Service delivery

The Fund publishes an administration strategy which sets out how it will deliver the administration of the Scheme. The strategy includes:

- details of the structures and processes in place for the delivery of the pension administration function;
- expected levels of performance for the delivery of key Fund and employer functions;
- the Fund's approach to training and development of staff;

- the Fund's approach to the use of technology in pension administration.

C.3 Monitoring delivery and Control environment

The Fund recognises the importance of monitoring and reporting how it delivers progress against the business plan. This is done on the following ways:

- Performance against KPIs is reported to the Pension Committee and Pension Board on a regular and agreed basis. KPI performance is reported in the Fund's annual report. Plans to address any backlogs added to business planning process above-
- Every year the Fund's internal auditors carry out reviews to provide assurance that the Fund's processes and systems are appropriate for managing risks. The areas for review are agreed in advance with the Pension Committee and findings are reported to them.
- This year the internal audit also included an assessment of the Fund's performance against the requirements of The Pension Regulator's Code of Practice 14. The assessment recognised that the Fund is fully compliant in most areas but did make a number of suggestions about how the Fund could improve its internal controls for managing data. These suggestions have been adopted into the Fund's data improvement plan.
- Last year the Pension Board assisted the committee by undertaking an independent review of the sufficiency and appropriateness of the Fund's governance and operational resources. The review found that the Fund was for the most part properly resourced although the use of regular staff to tackle a backlog of aggregation cases was causing the backlog project to fall behind and having an adverse impact on business as usual. The review suggested procuring additional temporary resource in order to address the backlog issue.
- The Fund also participates in national benchmarking exercises which provides information on how costs, resource levels and quality of service compare with other LGPS funds and private sector schemes. The benchmarking did not identify any significant areas of concern.

D. Representation and engagement

The Fund has published a Policy on representation and engagement.

D.1 Representation on the main decision making body

The policy recognises all scheme members and employers should be appropriately represented in the running in the Fund while at the same time ensuring that the Council, as the body with ultimate responsibility for running the Fund, maintains a majority position on the key governance bodies. To this end the Fund's representation policy and the Council's constitution specify that the Council shall maintain a majority of voting members on the Pension Committee. The present Pension Committee is constituted as follows;

Pensions Committee – Membership and Meeting Attendance (Governance KPIs 1 and 2)

	Administering Authority / Employer / Member representative / Other	Meeting Date				Attendance (%)
		MM/YY	MM/YY	MM/YY	MM/YY	
Voting Members						
Cllr A (chair)	Administering Authority	Y	N	Y	Y	75%
Cllr B (vice-chair)	Administering Authority	Y	Y	Y	Y	100%
Cllr C	Administering Authority	Y	N	Y	Y	75%
Cllr D	Administering Authority	N	Y	Y	N	50%
Cllr E	Administering Authority	Y	Y	Y	Y	100%
F	Employer representative	Y	Y	N	Y	75%
G	Member representative	N	Y	Y	Y	75%
Vacancy		N	N	N	N	0%
Average attendance (including vacancies) %						78%
Average attendance (excluding vacancies) %						69%
Proportion of voting members not from the Administering Authority						2 out of 7 (28%)
Non-Voting Members						
H	Member representative	Y	Y	Y	N	75%
I	Member representative	Y	Y	Y	Y	100%

D.2 Membership of the Local Pension Board

The Local Pension Board is constituted as follows;

- 4 employer representatives comprising;
 - 2 elected members of the Council
 - 1 elected member of the District Council
 - 1 member representing all other employers
- 4 scheme member representatives comprising;
 - 1 member appointed by trade unions
 - 3 members representing active, deferred and pensioner Scheme members (to be appointed by an open election process)
- 1 independent chair

With the exception of the Chair, all members are full voting members.

The Pension Board has an independent adviser.

D.3 Engagement with employers

The Fund carries out a range of activities that are designed to engage employers. These are set out within the Fund's Communication strategy and include:

- An Annual Employer Forum which provides an opportunity for employers to receive an update on the performance of the Fund, provide feedback on the service and receive updates on the LGPS and related issues;

- The Fund engages and consults with employers during the actuarial valuation and specifically on key strategies such as the Funding Strategy Statement;
- A quarterly employer newsletter provides update on technical changes, process reminders and a calendar of key upcoming dates;
- Training sessions which can be provided on request covering the main areas of employer responsibility, for example year end returns, processing ill health cases and internal dispute resolution procedures; and
- The Fund is available to provide support on issues such as outsourcing services or workforce restructuring.

D.4 Engagement with members

The Fund's Communication Strategy sets out how it engages with active, deferred and pensioner scheme members including:

- The Fund maintains a website which provides general advice, information and updates including copies of all current policies.
- Members have secure online access to their own pension records in order to run retirement estimates.
- Member's annual benefit statements are available online or in writing (including large text) on request.
- Scheme members are able to arrange one to one appointments, by phone or at our offices, with members of the pension team to discuss specific matters.

E. Training

E.1 Training Strategy

The Fund has adopted a training strategy which establishes how members of the Pension Committee, Pension Board and Fund officers will attain the knowledge and understanding they need to be effective and to challenge and act effectively within the decision making responsibility placed upon them. The training strategy sets out how those involved with the Fund will:

- Have their knowledge assessed; and
- Receive appropriate training to fill any knowledge gaps identified.

The Fund will measure and report on progress against the training plans.

E.2 Evidencing standards of training

Details of the training undertaken by members of the Pension Committee and Pension Board are reported in the Fund's annual report and in this statement.

Committee and Board members' subject knowledge is assessed on an annual basis. The results are analysed and any gaps identified are addressed as part of the ongoing training plans.

Targeted training will also be provided that is timely and directly relevant to the Pension Committee and Board's activities as set out in the business plan.

Officers involved in the management and administration of the Fund are set annual objectives which will include an element of personal development. These objectives are monitored as part of each individual's annual appraisal.

The CIPFA requirement for continuous professional development for s151 officers now includes a regular LGPS element. This requirement applies to the s151 officer for the Council as well as the district and borough councils within the Fund. The fund has complied fully with this requirement.

Pensions Committee – Training for Financial Year YYYY/YY

Training Completed (hours)		Subject				Total (hours)
		Governance	Investment	Pensions Administration	Other (specify)	
Pensions Committee						
Cllr A (chair)		2	5	1	1	9
Cllr B (vice-chair)		2	4	1	1	8
Cllr C		4	5	2	2	13
Cllr D						
Cllr E						
F						
G						
Vacancy						
Sub-Total						130
Pensions Board						
R (chair)		2	5	1	1	9
S (vice-chair)		2	4	1	1	8
T		4	5	2	2	13
U						
V						
W						
X						
Sub-Total						100
Officers						
LGPS Senior Officer		6	8	3	4	9
X						
Y						
Z						

Appendix 3 - KPI Reporting

This appendix includes example tables for reporting committee structure and training KPIs.

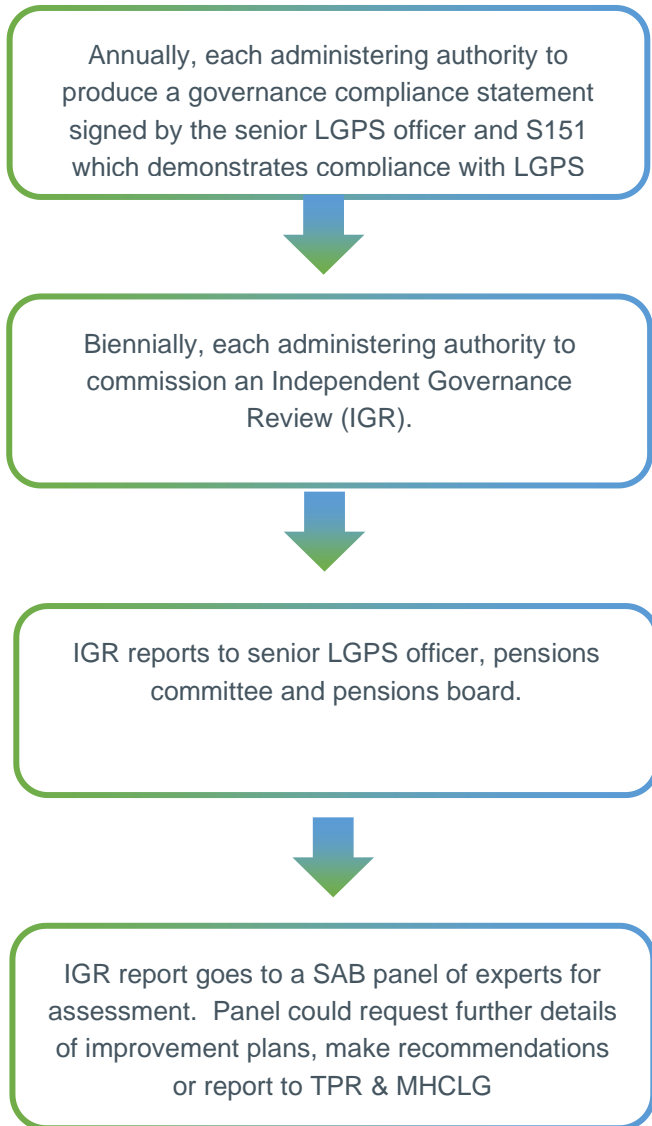
Pensions Committee – Membership and Meeting Attendance (Governance KPIs 1 and 2)

	Administering Authority / Employer / Member representative / Other	Meeting Date				Attendance (%)
		MM/YY	MM/YY	MM/YY	MM/YY	
Voting Members						
Cllr A (chair)	Administering Authority	Y	N	Y	Y	75%
Cllr B (vice-chair)	Administering Authority	Y	Y	Y	Y	100%
Cllr C	Administering Authority	Y	N	Y	Y	75%
Cllr D	Administering Authority	N	Y	Y	N	50%
Cllr E	Administering Authority	Y	Y	Y	Y	100%
F	Employer representative	Y	Y	N	Y	75%
G	Member representative	N	Y	Y	Y	75%
Vacancy		N	N	N	N	0%
Average attendance (including vacancies) %						78%
Average attendance (excluding vacancies) %						69%
Proportion of voting members not from the Administering Authority						2 out of 7 (28%)
Non-Voting Members						
H	Member representative	Y	Y	Y	N	75%
I	Member representative	Y	Y	Y	Y	100%

Pensions Committee – Meeting Content (Governance KPI 7)

			<i>Meeting Date</i>				Number of times item considered
			<i>MM/YY</i>	<i>MM/YY</i>	<i>MM/YY</i>	<i>MM/YY</i>	
Meeting duration (hours)			3.0	2.5	4.0	2.5	
Governance							
	Declaration of Conflicts of Interest		X	X	X	X	4
	Policies/Strategies			X	X		2
	Business Planning					X	1
	Budget setting					X	1
	Annual report and accounts			X			1
	Governance Compliance Statement			X			1
	Audit matters (internal/external)		X	X	X		3
	Risk Register		X	X	X	X	4
	Business Continuity			X			1
	Data Security				X		1
	Breaches		X	X	X	X	4
	Regulatory Update			X		X	2
	Update from Pension Board		X				1
	Pool Governance issues			X		X	2
	Review of Effectiveness		X				1
	Training		X		X		2
	Other [to be specified]						
Funding							
	Actuarial Valuations		X	X			2
	Funding Strategy Statement		X	X			2
	Interim Funding Update				X	X	2
	Other [to be specified]						
Investment							
	Strategy review				X		
	Policies/Strategy (Investment Strategy Statement, Responsible Investment)				X	X	
	Strategy implementation - Asset Pooling - Investment manager appointments		X		X	X	3
	Monitoring of investments - Market update - Investment managers - Performance		X	X	X	X	4
	Other [to be specified]						
Pensions Administration							
	Administration Strategy					X	1
	Communications Strategy						0
	Performance Indicators		X	X	X	X	4
	Updates on Projects			X		X	2
	Other [to be specified]						

Appendix 4 - Summary of the Independent Governance Review



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Croydon Council

REPORT TO:	Pension Board 23 March 2023
SUBJECT:	Risk Management Policy
LEAD OFFICER:	Matthew Hallett, Acting Head of Pensions and Treasury

1. **RECOMMENDATION**

- 1.1 The Board are invited to comment on the draft Risk Management Policy to be adopted by the Fund.

2. **EXECUTIVE SUMMARY**

- 2.1 This report updates the Board on the review of the Fund's Risk Management Policy and invites their comments.

3. **DETAIL**

- 3.1. On 17 March 2020 the Committee re-adopted a Risk Management Policy previously agreed for the Fund.
- 3.2 In their original Governance Review of the Fund and subsequent re-visits, as regards the Risk Management Policy, Aon Hewitt concluded that the Policy appeared to meet all of the requirements in relation to the CIPFA guidance and made no further recommendations in respect of the Policy.
- 3.3 Both good practice and advice given to the Fund indicate that the Policy be reviewed at least every three years. The recommended Policy is attached as Appendix A with the only changes from the existing version being some minor drafting points and the date of adoption in the final paragraph. The tracked changes have been included in the draft policy.
- 3.4 The Board are invited to comment on the draft Policy before it is taken to Pension Committee for approval.

4. DATA PROTECTION IMPLICATIONS

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

No.

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

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

Approved by: Jane West, Corporate Director of Resources (Section 151 Officer)

CONTACT OFFICER:

Matthew Hallett – Acting Head of Pensions and Treasury.

BACKGROUND DOCUMENTS:

None.

APPENDIX:

Appendix A: The London Borough of Croydon Pension Fund - Risk Management Policy

London Borough of Croydon Pension Fund

Risk Management Policy

Approved: xxx 2023

Review Date: xxx 2026

Risk Management Policy

Introduction

This is the Risk Management Policy of the London Borough of Croydon Pension Fund ("the Fund"), part of the Local Government Pension Scheme ("LGPS") managed and administered by the London Borough of Croydon ("the Administering Authority"). The Policy details the risk management strategy for the Fund, including:

- the risk philosophy for the management of the Fund, and in particular attitudes to, and appetite for, risk
- how risk management is implemented;
- risk management responsibilities;
- the procedures that are adopted in the Fund's risk management process; and
- the key internal controls operated by the Administering Authority and other parties responsible for the management of the Fund.

The Administering Authority recognises that effective risk management is an essential element of good governance in the LGPS. By identifying and managing risks through an effective policy and risk management strategy, the Administering Authority can:

- demonstrate best practice in governance
- improve financial management
- minimise the risk and effect of adverse conditions
- identify and maximise opportunities that might arise
- minimise threats.

The Administering Authority adopts best practice risk management, which supports a structured and focused approach to managing risks, and ensures risk management is an integral part in the governance of the Fund at a strategic and operational level.

To whom this Policy Applies

This Policy applies to all members of the Pension Committee and the Pension Board, including both Scheme member and employer representatives. It also applies to senior officers involved in the management of the Fund.

Less senior officers involved in the daily management of the Fund are also integral to managing risk for the Fund; and will be required to have appropriate understanding of risk management relating to their roles, which will be determined and managed by the Head of Pensions and Treasury.

Advisers and suppliers to the Fund are also expected to be aware of this Policy, and assist officers, Committee members and Board members as required, in meeting the objectives of this Policy.

Aims and Objectives

In relation to understanding and monitoring risk, the Administering Authority aims to:

- integrate risk management into the culture and day-to-day activities of the Fund
- raise awareness of the need for risk management by all those connected with the management of the Fund (including advisers, employers and other partners);
- anticipate and respond positively to change;
- minimise the probability of negative outcomes for the Fund and its stakeholders;
- establish and maintain a robust framework and procedures for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice; and
- ensure consistent application of the risk management methodology across all Fund activities, including projects and partnerships.

To assist in achieving these objectives in the management of the Fund, the Administering Authority will aim to comply with:

- the CIPFA Managing Risk In The Local Government Pension Scheme (2018 Edition) (CIPFA Managing Risk publication); and
- the Pensions Act 2004 and The Pensions Regulator's Code of Practice for Public Service Pension Schemes as they relate to managing risk.

Risk Management Philosophy

The Administering Authority recognises that it is not possible or even desirable to eliminate all risks. For example, the Fund's investment strategy shows a preference for growth assets, which involves accepting a level of risk. Accepting and actively managing risk is therefore a key part of the risk management strategy for the Fund. A key determinant in selecting the action to be taken in relation to any risk will be its potential impact on the Fund's objectives in light of the Administering Authority's risk appetite, particularly in relation to investment matters. Equally important is striking a balance between the cost of risk control actions against the possible effect of the risk occurring.

In managing risk, the Administering Authority will:

- ensure that there is a proper balance between risk taking and the opportunities to be gained;
- adopt a system that will enable the Fund to anticipate and respond positively to change;
- minimise loss and damage to the Fund and to other stakeholders who are dependant on the benefits and services provided; and
- make sure that any new areas of activity (new investment strategies, joint-working, framework agreements etc.), are only undertaken if the risks they present are fully understood and taken into account in making decisions.

The Administering Authority also recognises that risk management is not an end in itself; nor will it remove risk from the Fund or the Administering Authority. However it is a sound management technique that is an essential part of the Administering Authority's stewardship of the Fund. The benefits of a sound risk management approach include better decision-making, improved performance and delivery of services, more effective use of resources and the protection of reputation.

CIPFA and The Pensions Regulator and the Scheme Advisory Board's Requirements

CIPFA Managing Risk Publication

CIPFA has published technical guidance on managing risk in the LGPS. The publication explores how risk manifests itself across the broad spectrum of activity that constitutes LGPS financial management and administration, and how, by using established risk management techniques, those risks can be identified, analysed and managed effectively.

The publication also considers how to approach risk in the LGPS in the context of the role of the administering authority as part of a wider local authority and how the approach to risk might be communicated to other stakeholders.

The Pensions Regulator's Code of Practice

The Public Service Pensions Act 2013 added the following provision to the Pensions Act 2004 relating to the requirement to have internal controls in public service pension schemes.

"249B Requirement for internal controls: public service pension schemes

(1) The scheme manager of a public service pension scheme must establish and operate internal controls which are adequate for the purpose of securing that the scheme is administered and managed—

(a) in accordance with the scheme rules, and

(b) in accordance with the requirements of the law.

(2) Nothing in this section affects any other obligations of the scheme manager to establish or operate internal controls, whether imposed by or by virtue of any enactment, the scheme rules or otherwise.

(3) In this section, “enactment” and “internal controls” have the same meanings as in section 249A.”

Section 90A of the Pensions Act 2004 requires The Pensions Regulator to issue a Code of Practice relating to internal controls. The Pensions Regulator has issued such a Code in which they encourage scheme managers (i.e. administering authorities in the LGPS) to employ a risk based approach to assessing the adequacy of their internal controls and to ensure that sufficient time and attention is spent on identifying, evaluating and managing risks and developing and monitoring appropriate controls.

The Pensions Regulator is also required to issue one or more codes of practice covering specific matters relating to public service pension schemes. The Pensions Regulator has issued such a Code, which includes guidance on internal controls. This recommends scheme managers to carry out a risk assessment and produce a risk register which should be reviewed regularly. The risk assessment should begin by:

- setting the objectives of the scheme
- determining the various functions and activities carried out in the running of the scheme, and
- identifying the main risks associated with those objectives, functions and activities.

The Code of Practice goes on to say that schemes should consider the likelihood of risks arising and the effect if they do arise when determining the order of priority for managing risks, and focus on those areas where the impact and likelihood of a risk materialising is high. Schemes should then consider what internal controls are appropriate to mitigate the main risks they have identified and how best to monitor them. The Code of Practice includes the following examples as issues which schemes should consider when designing internal controls to manage risks:

- how the control is to be implemented and the skills of the person performing the control
- the level of reliance that can be placed on information technology solutions where processes are automated
- whether a control is capable of preventing future recurrence or merely detecting an event that has already happened
- the frequency and timeliness of a control process
- how the control will ensure that data is managed securely, and
- the process for flagging errors or control failures, and approval and authorisation controls.

The Code states that risk assessment is a continual process and should take account of a changing environment and new and emerging risks. It further states that an effective risk assessment process will provide a mechanism to detect weaknesses at an early stage and that schemes should periodically review the adequacy of internal controls in:

- mitigating risks
- supporting longer-term strategic aims, for example relating to investments
- identifying success (or otherwise) in achieving agreed objectives, and
- providing a framework against which compliance with the scheme regulations and legislation can be monitored.

Under section 13 of the Pensions Act 2004, The Pensions Regulator can issue an improvement notice (i.e. a notice requiring steps to be taken to rectify a situation) where it is considered that the requirements relating to internal controls are not being adhered to.

Scheme Advisory Board Good Governance Review

The Review states that each administering authority must report its fund's performance against an agreed set of indicators designed to measure standards of service. As regards risk management the Review has an expectation that a fund's risk register be reviewed regularly at an appropriate Committee.

Application to the London Borough of Croydon Pension Fund

The Administering Authority adopts the principles contained in CIPFA's Managing Risk publication, The Pensions Regulator's Code of Practice and the Scheme Advisory Board's Good Governance Review in relation to the Fund. This Policy highlights how the Administering Authority strives to achieve those principles through use of risk management processes and internal controls incorporating regular monitoring and reporting.

Responsibility

The Administering Authority must be satisfied that risks are appropriately managed. For this purpose, the Head of Pensions and Treasury is the designated individual for ensuring the process outlined below is carried out, subject to the oversight of the Pension Committee.

However, it is the responsibility of each individual covered by this Policy to identify any potential risks for the Fund and ensure that they are fed into the risk management process.

London Borough of Croydon Pension Fund Risk Management Process

The Administering Authority's risk management process is in line with that recommended by CIPFA and is a continuous approach which systematically looks at risks surrounding the Fund's past, present and future activities. The main processes involved in risk management are identified in the figure below and detailed in the following sections:



1. Risk Identification

The risk identification process is both a proactive and reactive one: looking forward i.e. horizon scanning for potential risks, and looking back, by learning lessons from reviewing how previous decisions and existing processes have manifested in risks to the organisation.

Risks are identified by a number of means including, but not limited to:

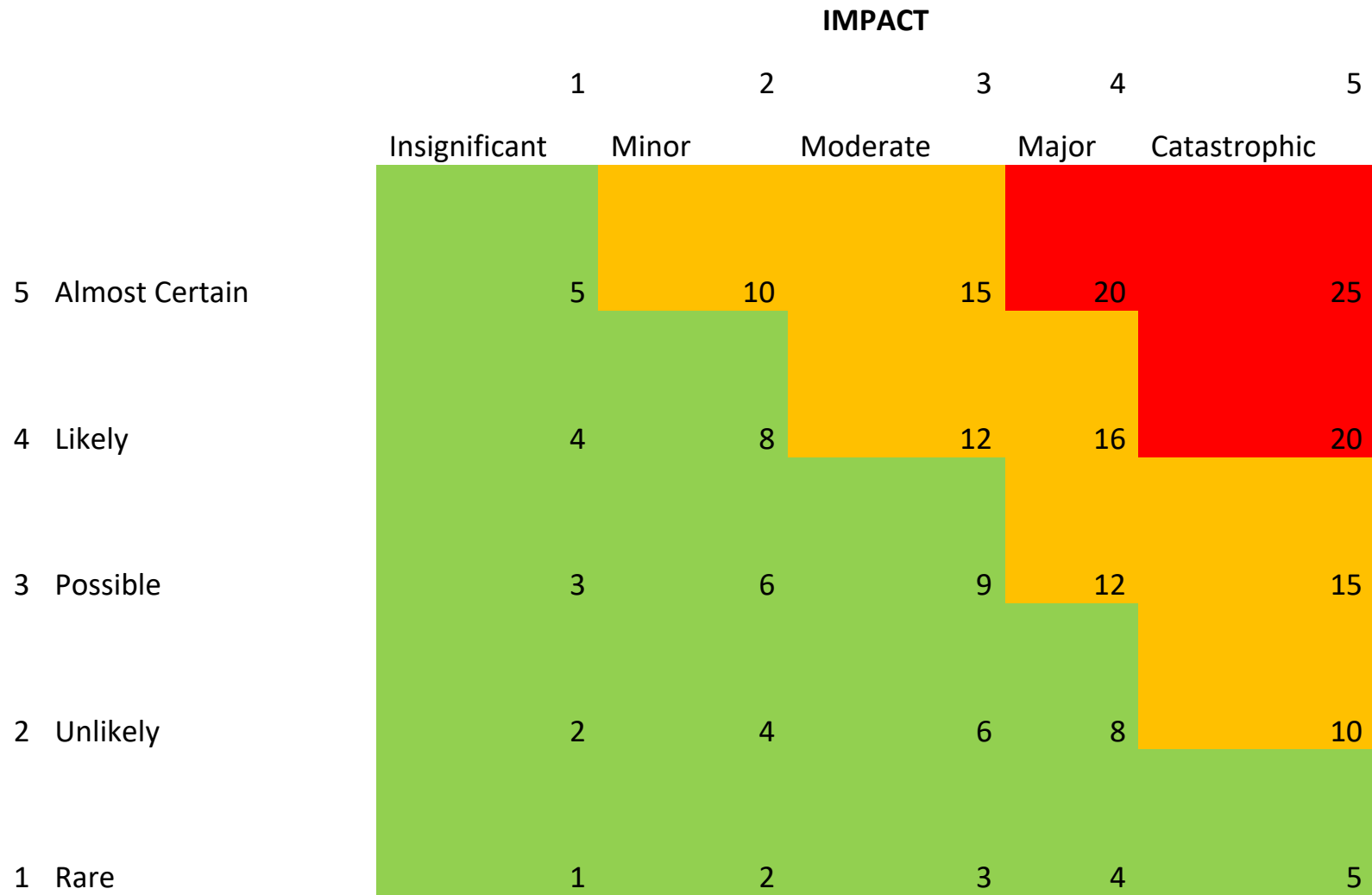
- formal risk assessment exercises managed by the Pension Committee;
- performance measurement against agreed objectives;
- findings of internal and external audit and other adviser reports;
- feedback from the Pension Board, employers and other stakeholders;
- informal meetings of senior officers or other staff involved in the management of the Fund; and
- liaison with other organisations, regional and national associations, professional groups, etc.

Once identified, risks will be documented on the Fund's Risk Register, which is the primary control document for the subsequent analysis, control and monitoring of those risks.

2. Risk Analysis & Evaluation

Once potential risks have been identified, the next stage of the process is to analyse and profile each risk. Risks will be assessed by considering the likelihood of the risk occurring and the impact if it does occur, with the score for likelihood multiplied by the score for impact to determine the current overall risk rating, as illustrated in the London Borough of Croydon's Risk Matrix on the next page.

Risk Matrix



When considering the risk rating, the Administering Authority will have regard to the existing controls in place and these will be summarised on the Risk Register.

3. Risk Response

The Head of Pensions and Treasury will review the extent to which the identified risks are covered by existing internal controls and determine whether any further action is required to control the risk, including reducing the likelihood of a risk event occurring or reducing the severity of the consequences should it occur. Before any such action can be taken, Pension Committee approval may be required where appropriate officer delegations are not in place. The result of any change to the internal controls could result in any of the following:

- **Tolerate** – the exposure of a risk may be tolerable without any further action being taken; this is partially driven by the Administering Authority's risk 'appetite' in relation to the Pension Fund;
- **Treat** – action is taken to constrain the risk to an acceptable level;
- **Terminate** – some risks will only be treatable, or containable to acceptable levels, by terminating the activity; and
- **Transfer** - for example, transferring the risk to another party either by insurance or through a contractual arrangement.

The Fund's Risk Register details all further action in relation to a risk and the owner for that action.

4. Risk Monitoring & Review

Risk monitoring is the final part of the risk management cycle and will be the responsibility of the Pension Committee. In monitoring risk management activity, the Committee will consider whether:

- the risk controls taken achieved the desired outcomes
- the procedures adopted and information gathered for undertaking the risk assessment were appropriate
- greater knowledge of the risk and potential outcomes would have improved the decision-making process in relation to that risk
- there are any lessons to be learned for the future assessment and management of risks.

5. Risk Reporting

Progress in managing risks will be monitored and recorded on the Risk Register. The Risk Register, including any changes to the internal controls, will be provided on an annual basis to the Pension Committee.

As a matter of course, the Pension Board will be provided with the same information as is provided to the Pension Committee and they will be able to provide comment and input to the management of risks.

The risks identified are of significant importance to the Fund. Where a risk is identified that could be of significance to the Council it would be included in the Risk Register.

Key risks to the effective delivery of this Policy

The key risks to the delivery of this Policy are outlined below. The Pension Committee will monitor these and other key risks and consider how to respond to them.

- Risk management becomes mechanistic, is not embodied into the day to day management of the Fund and consequently the objectives of the Policy are not delivered;
- Changes in Pension Committee and/or Pension Board membership and/or senior officers mean key risks are not identified due to lack of knowledge;
- Insufficient resources are available to satisfactorily assess or take appropriate action in relation to identified risks;
- Risks are incorrectly assessed due to a lack of knowledge or understanding, leading to inappropriate levels of risk being taken without proper controls;
- Lack of engagement or awareness of external factors means key risks are not identified; and
- Conflicts of interest or other factors lead to a failure to identify or assess risks appropriately

Costs

All costs related to this Policy are met directly by the Fund.

Approval, Review and Consultation

This Policy was approved at the London Borough of Croydon Pension Committee meeting on xxxx. It will be formally reviewed and updated at least every three years or sooner if the risk management arrangements or other matters included within it merit reconsideration.

Further Information

If you require further information about anything in or related to this Policy, please contact:

Mathew Hallett
Acting Head of Pensions & Treasury
London Borough of Croydon
Bernard Weatherill House
8 Mint Walk
Croydon
CR0 1EA

E-mail - matthew.hallett@croydon.gov.uk

Further information on the London Borough of Croydon Pension Fund can be found at:
pensions@croydon.gov.uk

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REPORT TO:	Pension Board 23 March 2023
SUBJECT:	Review of Risk Register
LEAD OFFICER:	Matthew Hallett, Acting Head of Pensions and Treasury

1. RECOMMENDATION

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

2. EXECUTIVE SUMMARY

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

3. DETAIL

- 3.1 Best practice recommends that a risk register is maintained by the Pension Board recording relevant risk scenarios, together with an assessment of their likelihood and impact and appropriate mitigations. This report discusses the most significant risks relating to governance, funding, assets and liabilities and operational matters. Appendix A details these risks.
- 3.2 The Board is invited to comment on whether it considers this list sufficiently exhaustive and whether the assessment of each risk matches its perception on the adequacy of existing and future controls.
- 3.3 In accordance with the Risk Management Policy, the Risk Register is reviewed periodically and reported to the Board on a quarterly basis.
- 3.4 Risks are rated on a scale of 1 to 5 on the likelihood of the risk occurring and its impact if it does. This allows a range of potential scores of between 1 and 25. The register shows that there are 19 risks on the main register with 15 being significant risks for the Fund (i.e. scored 10 or higher). With all of the planned future controls in place, the significant risks could be reduced to 4.

The risk register is attached as Appendix A.

- 3.5 Since the Board last reviewed the Register:

Two new risks have been added to the register as follows:

Risk 22 – Conflicts of Interest. This could lead to a lack of clarity around when it is necessary for Committee and Board members to declare / disclose interests that could impact on decisions they are taking. When acting in their capacity as Committee members their priority should be the interests of the Fund. Without appropriate scrutiny and transparency, the interests of the Fund could be compromised.

Risk 23 - Climate Change. Pension Funds invest over the long-term so are particularly susceptible to the impacts associated with climate change.

No risks have been deleted or amended.

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

4. CONSULTATION

- 4.1 Officers have previously consulted with both the Pension Committee and Local Pension Board on the template for the Risk Register which forms the basis of Appendix A.

5. DATA PROTECTION IMPLICATIONS

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

NO

Approved by: Matthew Hallett on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

CONTACT OFFICER:

Matthew Hallett, Acting Head of Pensions and Treasury

BACKGROUND DOCUMENTS:

None

APPENDIX:

Appendix A: Risk Register

Risk Register

No	Risk Scenario			Current Risk Rating			Future controls	Future Risk Rating		
	Risk	Type	Existing Controls	Impact	Likelihood	Risk Factor		Impact	Likelihood	Risk Factor
1	If other scheme employers cease trading or operating for any reason the Scheme Actuary will calculate a cessation valuation of their liabilities. If that employer cannot meet that liability the Council has to make good the shortfall.	Governance Risks	Funding Agency, up to court enforcement action.	3	4	12	Admission, Cessation and Bulk Transfers Policies were agreed by the Committee at their meeting of 3 December 2021 which will mitigate the risk. The Fund puts measures in place such as bonds and parent company guarantees or reduces the funding time horizon to reduce the impact resulting from employer failures. These areas will be reviewed as part of the triennial valuation	2	3	6

2	The Fund's invested assets are not sufficient to meet its current or future liabilities.	Funding - Assets and Liabilities Risks	A formal actuarial valuation is carried out every three years, although the Government have consulted on changing this to every 4 years. This results in a Funding Strategy Statement which is regularly reviewed to ensure contribution rates and the investment strategy are set to meet the	4	3	12	Officers are looking at ways of monitoring the funding level on a more frequent basis rather than waiting for a full valuation every three years, although this needs to be done efficiently and in a cost effective manner. Officers will work with the Actuary to seek a cost efficient way of estimating changes to the funding level.	4	2	8
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			<p>long term solvency of the Fund. The Scheme Actuary's view is that there is a 75% chance that the funding target will be achieved. The current Strategy was agreed by the Committee on 17 March 2020 with updates being agreed at the Committee meeting on 25 May 2021. The Fund is current carrying out the March 22 valuation which has indicated an improvement in the funding level.</p>							
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3	Liquidity risk - A third of the Fund is held in illiquid investments. This means there is a risk that the authority might find itself with insufficient cash to meet short term and medium term liabilities without having to disinvest and thus damage the prospects of generating adequate investment returns.	Funding - Assets and Liabilities Risks	The Fund's contribution income is currently enough to cover the short term liabilities. This is kept under constant review. The amount of cash held by the fund has increased to 2.9% of the Fund to mitigate this risk.	3	2	6	The illiquid assets are reaching a point where distributions are higher than calls, so are generating cash. Further commitments to investments will be put on hold until a medium term cash projection has been completed.	3	2	6
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4	There is a possible risk of scheduled or admitted bodies not paying over contributions, which involves the administering authority in incurring unnecessary costs.	Funding - Assets and Liabilities Risks	The authority has retained legal advisors to mitigate this risk, possibly through legal channels.	3	5	15	A structured process has been introduced to monitor receipts of contributions. Contributions and schedules are chased promptly and reconciled. Improved team communications is aiding in this process. which is monitored by the Pensions Board. These measures are improving outcomes. However, they require more time to administer and resources across the governance and accounts teams are impacted. Additional staffing is in the process of being secured.	3	2	6
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6	<p>There is a risk that, under any set of circumstances, an assets will will underperform. The Fund has a significant allocation to several single asset categories - for example, equities, fixed interest, property or alternatives - which potentially leaves the Fund exposed to the possibility that a particular class of assets will underperform relative to expectation.</p>	<p>Investment Risks</p>	<p>The investment allocation mix is in a variety of uncorrelated investments designed to give a diverse portfolio, meaning any one investment class should not unduly impact on the performance of the overall portfolio if it underperforms relative to expectation</p>	3	3	9	<p>Officers with the help of the Fund's Investment Adviser will continue to assess the asset mix of the Fund to ensure it continues to meet the required returns.</p>	3	2	6
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7	The London CIV has been experiencing problems recruiting to key roles, including to the Chief Investment Officer vacancy. This raises a number of concerns, including: fund launches; progress on the ESG project; and expanded permissions from the FCA. This latter point relates to their ability to transition funds.	Investment Risks	Recruitment has inevitably been impacted by the lockdown but the CIV has now filled a number of key roles. This provides a degree of reassurance that fund launches and key projects should be able to proceed according to plan.	4	2	8	As the CIV becomes more established recruitment issues should become less significant.	4	2	8
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8	<p>Specific macroeconomic risks are addressed below but there is a more general, underlying risk of a global collapse in investment markets. The markets have experienced a continuous sequence of such events: Latin American sovereign debt; Black Friday crash; the Dot.com bubble; sub-prime, credit crunch and the Coronavirus pandemic. Other crises are inevitable.</p>	<p>Global Macroeconomic Risks</p>	<p>The discount rate assumption is reviewed at every valuation to ensure it gives appropriate views on future return expectations. The Fund is also well-diversified which provides a degree of protection. The diversified nature of the Fund meant that the Fund was well protected during the Coronavirus pandemic.</p>	4	3	12	<p>The asset allocation strategy will be revised during 2023/2024. Consultations with the Fund's Investment Adviser are ongoing to ensure that, so far as possible, the Fund remains conscious of these risks and is taking reasonable precautions.</p>	4	3	12
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12	<p>Cyber Security – Risk to systems including by system failure, ineffective business continuity plan and lack of adequate monitoring arrangements for third party suppliers. If adequate protections are not in place to prevent system failure working time could be affected impacting workloads and delivery of key performance indicators. If an effective business continuity plan is not in place and communicated to staff the impact of any system failure will be increased. If adequate monitor arrangements for suppliers are not implemented and reviewed service delivery may be adversely affected.</p>	<p>Operational Risks</p>	<p>Heywoods is a hosted system. They have processes in place for backing up files, storing data safely and preventing system failure. This is included in the contract we have with them. The technical team keep logs of issues and responses to monitor this. We have a business continuity plan in place should issues arise. Key suppliers, Aquila Heywood and Hymans Robertson both have ISO:270001 which is the international standard for information security management systems (ISMS).</p>	4	3	12	<p>We are currently working with Aon to strengthen our Cyber Security arrangements. We will be producing and implementing policies and processes focusing on this area.</p>	4	2	8
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13	Cyber Security - risk of unauthorised access to personal and other data including by unsafe home working practices, data access protection and levels and safe storage of data. If safe working practices are not followed devices could be lost or stolen or data could be viewed or tampered with. If data access levels are not kept up to date and set at a level appropriate	Operational Risks	Mandatory GDPR and Cyber Security training has been provided to all new and existing staff. There is a remote working protocol available on the staff intranet which includes guidance on working securely, in addition to a good practice guide on information management.	4	3	12	We are currently working with Aon to strengthen our Cyber Security arrangements. We will be producing and implementing policies and processes focusing on this area.	4	2	8
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	<p>for the performance of the duties of the role only, any possible misuse or error will have a more severe effect. If data held on the pension system is not backed up there is a risk of data being lost in the event of a system failure.</p>		<p>When working from home devices are encrypted and accessed via a VPN. Bit locker and passwords are required to access systems. No physical papers are taken home and staff are advised of the need to keep computers in a secure place, never to leave devices unattended and not to access systems in public locations. Appropriate data access levels to the pensions administration system are assigned by the Technical Support Team on</p>							
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			on appointment or change of role, according to the requirements of the role.								
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14	<p>McCloud Judgement. There is a risk affecting our ability to implement the requirements of the McCloud judgement post resolution. Issues include lack of historic data, appropriate resource, capacity or budget to undertake the work. This could result in legal breaches reportable to the Pensions Regulator, incorrect pension entitlements being calculated for pensioners and loss of confidence in the service by scheme members and employers.</p>	<p>Operational Risks</p>	<p>Keeping up to date with information from the Scheme Advisory Board, Local Government Association, and the Government actuary's Department. The Technical Team are ensuring that part time hours are being recorded on Altair.</p>	4	4	16	<p>Decide how gathering of data from employers will be resourced. Once regulations issued and remedies understood, ensure pension service is appropriately resourced to deal with additional workload</p>	4	3	12
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15	<p>Cyber Security – The heightened security threat level due to the Russian invasion of Ukraine could potentially result in added risks to the pension administration system.</p>	<p>Operational Risks</p>	<p>In response to the heightened threat, Heywoods have conducted focused threat simulations based upon potentially malicious email traffic, reinforced organisational awareness of the threat landscape and raised vigilance through additional staff training and blocked access/internet traffic from specific countries.</p>	4	3	12	<p>Heywoods will continue to closely monitor the cyber threat landscape, particularly threats connected with events in Ukraine. When necessary, they will take immediate action to mitigate against new threats as they emerge.</p>	4	2	8
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16	Russia has invaded Ukraine. There are global economic repercussions relating to oil and gas prices; energy markets; stock markets; and currencies. The Pension Fund will be impacted by these developments because it has exposure to these markets and geographies.	Global Macroeconomic Risks	The Fund's direct exposure to assets held in Russia and the Ukraine has been assessed and impact was immaterial. The diversified nature of the portfolio helps protect the Fund against the wider implications to Global markets.	3	5	15	If the conflict ends markets should recover; otherwise the financial markets will adapt. The Funds asset allocation is being reviewed to make sure it is still appropriate to keep the fund on track.	3	4	12
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17	In February 2022 DLUHC issued the Levelling Up white paper requiring Funds to deploy at least an additional 5% of their capital to relevant investment opportunities in the UK. The additional requirement could be problematic for funds such as Croydon which already allocate a significant proportion of their capital to the UK in illiquid assets.	Investment Risks	It is unlikely that the Fund will be forced into a position which would mean an unacceptable imbalance in the asset allocation of the Fund. The Fund is not currently committing any further investments to its illiquid portfolio.	4	2	8	If the risk materialises the Fund will seek to follow the direction over a period of time in order to manage any imbalance in the portfolio.	4	2	8
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18	Changes in legislation affect the level of performance of the Pensions Admin Team. Scheme members experiencing delays in receipt of their pension entitlement. Statutory deadlines are not met leading to breaches of legislation and pension regulator requirements. Scheme member dissatisfaction. Reputational damage. Financial penalties. Legal action / challenge.	Operational Risks	A third party administrator contract with Hymans Robertson to provide additional resources. Key Performance Monitoring Report completed each month against legal deadlines and team targets reported to Pensions Committee and Board each meeting. Maintaining awareness of latest legislative requirements. Robust checking procedures at all stages. Staff knowledge Recruitment of staff of suitable experience Continuous training of existing staff. Currently fully resourced administrative function.	4	4	16	A review of the effectiveness of 3rd party arrangement on activity levels. Continue detailed planning in respect of legislative changes. Development of IT and automation. Increase to Employer engagement. Regular Performance Reporting (activity rates & service KPI's) to Pensions Committee	4	2	8
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19	System malfunction or interruption of our banking systems.The FCA disclosed that in the last 9 months of 2018 there were more than 300 IT failures impacting on bank customers ability to access their funds.The 6 largest banks on average experience one IT failure every 2 weeks.The risk is that one of these failures is for a sustained period of time impacting on BACS and CHAPS payments both into and out of the council.This could prevent members of the public and businesses from accessing funds,result in financial loss and /or service interruption.	Operational Risks	Actively review/assure in relation to bank controls. Automatic compensation paid for major interruptions	4	3	12	No future controls planned	4	3	12
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20	Risk of losing or being unable to recruit suitably experienced staff. The Head of Pensions and Treasury has retired and other positions within the Pension Team have been vacant for a while. Lack of resourcing and knowledge will have a detrimental impact on the performance of the fund.	Operational Risks	The Pension Team have recruited temporary resources in the Treasury Team for the immediate future and are in the process of creating two new posts in the governance team. We are working with our advisors more widely to make greater use of their resources	3	4	12	Developing inhouse knowledge and capacity will mitigate the risk of skills drain if staff leave. A review of the pensions function will assist in further developing effective service delivery.	3	3	9
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21	Liquidity risk - Inflation is currently running at 10% which will feed into pension increases and lead to pressures on cashflow. This means there is a risk that the authority might find itself with insufficient cash to meet short term and medium term liabilities without having to disinvest and thus damage the prospects of generating adequate investment returns	Funding - Assets and Liabilities Risks	The Fund has increased the amount of cash it holds in order to cover any potential net outflow from the Fund	3	5	15	A medium term cashflow projection will be carried out after the valuation in order to gain assurance that the fund has sufficient liquidity.	3	2	6
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22	<p>Conflicts of interest – This could lead to a lack of clarity around when it is necessary for Committee and Board members to declare / disclose interests that could impact on decisions they are taking. When acting in their capacity as Committee members their priority should be the interests of the Fund. Without appropriate scrutiny and transparency, the interests of the Fund could be compromised.</p>	<p>Governance Risks</p>	<p>There is an existing Board Conflicts of Interest Policy in place and elected members are required to disclose interests in their capacity as Councillors. A standing agenda item is included in every meeting asking if any member has an interest that they need to disclose. A member of Democratic Services attends every meeting and can provide advice on whether a disclosure is needed. The Board Chair regularly attends Committee meetings and will highlight potential items where a disclosure may be appropriate. Democratic Services keep a log of Member Interests.</p>	4	3	12	<p>A new Fund specific Conflicts of Interest Policy has been drafted and has been referred to the Monitoring Officer to take forward in line with proposed changes to the constitution. This will provide greater clarity on disclosable items and potential areas where a conflict might arise.</p>	4	2	8
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23	Climate Change-Pension funds invest over the long-term so are particularly susceptible to the impacts associated with climate change.	Investment Risks	When setting the funding strategy the Fund included climate scenario stress testing in the contribution modelling exercise for the Council at the 2022 valuation. The results provided some assurance that the funding strategy is resilient to climate risks	3	5	15	The investment strategy is currently being reviewed with the particular focus on climate change risks and is setting a framework to firstly establish the Fund's current carbon footprint and secondly to enable to future reporting and monitoring of the Fund's exposure to climate change risks.	1	5	5
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Risk Matrix

IMPACT

LIKELIHOOD

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

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

Likelihood is also measured on a scale of 1 to 5.
 In this instance a score of 1 suggests that the occurrence will be rare and score of 5 would be almost certain to happen.

Below 10 is considered a Green Risk.

A score between 10 and 19 is an Amber Risk.

A score of 20 or above is a Red Risk.

19

Number of Risks on Register

Current Ratings	
4	Number of Green Risks
15	Number of Amber Risks
0	Number of Red Risks

Future Ratings	
15	Number of Green Risks
4	Number of Amber Risks
0	Number of Red Risks

REPORT TO:	Pension Board 23 March 2023
SUBJECT:	Review of Breaches Log
LEAD OFFICER:	Matthew Hallett - Acting Head of Pensions and Treasury

1. RECOMMENDATION

The Board 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 Board to monitor breaches on a regular basis. This report presents the current log (Appendix A) for the Board'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,

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

(3) No duty to which a person is subject is to be regarded as contravened merely because of any information or opinion contained in a written report under this section. This is subject to section 311 (protected items).

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

In line with this legislation 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 Board last reviewed the Log no new entries have been added, 4 entries have been amended and no entries have been deleted. Breach 5 concerning failure to publish Committee and Board meeting minutes has been amended as the Committee decided to change the rating to green in their meeting of 14 March 2023. Breaches 6,7 and 8 concerning failure to publish audited fund accounts has been amended to reflect that this breach has now been reported to the Pensions Regulator.
- 3.4 At the previous Pension Board meeting the Board decided the failure to publish the audited Annual Report and Accounts for 2019/20, 2020/21 and 2021/22 should be reported to The Pensions Regulator as decision making based on 3 years of unaudited accounts posed a risk to the Fund. The Head of Pensions & Treasury has sent a letter reporting the breach to The Pensions Regulator on behalf of the Pension Committee, Pension Board and Officers of the Fund.
- 3.5 The Board 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. DATA PROTECTION IMPLICATIONS

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

NO

Approved by: Matthew Hallett on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

CONTACT OFFICER:

Matthew Hallett, Acting Head of Pensions and Treasury

APPENDIX:

Appendix A: Breaches Log

BACKGROUND DOCUMENTS:

None.

No	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	Colour Rating	Outcome of report and/or investigations	Outstanding actions	Comments
1	Aug20	Administration ABS	Failure to produce 100% of Annual Benefit Statement notifications	Members and former members have not received up to date information on the value of their LGPS benefits which may affect their ability to make informed decisions around pension provision. Noncompliance with LGPS regulations timescales. Member has been unable to check personal data is complete and accurate or that the correct contributions have been credited.	The technical team issued 98.69% of the statements due. For the remainder, tasks are set up on Altair to enable the admin team to carry out any necessary tasks on the member records as part of the work schedule, such as resolving queries or completing benefit calculations.	The matter was not referred to the Pensions Regulator. All the issues were identified and tasks have been set up on Altair to be dealt with as part of the work schedule		Not reported. Only 2.12% for active and 0.27% for deferred members were not issued. The issues will be dealt with and member records updated as part of the work schedule		

No	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	Colour Rating	Outcome of report and/or investigations	Outstanding actions	Comments
2	Aug-21	Administration ABS	Failure to produce 100% of Annual Benefit Statement notifications	Members and former members have not received up to date information on the value of their LGPS benefits which may affect their ability to make informed decisions around pension provision. Noncompliance with LGPS regulations timescales. Member has been unable to check personal data is complete and accurate or that the correct contributions have been credited.	The team managed to issue 99.94% of annual benefit statements.	The matter was not referred to the Pensions Regulator. All the issues were identified and tasks have been set up on Altair to be dealt with as part of the work schedule		Not Reported. Only 0.06% of the notifications were not issued. The issues are dealt with and member records updated as part of the work schedule.		

No	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	Colour Rating	Outcome of report and/or investigations	Outstanding actions	Comments
3	Aug-22	Administration ABS	Failure to produce 100% of Annual Benefit Statement notifications	Members and former members have not received up to date information on the value of their LGPS benefits which may affect their ability to make informed decisions around pension provision. Noncompliance with LGPS regulations timescales. Member has been unable to check personal data is complete and accurate or that the correct contributions have been credited.	The technical team have issued 92.30% of the statements due. The majority of the deferred ABSs not issued are a result of outstanding leaver calculations which have been identified as part of the backlog project contracted to a third party. Work on this project continues and members are being contacted once the calculations have been completed. The remainder relate to leavers where we are awaiting transfer details from other LGPS funds before the deferred benefits can be processed or those that have left the scheme post 31 March 2022 and we await leaver information from employers. These cases are included in BAU work and handled by the Pension Admin Team on a daily process. Members will be contacted once the calculations have been completed.	The matter was not referred to the Pensions Regulator. All the issues were identified and tasks have been set up on Altair to be dealt with as part of the work schedule		Not reported. 100% for active members were issued. While 86.19% for deferred members were issued, the balance were not produced due to ongoing benefit calculations or transfer calculations where we are awaiting information. These cases are included in BAU work and handled by the Pension Admin Team on a daily process. Members will be contacted once the calculations have been completed		

No	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	Colour Rating	Outcome of report and/or investigations	Outstanding actions	Comments
4	Jan-21	Administration Backlog	Failure to inform 100% of scheme members of their calculated benefits (refund or deferred) – backlog cases. The original number of backlog cases was 2665. The backlog cases allocated to Hymans have now been completed.	Members and former members have not received up to date information on the value of their LGPS benefits which may affect their ability to make informed decisions around pension provision. Noncompliance with LGPS regulations timescales. Members have been unable to check personal data is complete and accurate or that the correct contributions have been credited	Historical backlog is impacting performance. Hymans Robertson have been engaged to provide administration services to clear this backlog	The issue has been identified and action taken to rectify it. Outsourcing the historical backlog provides greater administrative capacity , mitigating the risk of recurrence. This has therefore been judged as not necessary to report to the Pensions Regulator		Not reported to The Pensions Regulator		

No	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	Colour Rating	Outcome of report and/or investigations	Outstanding actions	Comments
5	Oct-21	Administration Minutes	Failure to publish Committee and Board meeting Minutes	Without minutes any decisions made are not recorded and so have no legal basis. Any actions taken as a result of those decisions have no legal authority. There is no public access to decisions taken, preventing openness and challenge.	The matter was discussed at the meeting on 14 September 2021. Democratic Services have been experiencing resourcing issues and backlogs of all Council Committee meeting minutes have arisen. The team are now fully resourced and will be trying to catch up on the backlog and produce future minutes in a more timely fashion moving forward. Members requested that officers look into sourcing external minuting provision in respect of Pension Meetings to safeguard Fund business	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		Democratic Services are now adequately resourced and are producing the minutes themselves. All outstanding draft Committee minutes have been published and will be included on the agenda for the 11 October 2022 meeting for consideration and approval. The three outstanding draft Board minutes have been published and approved by the Board		Feedback has been received following referral of the matter to the TPR. They expect processes to be put into place to produce minutes in a timely manner and for them to be reviewed and approved promptly. These matters have been addressed.

No	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	Colour Rating	Outcome of report and/or investigations	Outstanding actions	Comments
6	Sep-21	Finance Accounts	Failure of the Fund to publish audited Fund Accounts for year 2019/20 by 30 November 2020.	Lack of accurate data available on which to base funding requirements. This could result in insufficient funds to pay all benefit liabilities	The Fund report and accounts were prepared but had not been signed off by the Auditors. The Fund accounts form part of the Council accounts. External auditors would not sign off on the Council accounts as there was an issue around the accounting treatment involving Croydon Affordable Homes LLP. However, this is being resolved and it is expected that the paperwork will be in place shortly to allow sign off to be completed. The draft Annual Report and Accounts were presented to Pension Committee on 3 December 2021.	The matter has not been reported to the Pension Regulator. Progress had initially 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 continued delay in signing the accounts is as a result of the issues caused with Council's accounts around the accounting treatment of Croydon Affordable Homes LLP. The failure to sign off the accounts does not relate to a failure on the part of the Fund. The audit of the accounts is substantially complete and it is expected that the paperwork will be in place shortly to allow sign off to be finalised. The draft Annual Report and Accounts have been published on the website. Update March 2023: Due to the passage of time and the fact that 3 years of accounts are still outstanding, the Chairs of the Board and Committee and Officers have issued a joint report to The Pensions Regulator			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	

No	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	Colour Rating	Outcome of report and/or investigations	Outstanding actions	Comments
7	Sep-22	Finance Accounts	Failure to publish the audited Fund Accounts for year 20/21 by 30 September 2021	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 the auditors due to issues with the Council's accounts for 2019/20 around the accounting treatment of Croydon Affordable Homes LLP. The draft Annual Report and Accounts were presented to Pension Committee on 3 December 2021	<p>The matter has not been reported to the Regulator. Due to the passage of time, in July 2022 the Head of Pensions and Treasury reconsidered whether to report the breach, the main consideration being whether it would affect the valuation. Having consulted the Actuary and deemed that the valuation could still be signed off, it was decided that the breach still did not need reporting.</p> <p>Update March 2023: Due to the passage of time and the fact that 3 years of accounts are still outstanding, the Chairs of the Board and Committee and Officers have issued a joint report to The Pensions Regulator</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.	

No	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	Colour Rating	Outcome of report and/or investigations	Outstanding actions	Comments
8	Sep-22	Finance Accounts	Failure to publish the audited Fund Accounts for year 21/22 by 30 November 2022	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 are being prepared. The audit of the accounts cannot be started until completion of the 19/20 and 20/21 accounts.	<p>The matter has not been reported to the Regulator. The cause of the breach was due to the failure of the Council rather than failure in the administration of the scheme. The Actuary has confirmed that the valuation can still be completed, so the scheme can still comply with its legal requirements on funding. The breach has not resulted in any detrimental effects to members benefits.</p> <p>Update March 2023: Due to the passage of time and the fact that 3 years of accounts are still outstanding, the Chairs of the Board and Committee and Officers have issued a joint report to The Pensions Regulator</p>			The Fund Accounts form part of the Council Accounts and cannot be signed off separately.	

REPORT TO:	Pension Board 23 March 2023
SUBJECT:	Review of Board Training
LEAD OFFICER:	Matthew Hallett, Acting Head of Pensions and Treasury
<p>1. RECOMMENDATION</p> <p>1.1 The Board is asked to note the contents of the Pension Board Training Log.</p>	

2. EXECUTIVE SUMMARY

- 2.1 This report advises the Board of training undertaken by the Pension Board members in Year 2022/23 to 28 February 2023 and asks them note the contents of the Logs attached to this report as Appendix A and Appendix B.
- 2.2 The report shows details of the LGPS National Knowledge Assessment 2022 attached as Appendix C and Appendix D to this report.

3. DETAIL

- 3.1 In their 2019 governance review Aon recommended that the scope of the Knowledge and Skills Policy be extended to the Pension Committee and Officers, as well as the Pension Board. They further recommended that the policy should incorporate knowledge of the work of the London Collective Investment Vehicle (London CIV) and have regard to CIPFA guidance. The policy was agreed on 17 March 2020 (Minute 26/20). This policy has since been reviewed and the revised version was agreed by the Committee in their meeting of 14 June 2022.
- 3.2 Following the introduction of Markets in Financial Instruments Directive (MiFID II) in January 2018, in order to be treated as a professional client (rather than a retail investor) a Fund, as a collective, must be able to demonstrate sufficient expertise, experience and knowledge to satisfy financial institutions that it is capable of making investment decisions and understanding the nature of potential risks by ensuring that levels of expertise, experience and knowledge are maintained to satisfy the MiFID II requirements.
- 3.3 All Officers, Pension Committee Members and Pension Board Members charged with management operations and decision-making with regard to the Fund must

be fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them. All members and officers are expected continually to demonstrate their personal commitment to training and to ensuring that the knowledge and skills objective is met.

- 3.4 The CIPFA Knowledge and Skills Framework was updated in 2021 eight areas of knowledge and skills identified as the core requirements:
- pensions legislation;
 - pensions governance;
 - pension accounting and auditing standards;
 - pensions administration;
 - pension services procurement and relationship management;
 - investment performance and risk management;
 - financial markets and products knowledge; and
 - actuarial methods, standards and practice.
- 3.5 This report provides the Board with a summary of the training undertaken by them in Year 2022/23 to 28 February 2023 (attached as Appendix A and Appendix B).
- 3.6 Members of the Pension Board and Pension Committee were asked to take part in the National Knowledge Assessment run by Hymans Robertson. This was instead of the annual training needs analysis. It is a national assessment to determine knowledge levels and provide benchmarking data across Funds, as well as information to inform future training required. This was a compulsory item on the Training plan agreed by the Committee at their meeting of 11 October 2022. The participation level of the Board at the close of the exercise was 100%. 1 member of the Committee submitted their responses after the completion of the exercise.
- 3.7 Hymans Robertson issued a National Report (Appendix C) and a report specific to the Croydon Pension Fund (Appendix D). The report issued by Hymans Robertson shows an average score of 57% for Board members and 39% for Committee members. The average across the 16 Funds that participated in the exercise was 51% for committee members and 60% for Board members. This gives Croydon an overall average score of 45% which puts us 16th out of the 16 funds that participated.
- 3.8 Areas of strength for the Board were Pensions Administration and Financial Markets and Product Knowledge. The Committee were strongest in Pensions Governance and Actuarial Methods, Standards and Practices.
- 3.9 The area of least strength for both the Board and the Committee was Pensions Accounting and Audit Standards.

- 3.10 Croydon's member engagement in the exercise was 100% for the Board and 58% for the committee (including the reserve committee members), giving an overall Croydon percentage of 68%. This puts us in 11th place out of the 16 Funds that participated in the exercise. However, there are around 80 LGPS funds in England and Wales so Croydon was one of only around 20% of Funds who engaged in the exercise.
- 3.11 Hymans have made some recommendations of topics to provide training for. These will be included in our training plan for the coming year. coming year.
- 3.12 Hymans have updated their on-line training provision to reflect the topics covered in the national knowledge assessment. They recommend that members access these modules and repeat the online training annually as items will be continually updated.
- 3.13 Since the last report 3 Board Members attended the Data Dashboard Session run by AON on 12 January 2023 and 2 Board Members attended the LGA Conference on 19-20 January 2023.
- 3.14 The latest report on the Hymans on-line training uptake shows that 4 Board members have completed 1 or more modules and that 3 Board members have started 1 or more modules.
- 3.15 The Board is asked to note the contents of this report.

4. DATA PROTECTION IMPLICATIONS

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

No.

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

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

Approved by: Matthew Hallett on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

CONTACT OFFICER:

Matthew Hallett, Acting Head of Pensions and Treasury

BACKGROUND DOCUMENTS:

None

APPENDICES:

Appendix A: Training Log

Appendix B: Log for Completion of Hymans on line training

Appendix C: LGPS National Knowledge Assessment – National Report 2022

Appendix D: LGPS National Knowledge Assessment – Croydon Pension Fund 2022

Pension Board Training Completed to 28 February 2023

				07/06/2022	07/07/2022	18/20 Oct 22	08/11/2022	11/10/2022	13/10/2022	18/11/2022	22/11/2022	25/11/2022	21/02/2023	Dec 2022	12/01/2023	19-20/01/2023
Total Sessions Attended	% Possible Attended			Induction	Gov Review Session	Fundamentals 1 CIPFA Board Webinar	Valuation Training	Cyber / MccCloud	National Knowledge Assessment	Fundamentals 2 Westminster Webinar	Investment Workshop	fundamentals 3	Data Dashboard	LGA Conference		
7	64	Board	Cllr Margaret Bird	1	1	0	0	1	1	1	1	0	0	1	0	0
6	55	Board	Mike Ellsmore	0	1	0	0	0	1	1	0	1	0	0	1	1
5	45	Board	Richard Elliott	0	1	0	1	0	0	1	0	0	0	0	1	1
6	55	Board	Teresa Fritz	0	1	1	0	0	0	1	1	0	0	1	1	0
4	36	Board	Ava Payne	0	1	0	0	1	1	1	0	0	0	0	0	0
6	55	Board	David Whickman	0	1	1	0	0	1	1	1	0	0	1	0	0
			Total Completed	1	6	2	1	2	4	6	3	1	0	3	3	2
			Total Members							6						
			Total % Completed							100						
11		Board	Total Possible Events	0	1	1	1	1	1	1	1	1	0	1	1	1
6	Total Board Members		Total Comp Board	1	6	2	1	2	4	6	3	1	0	3	3	2
			% Completion Board	17	100	33	17	33	67	100	50	17	0	50	50	33

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Hymans On-line Training Modules Progress for Pension Board to 28/02/2023

Modules Completed / In Progress

LGPS Role	Fullname	Course Name	Status
Pension Board	Ava Payne	Module 1 - An introduction to the LGPS	Completed
Pension Board	Ava Payne	Module 4 - Funding and Actuarial Matters	In Progress
Pension Board	Mike Ellsmore	Module 1 - An introduction to the LGPS	Completed
Pension Board	Mike Ellsmore	Module 2 - LGPS Governance & Oversight Bodies	Completed
Pension Board	Mike Ellsmore	Module 3 - Administration & Fund Management	Completed
Pension Board	Mike Ellsmore	Module 4 - Funding and Actuarial Matters	Completed
Pension Board	Mike Ellsmore	Module 5 - Investments	Completed
Pension Board	Mike Ellsmore	Module 6 - Current Issues	Completed
Pension Board	Richard Elliott	Module 1 - An introduction to the LGPS	Completed
Pension Board	Richard Elliott	Module 2 - LGPS Governance & Oversight Bodies	Completed
Pension Board	Richard Elliott	Module 3 - Administration & Fund Management	Completed
Pension Board	Richard Elliott	Module 4 - Funding and Actuarial Matters	Completed
Pension Board	Richard Elliott	Module 5 - Investments	Completed
Pension Board	Richard Elliott	Module 6 - Current Issues	In Progress
Pension Board	Teresa Fritz	Module 1 - An introduction to the LGPS	Completed
Pension Board	Teresa Fritz	Module 2 - LGPS Governance & Oversight Bodies	Completed
Pension Board	Teresa Fritz	Module 3 - Administration & Fund Management	Completed
Pension Board	Teresa Fritz	Module 4 - Funding and Actuarial Matters	In Progress

Modules Completed / In Progress Totals

Status	Fullname	LGPS Role	Total Completed	% Completed
Completed	Ava Payne	Pension Board	1	17
Completed	Mike Ellsmore	Pension Board	6	100
Completed	Richard Elliott	Pension Board	5	83
Completed	Teresa Fritz	Pension Board	3	50

Status	Fullname	LGPS Role	Total In Progress	% In Progress
In Progress	Ava Payne	Pension Board	1	17
In Progress	Richard Elliott	Pension Board	1	17
In Progress	Teresa Fritz	Pension Board	1	17

Modules Not Started

LGPS Role	Fullname	Course Name	Status
Pension Board	Ava Payne	Module 2 - LGPS Governance & Oversight Bodies	Subscribed
Pension Board	Ava Payne	Module 3 - Administration & Fund Management	Subscribed
Pension Board	Ava Payne	Module 5 - Investments	Subscribed
Pension Board	Ava Payne	Module 6 - Current Issues	Subscribed
Pension Board	Davis Whickman	Module 1 - An introduction to the LGPS	Subscribed
Pension Board	Davis Whickman	Module 2 - LGPS Governance & Oversight Bodies	Subscribed
Pension Board	Davis Whickman	Module 3 - Administration & Fund Management	Subscribed
Pension Board	Davis Whickman	Module 4 - Funding and Actuarial Matters	Subscribed
Pension Board	Davis Whickman	Module 5 - Investments	Subscribed
Pension Board	Davis Whickman	Module 6 - Current Issues	Subscribed
Pension Board	Margaret Bird	Module 1 - An introduction to the LGPS	Subscribed
Pension Board	Margaret Bird	Module 2 - LGPS Governance & Oversight Bodies	Subscribed
Pension Board	Margaret Bird	Module 3 - Administration & Fund Management	Subscribed
Pension Board	Margaret Bird	Module 4 - Funding and Actuarial Matters	Subscribed
Pension Board	Margaret Bird	Module 5 - Investments	Subscribed
Pension Board	Margaret Bird	Module 6 - Current Issues	Subscribed
Pension Board	Teresa Fritz	Module 5 - Investments	Subscribed
Pension Board	Teresa Fritz	Module 6 - Current Issues	Subscribed

Modules Not Started Totals

Status	Fullname	LGPS Role	Total Not Started	% Not Started
Subscribed	Ava Payne	Pension Board	4	67
Subscribed	Davis Whickman	Pension Board	6	100
Subscribed	Margaret Bird	Pension Board	6	100
Subscribed	Teresa Fritz	Pension Board	2	33

LGPS National Knowledge Assessment

National Report 2022



Executive Summary

We're delighted to share the results from the 2022 National Knowledge Assessment (NKA). Informed decision making and informed scrutiny remain the key functions of Pensions Committees and Boards in the LGPS. To perform their role effectively, Committee and Board members must be suitably informed and knowledgeable in the key areas within which decisions are taken and details scrutinised.

This is the second national assessment we've conducted and follows on from the **2020 assessment**. The goal of the assessment remains unchanged – to provide insight into the level of knowledge and skills of LGPS Committee and Pension Board members. Analysis is provided on an individual, group collective, local fund and national level to all LGPS funds.

Against the backdrop of The Pensions Regulator's (TPR) upcoming single Code of Practice, the England and Wales Scheme Advisory Board's (SAB) Good Governance recommendations, and increased expectations for good service delivery from members and employers, the governance landscape in the LGPS continues to change at pace. In the past few years, it has become increasingly important to be able to demonstrate that decision makers have the collective knowledge to fulfil their roles and responsibilities effectively. The key aim is to ensure the successful delivery of one of the most important benefits to local government workers – their pension.

Our key findings from the 2022 assessment

- **Increased knowledge in Governance and Administration** - the levels of knowledge in the 'traditional' Committee and Pension Board topics of Investment and Financial markets have reduced. Sections where we have previously seen lower knowledge levels, such as Administration, Governance and Actuarial methods, standards and practices have seen an improvement. However, many participating funds are at the beginning of their Pension Committee cycle which is likely to have impacted the current group knowledge level.
- **Engagement is improving** - we measure engagement by looking at the number of assessments completed against the number of Committee and Board members who had access to the assessment. Overall engagement for the 2022 assessment was 73% compared to 61% from the 2020 assessment.
- **The right people have their hands on the wheel** - encouragingly, knowledge levels of the Chairs are notably higher in most areas than those of other Committee and Pension Board members.
- **Knowledge spread** - analysis indicates that even where a Committee or Board has a low average score, there are still individuals who have sufficient knowledge levels in each area. Collective knowledge at LGPS funds is good and demonstrates robustness within current governance arrangements.

What should funds do next?

1. Ensure they have assessed the current knowledge levels of their Committee and Pension Board.
2. Use the results to identify weaker areas of knowledge and formulate a detailed, tailored training plan, utilising a variety of training delivery methods.
3. Ensure that these plans are monitored and tracked and record all Committee and Pension Board training.

We hope you find this report insightful. If you would like to discuss any of our findings further, please don't hesitate to contact us.



Susan Black

Head of LGPS Governance,
Administration & Projects
susan.black@hymans.co.uk



Andrew McKerns

Senior LGPS Governance,
Administration & Projects Consultant
andrew.mckerns@hymans.co.uk



Alan Johnson

LGPS Governance, Administration &
Projects Consultant
alan.johnson@hymans.co.uk

2022 highlights

16 

funds participated

200+ 

assessments completed

48 

questions across

8

topics

73% 

Engagement levels

(up by **12%** on 2020)

Excellent 
score for chairs

55%

Average score

Top scoring section 
Governance

Thoughts from The Pensions Regulator

Nick Gannon
Policy Delivery Lead

TPR was given the responsibility of regulating public service schemes, including the LGPS, from 2015. In the time since our awareness of the challenges facing the various schemes has grown significantly.

Our code of practice for public service schemes, soon to be replaced with an updated code, sets our expectations for the standards of governance that we expect from public service schemes. Our expectations of the LGPS are no different, but those implementing them may face additional local challenges. This is perhaps why we have paid more attention to LGPS funds, most obviously in our programme of deep dives in 2019.

We recognise that every LGPS fund is different, and there are a variety of equally valid approaches to governance used across them. It is important that all parties involved in governance are aligned, and the various individuals, boards, and committees should seek to collaborate, not compete. Regular contact between those involved in scheme governance and operations is helpful. An open dialogue outside of formal meetings can help to share knowledge, and improve both governance and administration.

Turnover of those with governance responsibilities is a significant issue for any pension scheme. This is especially true of the LGPS. Electoral cycles and changing committee membership can lead to the unexpected departure of key members of the governing body. Good succession planning and clearly recorded processes help mitigate this risk.

Scheme managers should be aware of the risks from turnover and plan accordingly. A key part of this is ensuring that training needs are assessed, and that training is delivered and then clearly recorded. This is especially true at appointment, and perhaps before appointment, for new Board and Committee members so that they are swiftly able to fully contribute to the governance of the scheme. It is also an important feature of being able to identify the risk of, and then mitigate, the loss of key individuals.

Pension scheme governance is challenging and requires more than just a knowledge of pensions. However, such knowledge provides the basis through which to assess the policies, procedures and operations of a scheme and, ultimately, how well it is run.

“The National Knowledge Assessment provided West Yorkshire Pension Fund with a strong indication of knowledge levels and allowed us to accurately tailor our training plans. I believe it’s important to carry out this type of assessment to ensure our Fund is on track with its training goals.”

Yunus Gajra

West Yorkshire Pension Fund

Introduction

As always, local elections have led to some significant changes in membership of Pension Committees, making induction training for new members a key focus for many funds. It’s essential that new Committee (and Board) members are quickly introduced to their LGPS roles and responsibilities and can become effective decision makers and scrutinisers of their LGPS Fund.

While many Committees have seen continuity through the retention of some members, any change in membership inevitably leads to a loss in knowledge. However, these membership changes also present an opportunity to provide fresh insight and experience to the Fund. New members to LGPS Committees and Boards may well bring knowledge and experience from other fields, which is beneficial to their funds.

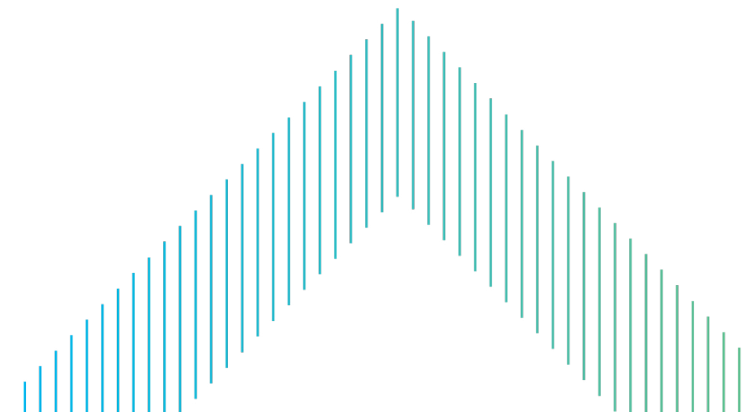
It’s within this context of change – both in membership and the LGPS landscape as a whole – that our second National Knowledge Assessment has been conducted.

Participation

Having assessed over 200 members participating across 16 LGPS funds, the NKA provides a clear indication and insight of national knowledge levels for the decision makers within the LGPS.

The breakdown on participants as at November 2022 is shown below.

	Chair	Member	Total
Committee	10	112	122
Board	16	72	88



“Merseyside Pension Fund recognises the importance of regular knowledge and skills assessment to inform its training programme and Hymans’ National Knowledge Assessment provides not only our local knowledge position but enables us to benchmark against a National position.”

Peter Wallach

Merseyside Pension Fund

Measuring engagement

An often used but nonetheless true statement is that pensions, governance and investment requirements are continually evolving. Engagement is vital for effective, informed decision making and maintaining strong collective knowledge within both groups.

As part of the assessment, we provided participating funds with a benchmark position on the level of engagement from both their Committee and Pension Board. This is a crucial insight for funds as a strong set of results based only on the knowledge performance of a small number of participants would not tell the full story. Understanding your engagement levels in comparison to your peers helps to round that insight.

This assessment was taken in participants own time. We’re delighted that over 70% of those eligible to respond chose to do so.

Why does knowledge and skills matter?

In recent years, several events have seen a marked increase in the scrutiny of public service pension schemes. The below are the ‘roots’ of the National Knowledge Assessment:

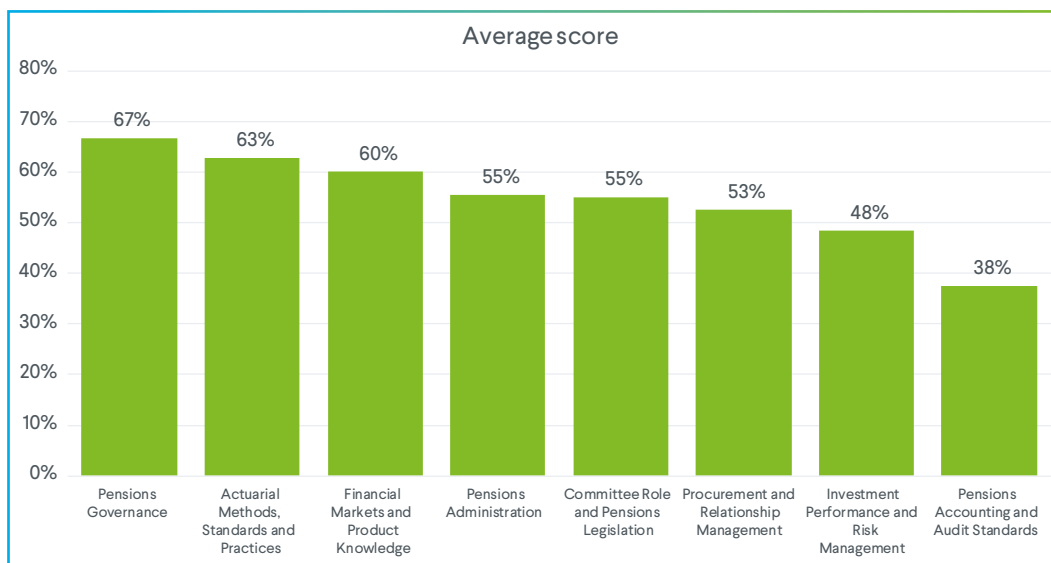
- TPR – Pension Board knowledge requirements
- MIFID II – evidence of Committee training
- TPR 21st Century Trustee campaign
- SAB (England & Wales only) Good Governance project
- (upcoming) TPR Single Code of Practice

These recent events have reaffirmed why LGPS funds need to evidence the training provided and current knowledge and understanding levels retained within their Committee and Board.

The results

An overview

The overall results from the 16 participating funds are shown below. The chart shows the average number of correct answers in each section across all respondents. Each section consists of 6 multiple choice questions.



From these results it's very encouraging to see that Governance was the highest scoring section. There has been increased emphasis on governance in the LGPS recently. With the Good Governance consultation expected in early 2023, many English and Welsh funds have been reviewing their governance arrangements, and building awareness of these issues within their Committee, Board and Officer groups. It's pleasing to see that these efforts have built a strong knowledge foundation in governance-related issues.

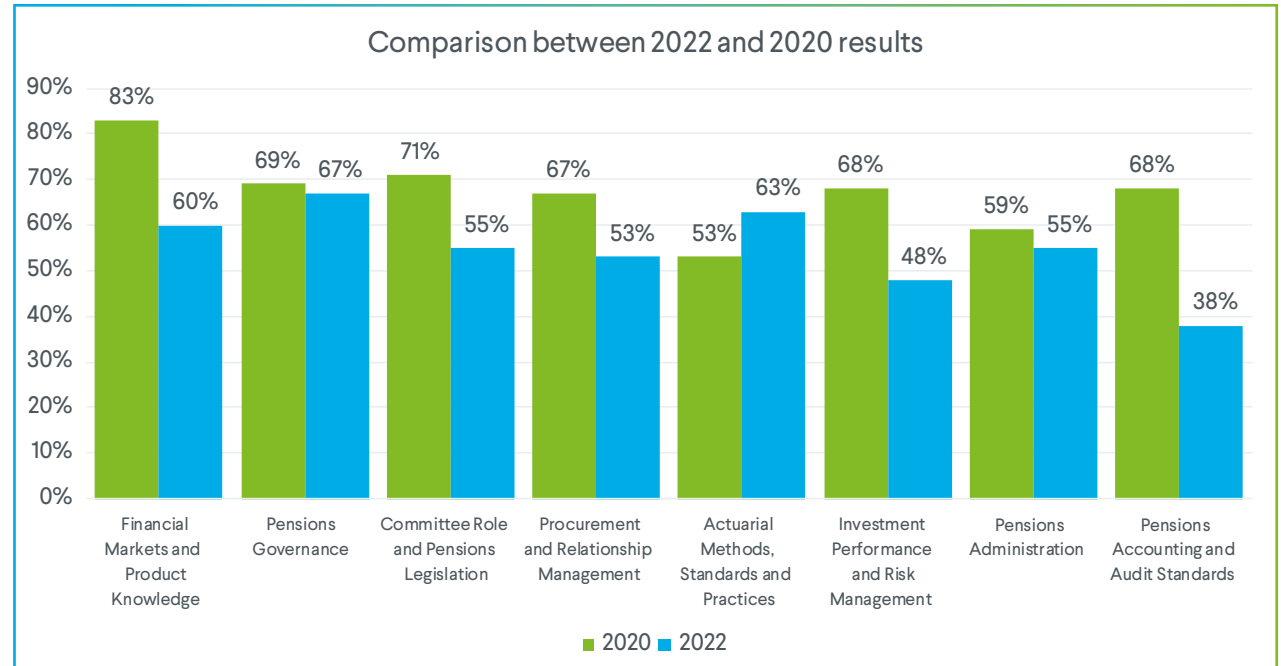
It's surprising that Actuarial Methods has scored so well this time, as it was the lowest scoring section in the 2020 Assessment. With the actuarial valuation in progress for English and Welsh funds, the increased awareness and focus on actuarial matters during Committee and Board meetings, knowledge levels in this area have clearly been developed.

The scores in pensions accounting were notably lower than those in all other areas but this has been a challenging training area for many funds. The section on investment performance also saw low scores. This is historically an area to which most time was devoted during meetings, particularly for the Committee.

Progress vs 2020 Assessment scores (average scores)

We now have the benefit of the data gathered from the last National Assessment and have compared that information with the 2022 results.

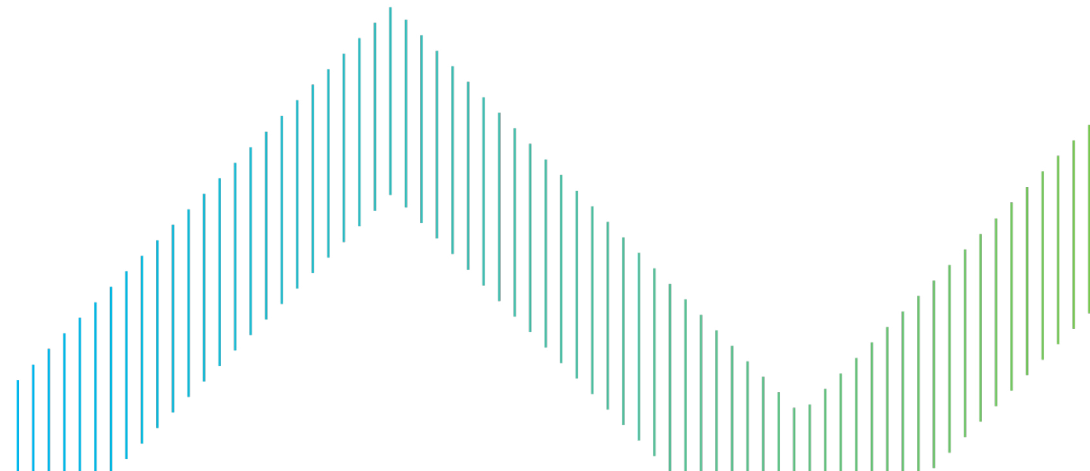
The results show that there is a reduction in scores across all sections, apart from actuarial methods, where the scores have increased. The most marked reductions in knowledge levels are in the areas of Financial Markets & Product Knowledge, Investment Performance & Risk Management and Pensions Accounting & Audit Standards.



Possible factors for the reduction in knowledge

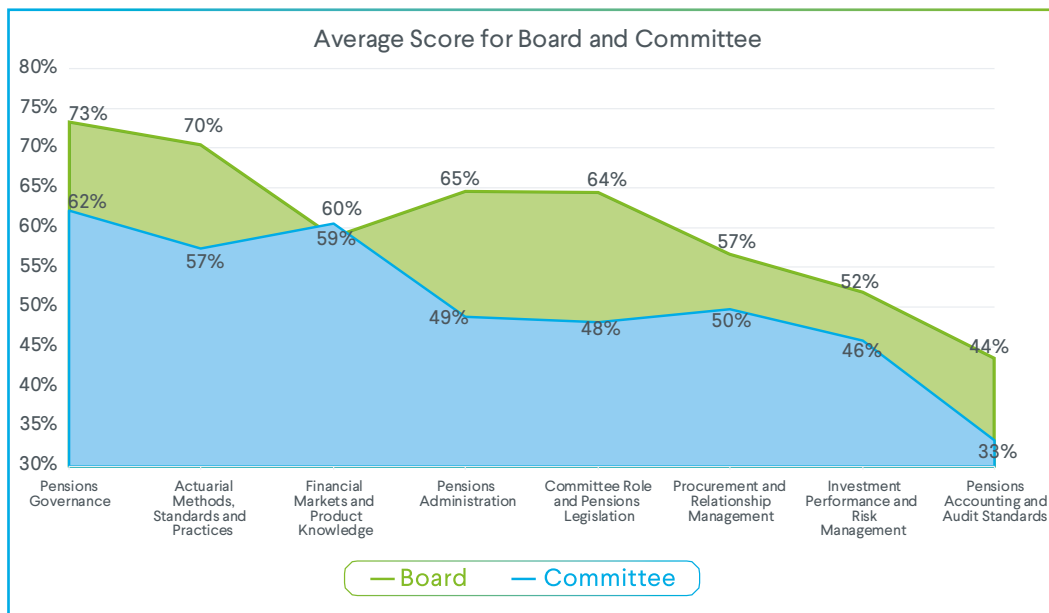
It should be noted that these results are not an absolute comparison. There are several factors which have changed between the two assessment dates, including:

- The 2020 assessment took place near the end of the Committee cycle for most LGPS funds. The assumption being that these members had received more training sessions and meeting packs to increase their knowledge levels. However, the 2022 assessment has taken place at the start of the Committee cycle for most LGPS funds and therefore, we have many newer members with notably less LGPS experience.
- The participating funds are slightly different, although the overall number is similar.
- The members of Committee and Boards have changed, so a different population of members have been assessed.
- All questions have been updated, although kept at a similar difficulty level.
- The option of answering “I have no knowledge in this area” was added in the 2022 assessment, which was not present in the 2020 assessment. Some allowance is needed for correctly ‘guessed’ answers in the 2020 assessment results.



Board vs Committee

To analyse the results in more detail, we've also split the responses between the Committee and the Board. The comparison between the Committee and Board scores is shown below.



At a national level, Board members outperformed Committee members in all areas, except in Financial Markets and Product Knowledge, where scores were similar. This indicates that knowledge levels are strong within Pension Boards, with only one section scoring less than 50%. The Boards' scores are very encouraging given the statutory requirement to attain a certain level of knowledge to perform their role.

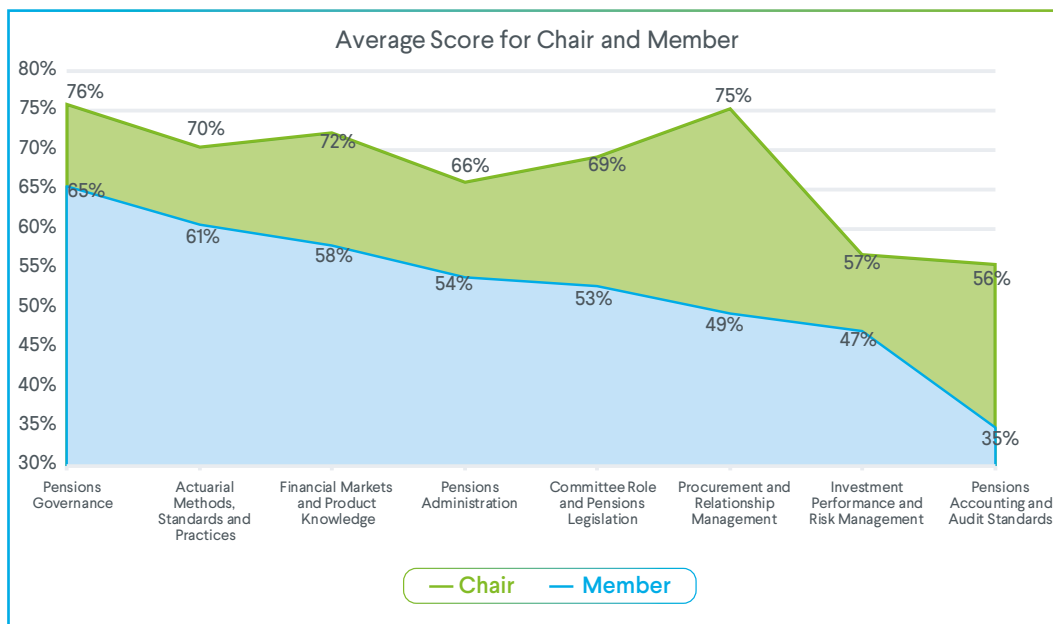
Conversely, for Committees, there were five out of the eight topics assessed where the score was 50% or less. While there is not yet the same statutory requirement for Committee knowledge levels, this does indicate there is work to do to increase knowledge levels for Committee members across a range of topics.

The biggest differences in knowledge were in the areas of Pensions Administration, and the role of the Committee and Pensions Legislation.

There was not the same disparity between the Committee and Board results in the 2020 assessment, where there was no clear outperformance of either group.

Chairs vs Members

We also looked in detail at the scores between the Chairs of the Committees and Boards, versus the rest of the membership.



There is a clear pattern of outperformance by the Chairs in all sections of the assessment. There is not one section where the average score for the Chair is less than 50%. Indeed, the lowest scoring section still achieved an average score of 56%. This is consistent with the findings of the 2020 Assessment.

This would be expected given the role of the Chair and that these individuals will be the more experienced members of the group, often bringing external, relevant experience to the role. Part of the role of the Chair is to help drive standards and focus discussions, and the demonstration of higher knowledge levels is an important requirement.

These results are very welcome and indicate that LGPS Committee and Board Chairs have a good broad knowledge of all topic areas assessed.

“ We were really pleased that Hymans Robertson decided to repeat its National Knowledge Assessment – it is a really excellent, practical addition to our training and assessment tools to support our Pension Committee and Pension Board.”

Jo Quarterman
Norfolk Pension Fund

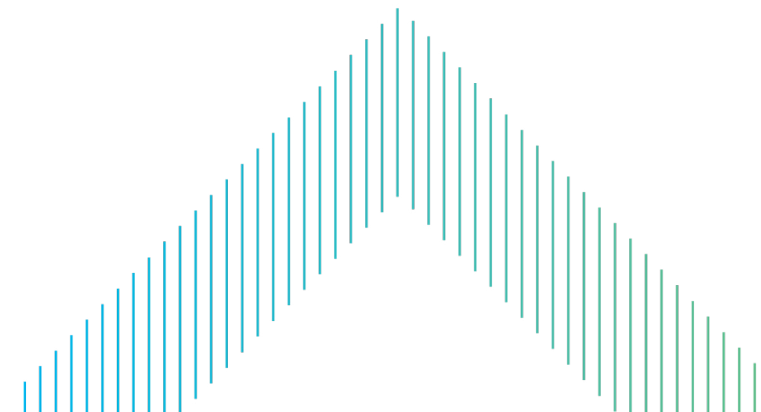
Spread of 'collective' knowledge vs Chairs

TPR and SAB continually advise that members of Committees and Boards are not expected to be subject matter experts but should have the knowledge to question and seek assurance. Pension Board members are expected to have an individual level of knowledge and understanding sufficient to carry out their roles, however, this does not preclude the idea that within Committees and Boards the absolute level of knowledge of individuals may vary.

Within Committees and Boards, it is reasonable to consider **collective** knowledge of all relevant areas, demonstrating the strength within the group. It's too simplistic just to say that the average score in a particular section is the only indicator of knowledge levels of the Board and Committee. What also matters is the **spread of knowledge** within the groups of members. If there are two or three well-informed individuals in a particular subject area, then they can guide the group, and use their expertise to focus discussion and ask the pertinent questions.

This is particularly true of funds with low average scores. While the average score for a particular section might be low, there are still one or two knowledgeable members within the group that can lead and support the other members to attain a higher level of understanding.

With this in mind, we have further analysed a selection of participant funds and examined their top scores within each section. We have also analysed how this is spread throughout the Committee/Board.



Analysis

We looked at this in two ways:

- The number of respondents who correctly answered a minimum of five out of six questions in at least one of the eight sections.
- The number of people who featured as one of the top three scorers in any section.

Looking at these statistics provides an indication of the spread of knowledge within the groups.

Those who scored at least 5 out of 6

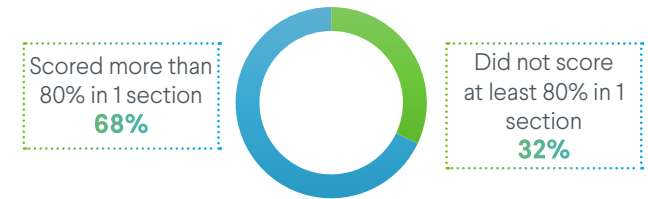
We measured those funds who answered at least five out of the six questions in a section correctly, giving them a score of at least 80% in that section.

Of the funds analysed:

- On average, two thirds of respondents got at least five out of six questions correct in any of the eight sections assessed – scoring at least 80%.
- When the analysis is extended, around half of respondents in each Fund scored at least 80% in two sections or more.

This indicates that many respondents scored highly across multiple sections, meaning that there is a good spread of knowledge.

Scored more than 80% in at least 1 section



Scored more than 80% in at least 2 sections



Those who featured in top three

Similarly, on average, two thirds of respondents were in the top three scorers for at least one section. In many cases, the same people were in the top three scorers across multiple sections. Conversely, one third of participants did not feature in the top three results of any section.

Top 3 scorer for Fund in a section

Proportion who feature in top 3 scorers in 1 section or more
66%



Proportion who are not a top 3 scorer in any section
34%

This indicates a good spread of knowledge throughout Committees and Boards, but that there are individuals where the knowledge levels could be improved across the spectrum of topics covered. A spread of knowledge is to be welcomed but there is a risk if too much reliance is placed on a small number of individuals.

In conclusion, this analysis showed:

- There are some well-informed members across all sections.
- For some funds, there are two or three well-informed members for each section, with the “experts” varying depending on the section.

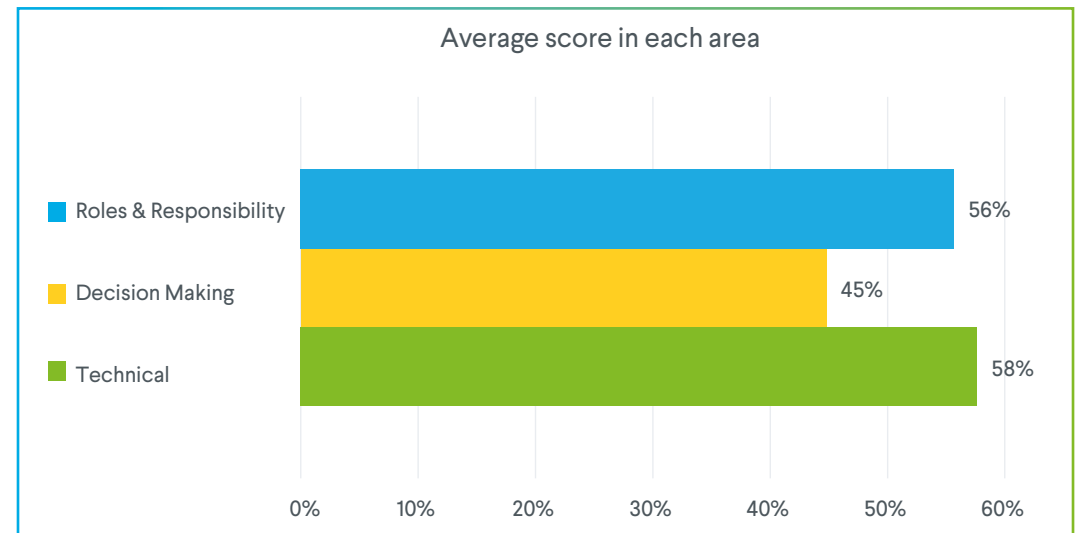
Technical, Roles and Responsibility and Decision Making

Question Categories

In order to gain further insight into the Committee and Board knowledge and understanding, the questions posed in the assessment covered three distinct areas. These were:

- Technical – 66% of questions
- Decision making – 17% of questions
- Roles and responsibilities – 17% of questions

The purpose of this was to drill deeper into the collective understanding of these categories, and to provide further analysis on which areas to target when creating training plans. At a national level the average correct score for each of these sections was:



These results indicate that information relating to decision making at LGPS funds should be a consideration for Officers when developing training plans.

Engagement

The strongest measure of good governance at LGPS funds relates to training and assessment engagement levels. Regardless of tenure, experience or current knowledge levels, the landscape, regulations and requirements of the LGPS changes so quickly (and often) that developing and enhancing knowledge and skills is a continual part of the role.

An engaged Committee and Board will be much more likely to keep up to date with recent developments and key issues. It's also more likely to be well-informed having done the necessary background reading and participating actively in training sessions.

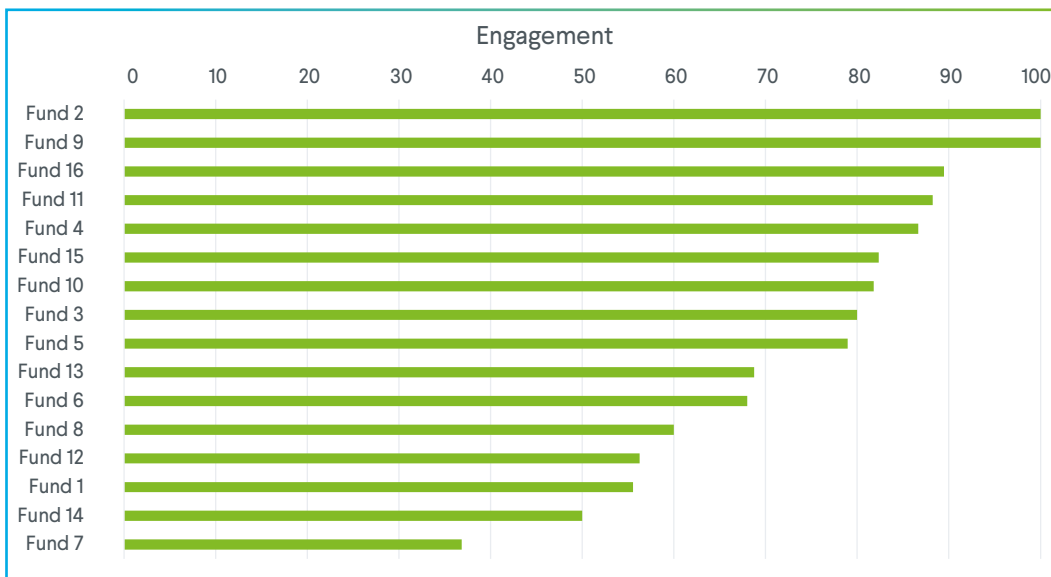
Overall engagement

As a measure of engagement, we looked at the number of respondents, as a proportion of those who were invited to participate, from each Fund. At a national level, the participation rate was over 70%, which is excellent. This is a marked improvement from the 2020 engagement levels as demonstrated below.

	Overall	Board	Committee
2022 participation rate	73%	77%	71%
2020 participation rate	61%	67%	58%

Fund specific engagement levels

It's also hugely encouraging that for half of the funds who took part, at least 80% of members eligible to participate, did so. There is, however, significant variance in engagement levels between individual funds, with the lower scores being a concern. With a sample of 16 funds, we feel these results are indicative of the spread of engagement across the whole LGPS.



Improving engagement levels

There are many ways in which funds can help promote engagement. Some suggestions would be:

Training plans tailored to needs

Having a targeted training plan for individuals or the different groups will help them feel that the training is relevant and avoid using valuable training time to go over familiar ground.

Vary training delivery

There is absolutely a place for face-to-face sessions. These should always allow time for questions to be asked and clarification of information as required. We recommend that this is balanced with easily accessible on-demand learning, which allows members to access training at a time that is convenient for them.

Keep training interactive

Experience and feedback we have gathered suggests that short, concise sessions are most beneficial. Shorter, regular sessions are of more benefit than long, intermittent sessions. Follow up knowledge checks are a good way of measuring the effectiveness of sessions.

Provide options

People learn and absorb information in different ways. This should be acknowledged when planning and delivering sessions. There should be variation in the

Insight into the questions

Highest scoring questions

We have picked out the top 3 questions in terms of correct answers from participants:

7.1 Volatility is a measure of

- The value of collateral calls on a derivative contract over 1 year
- The greatest fall in the value of an investment over time
- The level of staff turnover in a portfolio management team
- **The level of fluctuation in the investment returns of an asset over time in normal circumstances**
- I currently have no knowledge relating to this topic

8.1 Formal actuarial valuations of individual LGPS funds must be carried out every

- 2 years
- **3 years**
- 4 years
- 5 years
- I currently have no knowledge relating to this topic

2.6 Breaches of the law should be recorded by the Fund:

- When it is likely to be of material significance to The Pensions Regulator
- When there is a financial loss to the Fund
- When it is likely to lead to legal action
- **On all occasions even if not likely to be of material significance to The Pensions Regulator**
- I currently have no knowledge relating to this topic

These 3 questions with most correct answers were spread over 3 different topics. In each case they were answered correctly by **more than 80% of respondents**

Lowest scoring questions

Similarly, we have picked out the 3 questions which were answered most poorly overall:

4.3 Who decides on the assumptions used to prepare an organisation's pension accounts?

- The fund actuary
- The pension fund
- **Scheme employer**
- The auditor
- I currently have no knowledge relating to this topic

1.6 Which of the following is not an appropriate way for an administering authority to discharge its LGPS decision making responsibilities?

- Delegate all responsibilities to a Pension Committee / Panel
- **Delegate investment responsibilities to a Committee / Panel and administration and governance responsibilities to the Local Pension Board**
- Delegate overall responsibility to a Pension Committee / Panel and specific investment matters to a sub-committee
- Delegate all responsibilities to officers who are advised by an advisory committee
- I currently have no knowledge relating to this topic

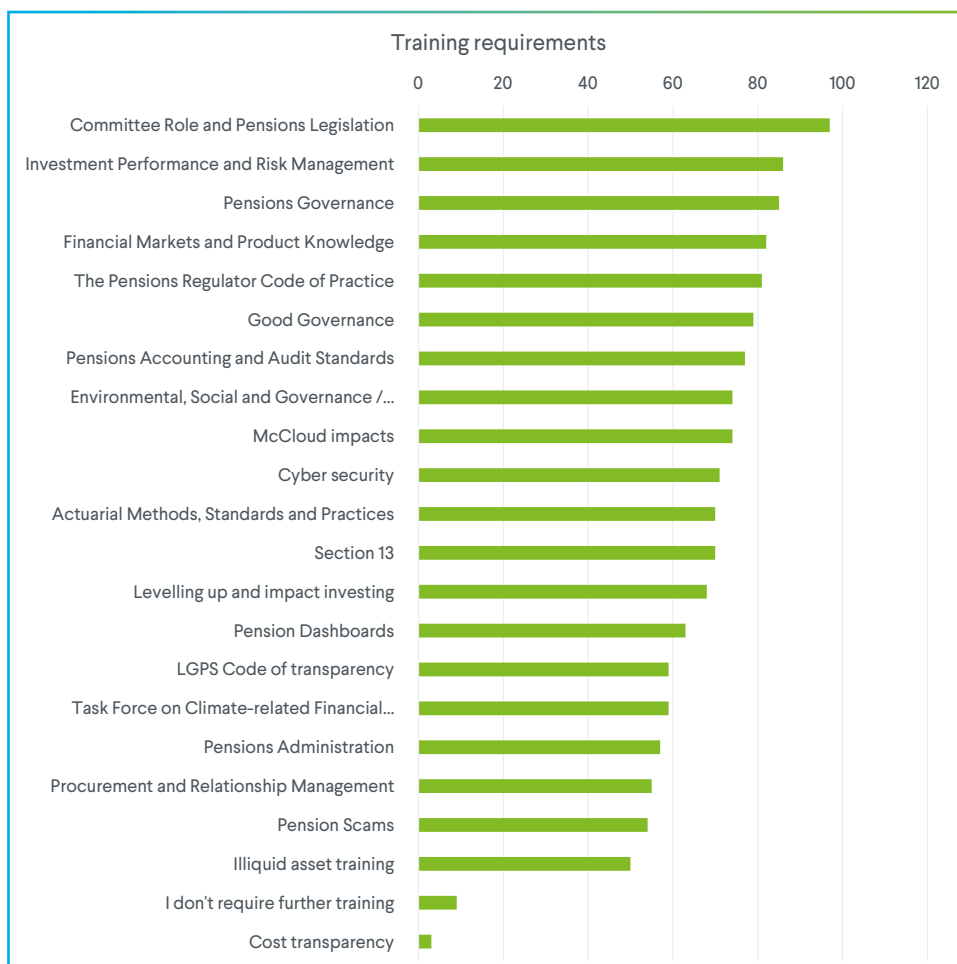
5.4 The Markets in Financial Instruments Directive (MiFID II) automatically assumes LGPS funds are "retail investors" which strictly limits the types of products funds can invest in. In order for your Fund to have access to a much broader range of investment products, _____ are required to test whether the Committee / Panel have the expertise, experience and knowledge to make investment decisions and understand the risks involved.

- Pension fund officers
- Fund actuaries
- Council procurement officers
- **Asset managers**
- I currently have no knowledge relating to this topic

These 3 questions were answered correctly by less than 25% of respondents.

Training feedback from participants

Another tool available to funds to encourage and improve engagement, is responding to specific feedback or training requests. As part of the NKA, we requested that participants indicate the subject areas in which they would most value training.



It is perhaps surprising that the topic 'Committee Role and Pension Legislation' is the most requested topic, given the majority of respondents are Committee members, and that this was generally one of the higher scoring sections. This information possibly points to some uncertainty about certain aspects of the role and current pension legislation.

Governance and the specific topic 'Good Governance' also feature near the top, reflecting the strong emphasis of this area from TPR and Scheme Advisory Boards. Similarly, Cyber security is an area of increasing focus and one which further training and support is required.

Training support

Tools such as this online assessment offer different ways for members to take part in training. We have noted some training materials and websites below which might help you deliver focussed sessions to your Committee and Board and keep them informed on the most pertinent pension areas.

- CIPFA Knowledge and Skills Framework
- [TPR Public Service Toolkit](#)
- [LGA fundamental training](#)
- [LGA monthly bulletins](#)
- [LGPS Online Learning Academy](#)

LGPS Online Learning Academy

Released in June 2021, the LGPS Online Learning Academy (LOLA) is already used by over 35 LGPS funds. Providing funds with a platform that allows the retention of all training data, tracking skills and engagement levels and on demand video services (with regular 'hot topic' videos).

Our upcoming platform improvements will see the LOLA topic areas mirror the 8 topic areas of the NKA, with applicable jargon busters and knowledge checks for each area.

The benefits of going online:

- Short and engaging 10 - 20 minute videos with extra learning materials
- Members can go at their own pace
- Regular reporting to funds on progress of their members
- Funds can easily evidence their members' knowledge and skills
- Limits the need for officers to create training material
- More cost effective than delivering training in person
- New members can instantly benefit from training or repeating sessions without going through a full cycle of meetings

Conclusion

This second National Knowledge Assessment has provided a marker for LGPS funds to measure where they are now, how their position has developed since the last National Knowledge Assessment, and how they can measure progress.

While we work towards improving individual Committee and Board members knowledge and skills, results show that as a collective, both groups have the necessary skills to perform their duties. Improvement in engagement is very encouraging and indicates the seriousness with which key stakeholders view their training and assessment requirements. While there are many insights that funds can take from their results, having strong engagement numbers is pivotal for their future training plans. Being top of that table is a big win!

We would recommend that funds take the following action:

- 1 Ensure that they have detailed, and targeted training plans in place, and that attendance at training and development sessions is recorded and monitored for each individual member in the training log.
- 2 Assess the tools available to support with training delivery.
- 3 Consider ways of maintaining and increasing the engagement of both the Board and Committee. This could include providing them with more information, training materials, briefing notes, newsletters etc.
- 4 Ensure that the Fund's training strategy is up to date and appropriate for purpose.

We thank the initial 16 funds and the Committee and Board members who participated in this assessment and look forward to assisting in the development of their training plans.

Appendix - Methodology

Participants were invited to complete the same set of 48 questions on the 8 areas below:

1. Committee Role and Pensions Legislation
2. Pensions Governance
3. Pensions Administration
4. Pensions Accounting and Audit Standards
5. Procurement and Relationship Management
6. Investment Performance and Risk Management
7. Financial Markets and Product Knowledge
8. Actuarial Methods, Standards and Practices

The questions posed were split into 3 categories:

- Technical questions
- Roles and responsibilities
- Decision making

Technical questions made up around two thirds of the questions. The remaining questions were split between the categories of Roles and Responsibilities as well as Decision Making. This helps to provide more in-depth analysis of the results and provides further context to the proposed training plans.

The National Knowledge Assessment is a challenging multiple-choice assessment of participants' knowledge and understanding of key pension areas. There was no expectation that participants would score 100% on each subject area tested. The goal was to gain a true insight into members' knowledge in the areas covered by the CIPFA Knowledge and Skills Framework and the Pensions Regulator's (TPR) Code of Practice, and crucially to help inform you of the overall levels of knowledge in each area.

The subject areas exactly mirror those that were used in the National Knowledge Assessment in 2020. This allows a comparison to be made between both assessments and for results to be benchmarked against the 2020 NKA.

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2022 LGPS National Knowledge Assessment

London Borough of Croydon Pension Fund



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Overview

The LGPS National Knowledge Assessment (NKA) provides LGPS funds with a direct insight into the knowledge and skills of their key decision makers and oversight body.

In addition, funds get a 'sense check' of this knowledge position against other participating funds via the benchmarking reports provided.

16 LGPS funds and over 200 members have participated in this National Knowledge Assessment of Pension Committee ('Committee') and Pension Board ('Board') members.

The findings from this assessment provide a quantitative report of the current knowledge levels of the individuals responsible for running the Fund, aiding the development of more appropriately targeted and tailored training plans for both groups.

This report is also a key document in evidencing your Fund commitment to training – a key cornerstone to the good governance of your Fund.

Background

The London Borough of Croydon Pension Fund ("the Fund") agreed to participate in the NKA using our online assessment.

This report provides an overview of the participants' results broken down into 8 key areas.

The online assessment opened at the end of September and closed in November, and there were weekly progress updates provided to the Fund confirming participation levels.

Each participant received their individual results report following completion of the assessment.

The questions posed in the assessment are split into 3 categories.

- Technical questions
- Roles and responsibilities
- Decision making

Technical questions, made up around two thirds of the questions. The remaining questions were split between the categories of Roles and Responsibilities as well as Decision Making. This helps to provide more in-depth analysis of the results and provides further context to the proposed training plans.

The National Knowledge Assessment is a challenging multiple-choice assessment of participants' knowledge and understanding of key pension areas. There was no expectation that participants would score 100% on each subject area tested. Rather, the goal was to gain a true insight into members' knowledge in the areas covered by the CIPFA Knowledge and Skills Framework and the Pensions Regulator's (TPR) Code of Practice.

Why Does this Matter?

While fund officers may deal with the day-to-day running of the funds, members of the Committee play a vital role in the scheme as decision makers.

To execute their roles effectively, Committee members must be able to address all relevant topics such as investment matters, issues concerning pension funding, pension administration and governance.

All topics which require a level of knowledge and understanding from the Committee. Similarly, the Pension Board members must have a sound knowledge of these topics in order to be able to offer critical challenge in the oversight of Committee decisions.

The Assessment

The members of the London Borough of Croydon Pension Fund Committee and Board were invited to complete an online knowledge assessment. In total there were 11 respondents from the Committee and 6 respondents from the Board.

Each respondent was given the same set of 48 questions on the 8 areas below:

Section	Section Names
Section 1	Committee Role and Pensions Legislation
Section 2	Pensions Governance
Section 3	Pensions Administration
Section 4	Pensions Accounting and Audit Standards
Section 5	Procurement and Relationship Management
Section 6	Investment Performance and Risk Management
Section 7	Financial Markets and Product Knowledge
Section 8	Actuarial Methods, Standards and Practices

Under each subject heading, there were 6 multiple choice questions to answer. Each question had 4 possible answers, of which one answer was correct.

Participants were also given the option of selecting “I have no knowledge of this area”, where they were unsure.

This allows us to build a picture of the knowledge levels of each individual member in each of the topics, but crucially to help inform you of the overall levels of knowledge in each area.

Results

The responses for all members who participated have been collated and analysed. For each section we have shown:

- The Fund’s overall ranking against other participating LGPS funds.
- The average score for each of the 8 subject areas, for both the Committee and Board.
- Results split by the categories of “**technical**”, “**roles and responsibilities**” and “**decision making**”.
- Each average score benchmarked for both groups against the other NKA participant funds’ Committee and Board for each of the 8 subject areas.
- Each score compared with the results of the previous assessment in 2020, to show growth or regression in each area.
- Engagement levels for both the Committee and Board and how these levels rank against other LGPS funds.
- The most requested topics for training.

Based on the results and the responses received from participants, we have also completed a proposed training plan for the Fund over the next 18 months, as well as some other “next steps” to consider.

Overall Results

The chart on the right shows how the overall average score for your Fund compares with that of all other funds who took part in the Assessment. The “score” shown is the average score of all participating Committee and Board members from each Fund.

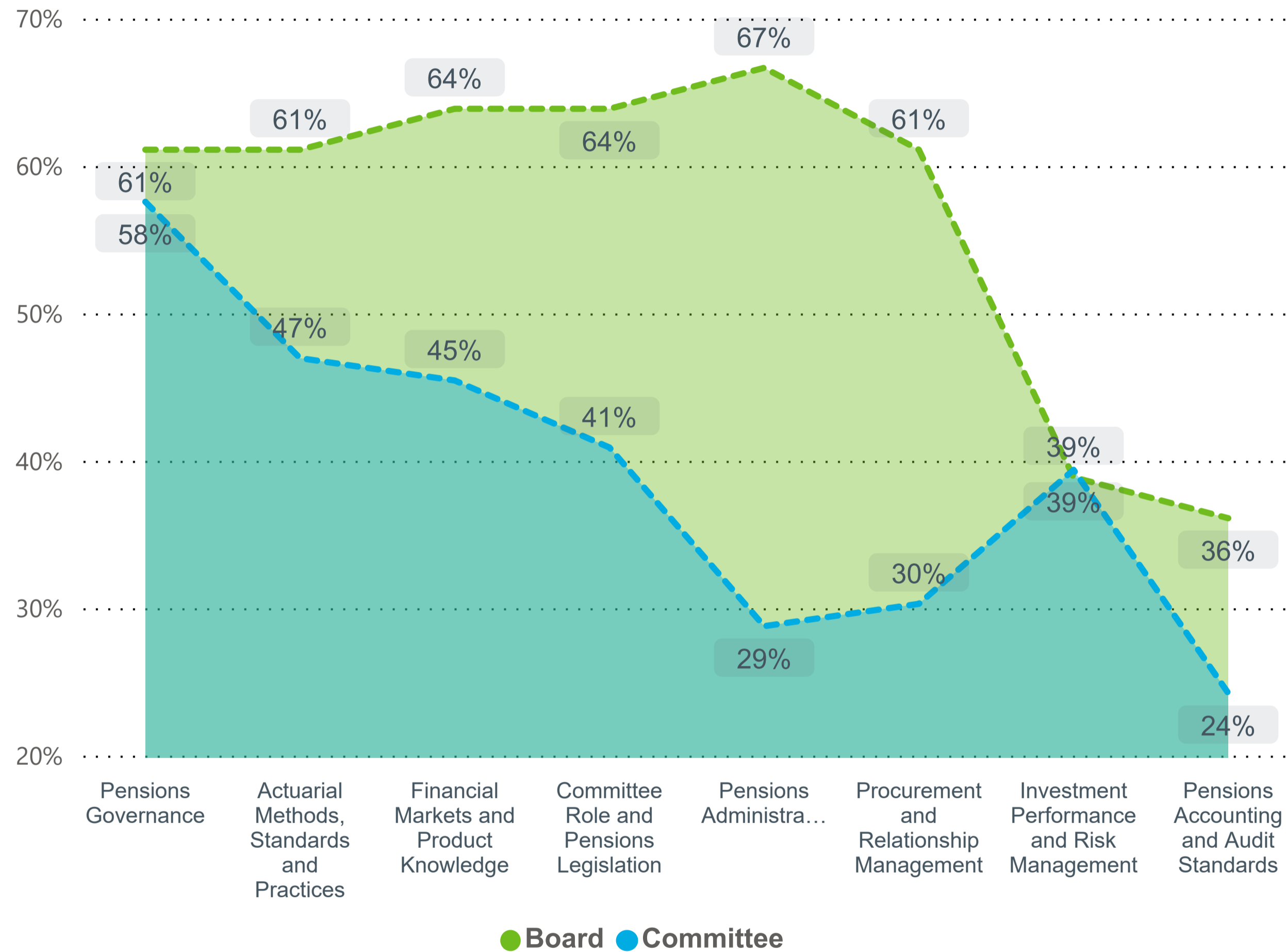
The London Borough of Croydon Pension Fund is in 16th out of 16 Funds.

For each of the assessment’s 8 areas we have shown the results of both the Committee and Board.

There is also a summary showing the average scores across all sections for the Committee and Board.



Average Score for Board & Committee



For each of the assessment's 8 areas we have shown the results of both the Committee and Board.

These have been shown in the order in which the sections appeared in the survey.

There is also a summary showing the average scores across all sections for the Committee and Board.

- The performance of the Board (average overall score of 57 %) was stronger than that of the Committee (average overall score of 39 %).
- The performance for the Committee and Board diverged the most in the Pensions Administration section, when Board results were 38 % higher than the Committee.
- The Committee performed most strongly in the area of Pensions Governance and Actuarial Methods, Standards and Practices.
- The board's areas of strongest Knowledge were Pensions Administration and Financial Markets and Product Knowledge.
- Overall, for both groups, the area with least knowledge was Pensions Accounting and Audit Standards.

Benchmarking

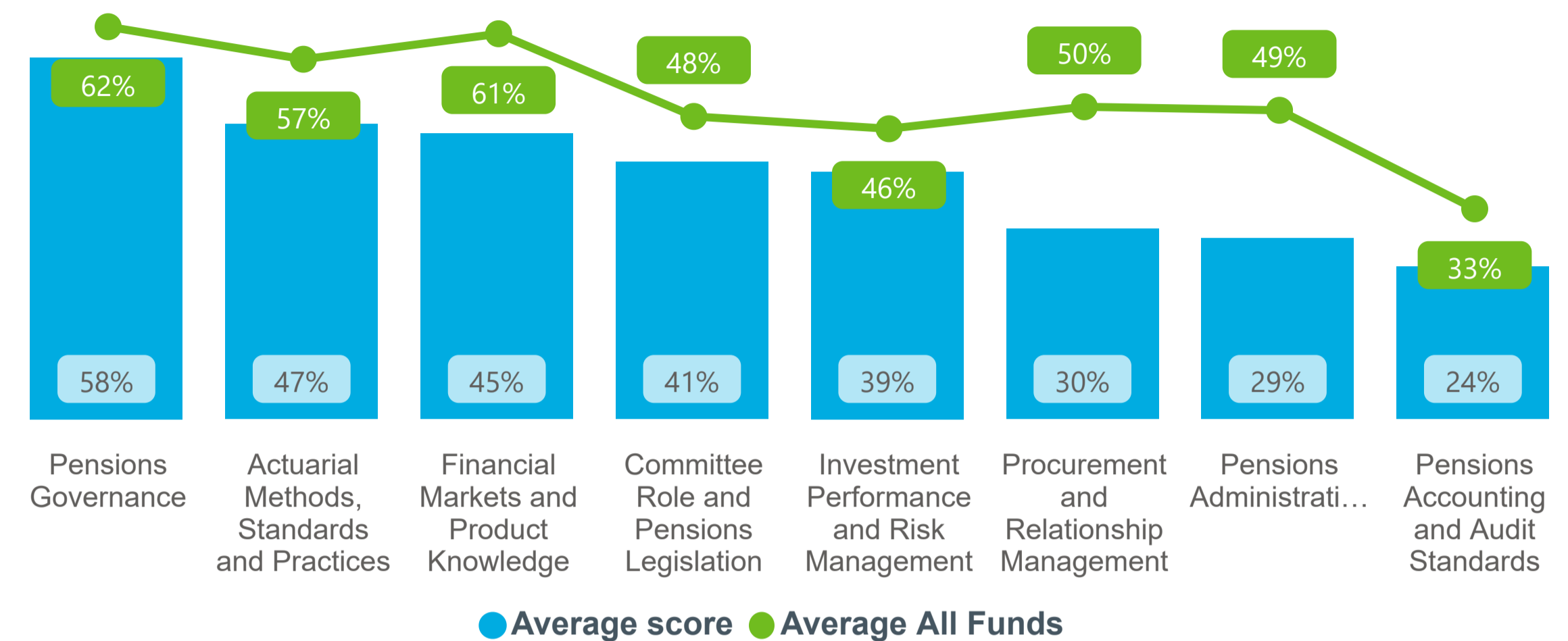
As this assessment is being conducted at a national level across numerous LGPS funds, we are able to provide details of how your Fund’s results compare to those across the average of all funds who have taken part to date.

We’ve provided a comparison of the results for both your Fund’s Committee and Board, versus the average scores nationally for each group. This gives an idea of the knowledge levels across these groups, relative to the national average.

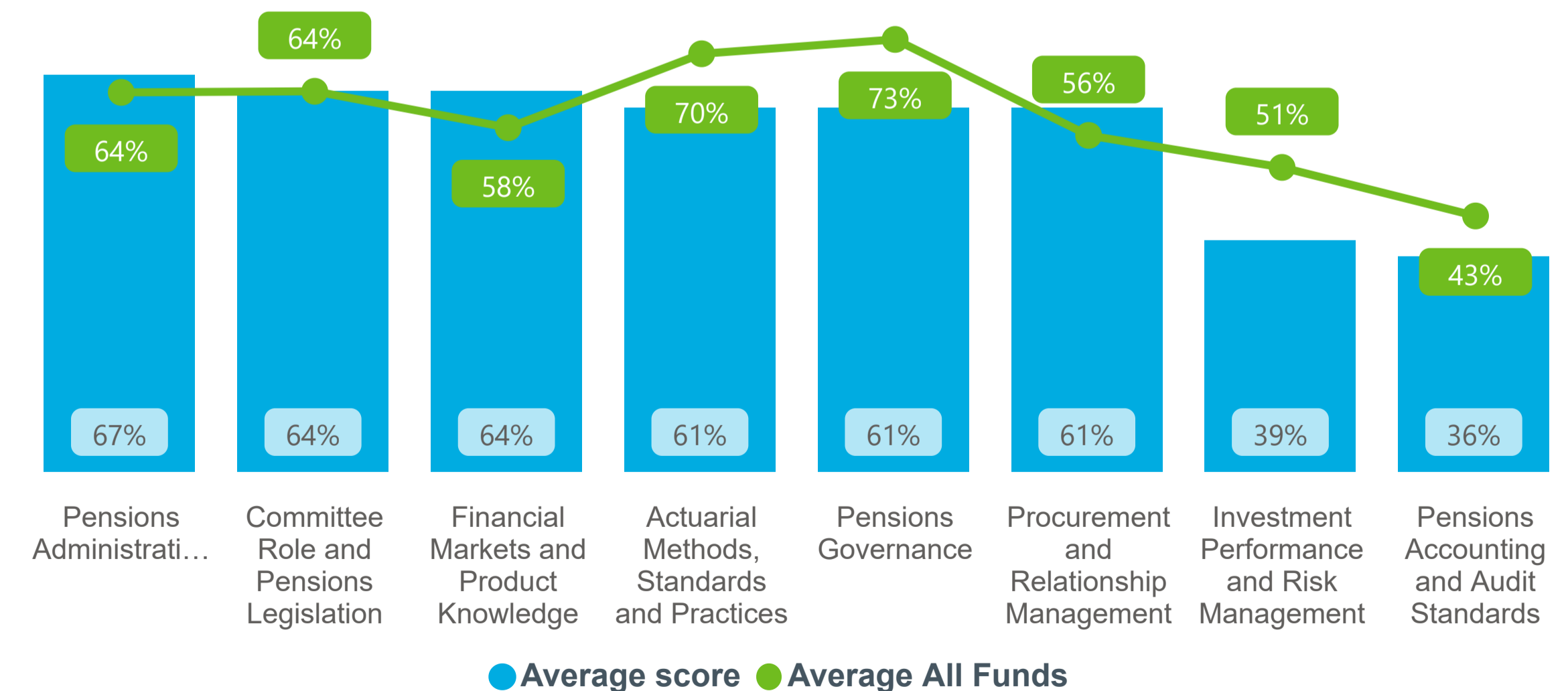
The intention is that training plans and/or timetables can be tailored to focus on the areas of least knowledge, whilst ensuring the Committee and Board maintain the high level of knowledge in the stronger areas.

- It’s pleasing to see that the areas of Pensions Governance and Actuarial Methods, Standards and Practices scored well for the Committee.
- It’s clear that there are some areas where knowledge levels are lower than hoped for, and these areas of Pensions Administration and Pensions Accounting and Audit Standards would be a sensible focus of training for the Committee.
- Similarly, from the Board chart it can be seen that the highest scoring areas were Pensions Administration and Financial Markets and Product Knowledge.
- The Scores between London Borough of Croydon Pension Fund and all other Funds diverged the most in the Investment Performance and Risk Management, when the Average All Funds was 12 % higher than Average score.
- Across all sections, London Borough of Croydon Pension Fund Board score ranged from 36 % to 67 % and the average for all other funds ranged from 43 % and 73 %.

Pension Committee Average vs. Average All Funds



Pension Board Average vs. Average All Funds



Commentary on results

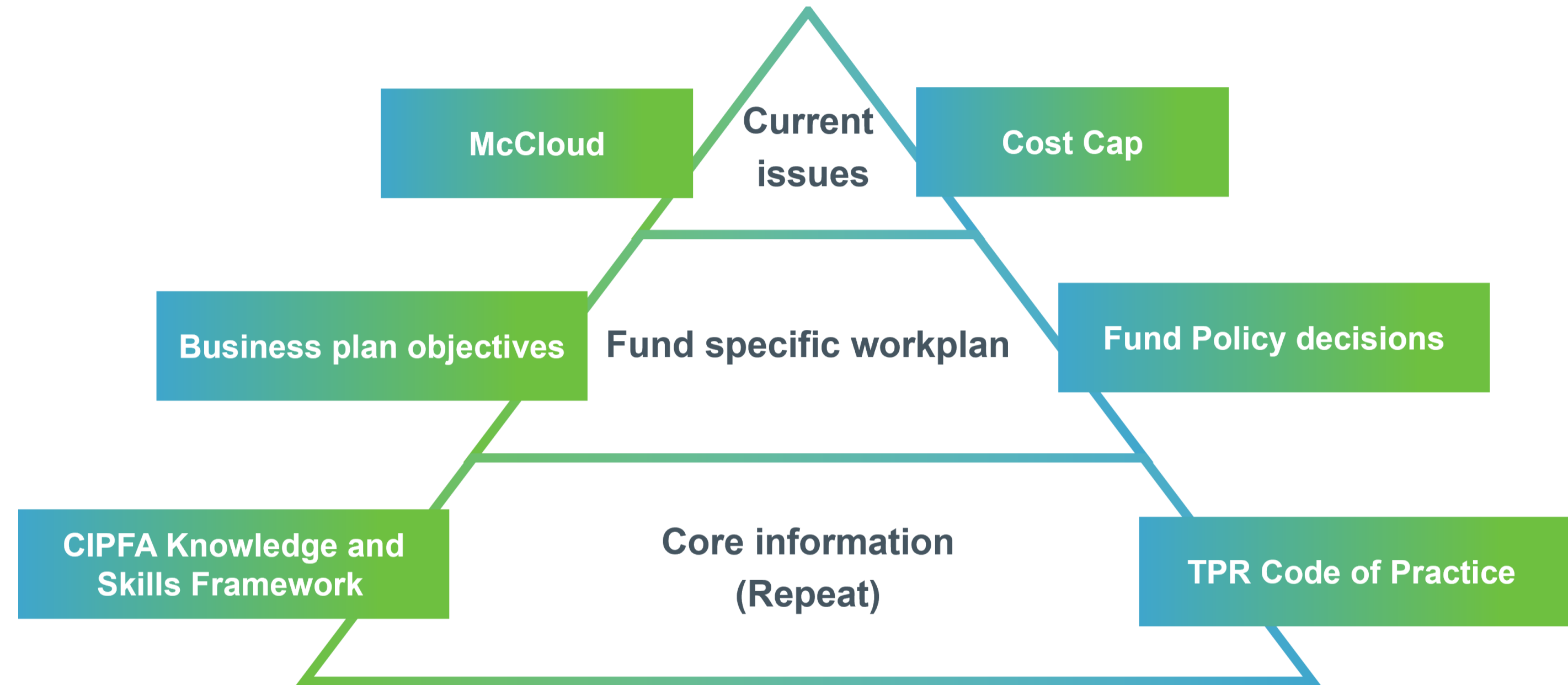
It's encouraging that 17 participants from your Fund took part in the assessment. Overall, the results were positive and it's clear that there are areas of greater knowledge levels as well as areas in which knowledge should be developed over time.

We would fully expect there to be gaps in the knowledge of all members, no matter their role on the Committee/Board, their tenure or indeed their background in terms of pensions experience.

The most important thing to emphasise is that not everybody needs to be an expert in all areas, rather there should be a spread of knowledge across your Committee and Board which is supported by advice from officers and professional advisors.

Just as important as gaining the relevant knowledge and understanding expected of a Pension Committee or Board, is the application of that knowledge and understanding, including the utilisation of an individual's own background and perspective.

Many funds have implemented training plans that follow the pyramid diagram of LGPS training areas. Fundamentally, a plan based on this example pyramid would provide a LGPS fund with a robust training program for its Committee and Board.



Committee

The results show that Pensions Governance and Actuarial Methods, Standards and Practices have the highest levels of knowledge. But the areas to focus any specific training on might be Pensions Accounting and Audit Standards for the Committee. Across all funds, the lowest scoring area was Pensions Accounting and Audit Standards.

In general, the Committee's performance relative to all other committees was weak.

When looking at the benchmarking results against the other participating funds, the Committee ranked 16 out of 16 Funds' Committee results.

Local Pension Board

The results show that Pensions Administration and Financial Markets and Product Knowledge have the highest levels of knowledge, but the areas to focus any specific training on might be Pensions Accounting and Audit Standards for the Board.

Across all funds, the lowest scoring area was Pensions Accounting and Audit Standards. The Board's performance relative to all other committees was weak. In terms of benchmarking results against the other participating funds, the Board ranked 13 out of 16 Funds' Board results.

The next step would be to try and develop the knowledge of the lower scoring areas. You might already have a training plan in place, in which case you could use these results to tailor the specific training and with the knowledge of these results, ensuring it aligns with your priorities.

Further Analysis

In order to gain further insight into the knowledge and understanding, the questions posed covered 3 distinct areas. These were:

- **Technical** – 66% of questions
- **Decision Making** – 17% of questions
- **Roles and responsibilities** – 17% of questions

The purpose of this was to drill deeper into the collective understanding of these categories, and to provide further analysis on which areas to target when creating training plans. The following chart shows the average score for each of these sections, for the Committee and Board combined.



From this chart, the lowest scoring area was Decision Making. Bearing this in mind, a particular focus could be put on this over the coming months.

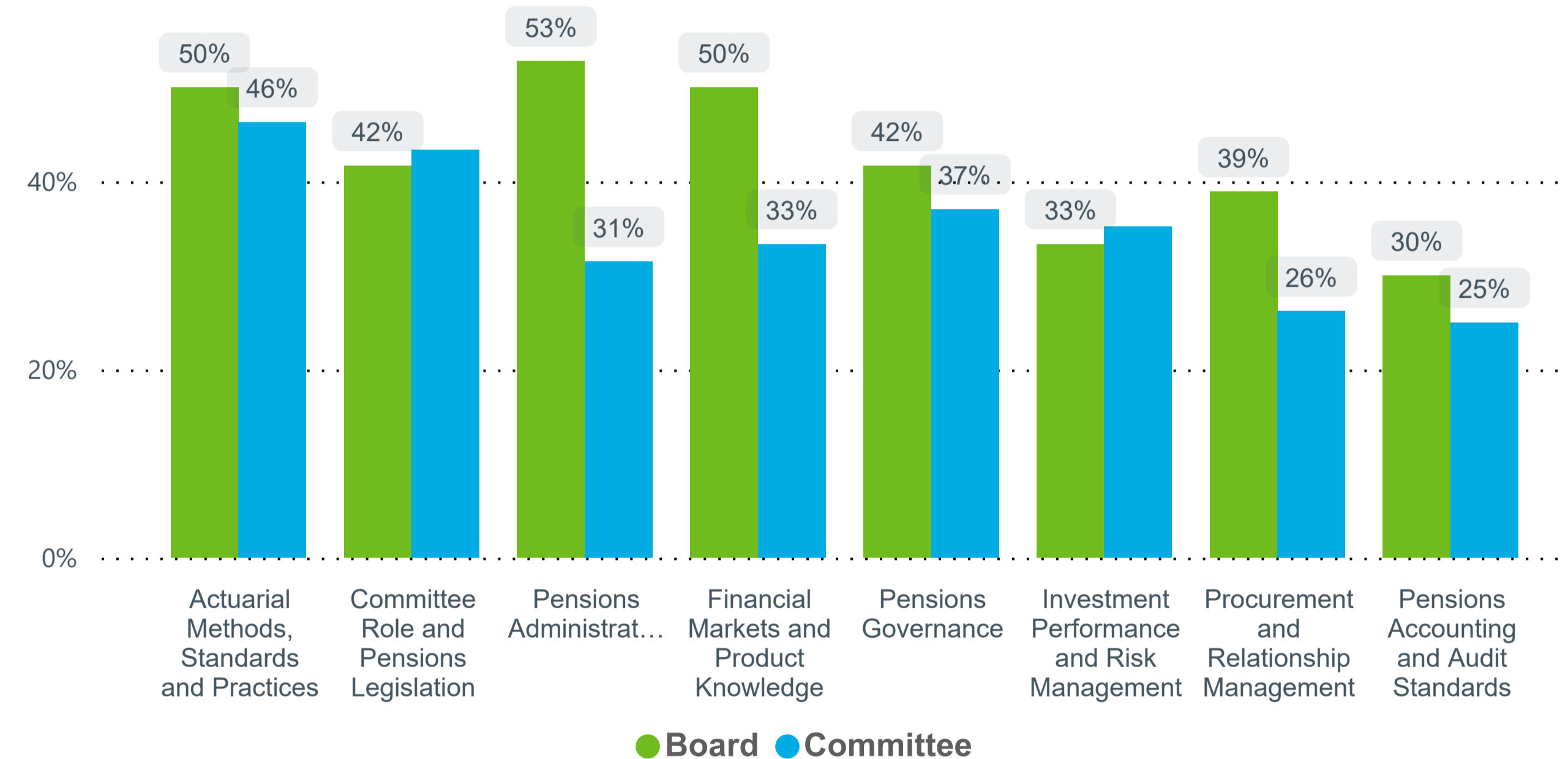
Some next steps to consider are:

Decision making – A review of the Fund's decision-making procedures, and updating/creating a decision-making matrix, and sharing this with the Committee and Board to ensure visibility of the role of each group in across a broad spectrum of potential decisions.

Roles and responsibility – A specific training session covering the roles and responsibilities of different parties covering different points in the annual cycle of the Fund. This could include preparation of annual report, annual benefit statements, business planning and investment performance reviews for example. It would also be good to cover more niche topics such as the IDR process, review of suppliers and cyber risk.

Technical – below, we have also included more detail on the technical questions, as these made up the majority of questions in the assessment.

Average Score by Section (Technical Questions)



Pensions Accounting and Audit Standards was the lowest scoring section when looking at just the technical questions. This may be an area which is prioritised in terms of more technical training over the coming months.

Engagement

One of the key areas that we recommend funds focus on is Committee and Board training engagement.

With the ever-increasing pace of change in the pensions and investments world, member engagement is critical to maintaining strong collective knowledge. There is an expectation that they need not only be willing, but keen to develop their knowledge and understanding across the raft of topics upon which they will need to make, or ratify, decisions.

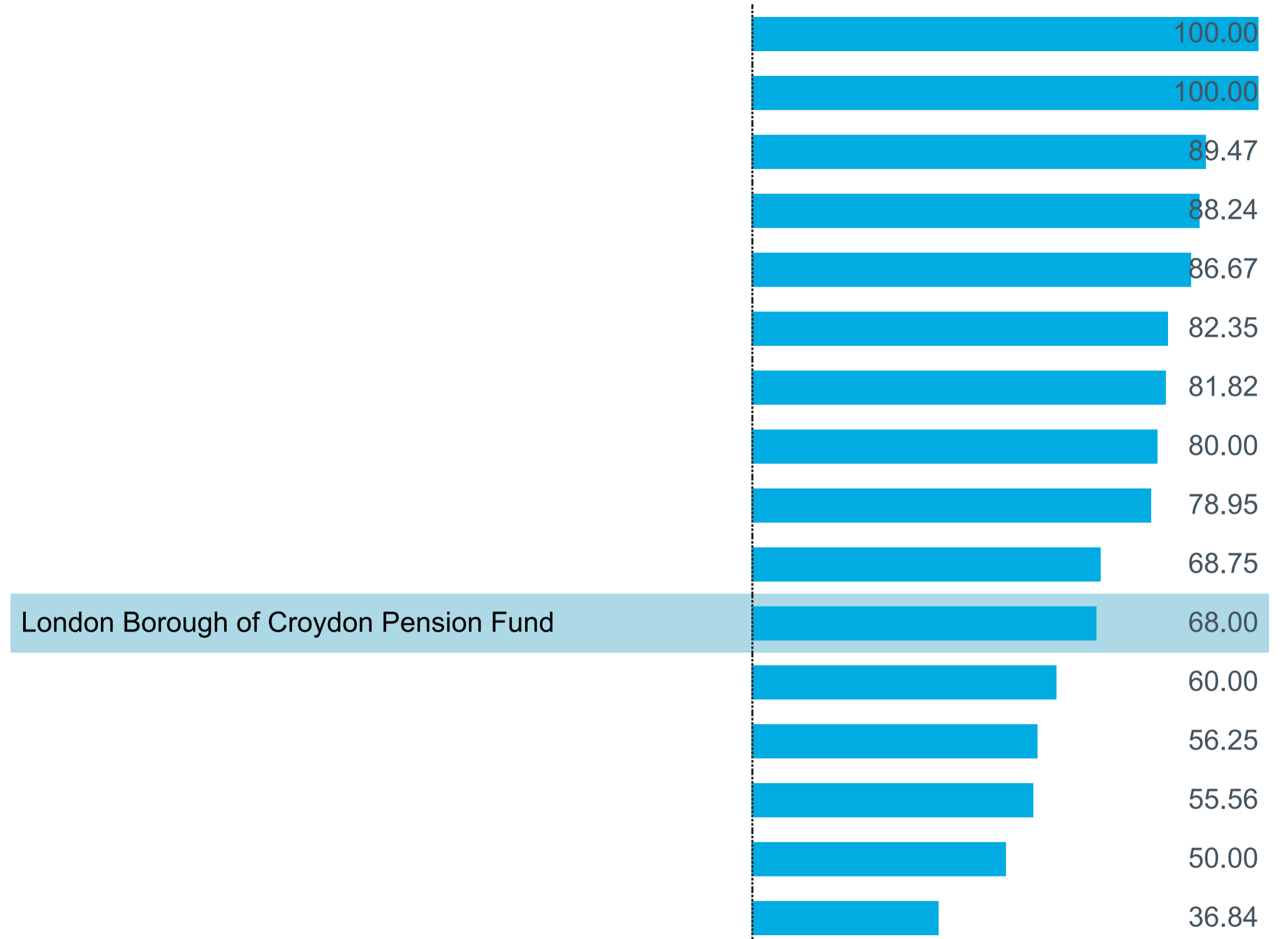
One measure of the engagement of members is their willingness to participate in training. As such, we have used the participation level of this survey to measure the engagement of your Committee and Board members.

The chart below shows the breakdown of the total number of participants from the London Borough of Croydon Pension Fund, as a proportion of those who could have responded.

Role	Participants	Total Number	2022 Participation Rate
Board	6	6	100%
Committee	11	19	58%

Fund

2022 Overall engagement



Engagement

That 17 participants from your Fund took part in the assessment is highly encouraging. With the number of changes to the LGPS in recent years, it is vital that Committee and Board members remain abreast of the latest developments and feel confident that they have the knowledge required to make the decisions required of them.

Their level of engagement is a key driver of this. Overall engagement seems to be at a expected level; however, it is important to maintain this, particularly in the current climate where face-to-face meetings and delivery of training sessions might be in Hybrid format for some time to come.

One of the biggest challenges in this area is how to improve engagement. The move to online learning and tackling topics in bitesize chunks can help.

The way in which information is shared with the Committee and Board can also promote engagement.

There have been moves by some funds to issuing short timely bulletins and newsletters to increase training knowledge and engagement, which we very much encourage.

Training Feedback from Participants

One of the final sections of the survey asked participants to indicate which topics they would like to receive training on.

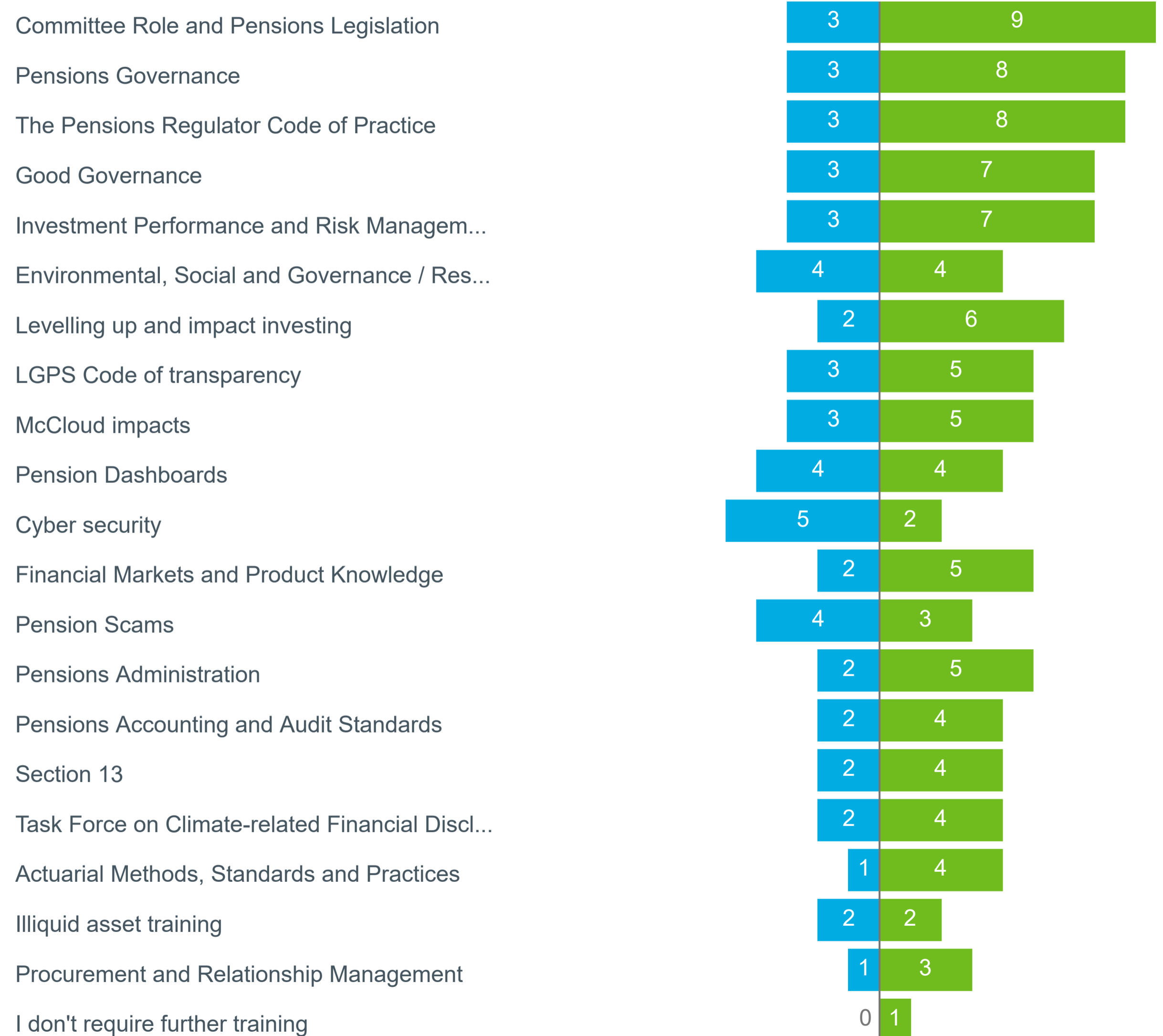
There was a list of options available, covering a broad spectrum of the topics we believe are most relevant to allowing Committee and Board members to effectively perform their roles. Members were also given the option to indicate any other areas in which they would benefit from further training.

The table on the right summarises the areas in which members indicated training would be beneficial.

A suggested training plan is shown on the next page.

Training requirements

● Board ● Committee



Training plan

Based on the results from this assessment, we have prepared the adjacent draft 'core' training plan which you may wish to adopt.

This has been prepared based on the overall scores of the Board and Committee combined.

The intention is to make the planning and delivery of these sessions more efficient for the Fund.

You may want to create separate plans for the Board and Committee - further *tailoring* the training plan to their distinct priorities.

We would be happy to discuss the options for delivery of any of these training sessions. Hymans can support in the preparation of this suite of sessions.

As detailed on the page '**Commentary on results**', we recommend that training plans include elements on:

- Core information
- Fund specific workplan
- Current issues / Hot topics

The key output for your Fund is to have a clear training plan and the delivery dates (or delivery vehicle i.e. training paper) set aside for these sessions.

Feedback from participants

We also asked the participants to provide comments on the areas they would most appreciate training in. Based on these comments, the most requested areas for training were Committee role and Pension Governance.

More detail is shown in the chart on the previous page.

Training Plan - London Borough of Croydon Pension Fund January 2023 to June 2024

<p>Q1 2023</p> <p>Core topic: Accounting & Audit Standards</p> <p>Providing a general understanding of the Accounts and Audit Regulations and the role of internal and external audit</p> <p>Hot Topic: TCFD, 2023 Valuation conclusion and Fund business plan session</p>	<p>Q2 2023</p> <p>Core topic: Investment Performance</p> <p>Providing a general understanding of the relationship between assets and liabilities, the Myners principles and the structure, operation and purpose of investment pooling arrangements</p> <p>Hot Topic: Good Governance (expected in this quarter) and McCloud remedy</p>
<p>Q3 2023</p> <p>Core topic: Procurement & Relationship</p> <p>Providing a general understanding of the public procurement requirement as they apply to the LGPS, and how performance of suppliers can be monitored</p> <p>Hot Topic: Pension Dashboard, Cyber security and Levelling update agenda</p>	<p>Q4 2023</p> <p>Core topic: Administration</p> <p>Providing a general understanding of best practice in pensions administration, together with Fund policies, resource and discretionary powers</p> <p>Hot Topic: Pension scams</p>
<p>Q1 2024</p> <p>Core topic: Actuarial Methods</p> <p>Providing a general understanding of the role of the Fund actuary and the formal valuation process (including the FSS and inter-valuation monitoring) and the treatment of new and ceasing employers (including employer covenant)</p> <p>Hot Topic: Cost transparency</p>	<p>Q2 2024</p> <p>Core topic: Financial Markets and Product</p> <p>Providing a general understanding of the risk and return characteristics of the main asset classes, the workings of the financial markets and available investment vehicles and the importance of the Fund's ISS and investment strategy decisions</p> <p>Hot Topic: Good Governance (update)</p>

Next Steps

Based on the results, we would suggest that there should be consideration to the following next steps:

- This report should be **reviewed** by the Fund's officers and results shared with the Committee and Board.
- Set up a **structured training plan** or adjust the existing training plan for the next 18 months covering the main areas highlighted in this report.
- Plan for the **delivery** of training over the immediate 6-month period following these results and communicate that intention with the Committee and Board.
- Consider the most **pressing** training requirements in the coming months. Importantly, look at the **frequency** of training engagement with your Committee and Board.
- **Assess** the tools available to the Fund to assist with training, and whether any new methods should be deployed.
- Consider ways of **maintaining** and **increasing** the engagement of both the Board and Committee. This could include providing them with more information, training materials, briefing notes etc.
- Ensure that the Fund's training strategy is up to date and **appropriate** for purpose.

We will be producing a national LGPS report on the results of these assessment, which will aid Scheme Advisory Board LGPS training discussions.

A copy of this will be made available to the Fund when that report is complete.

If you wish to discuss the contents of this report further, please get in touch.

Prepared by Hymans Robertson LLP.

Andrew McKerns



Senior LGPS Governance, Administration and Projects (GAP) Consultant

Alan Johnson



LGPS Governance, Administration and Projects (GAP) Consultant

Reliances and Limitations

This report has been prepared for the London Borough of Croydon Pension Fund.

This report must not be released or otherwise disclosed to any third party except with our prior written consent, in which case it should be released in its entirety.

Hymans Robertson LLP do not accept any liability to any party unless we have expressly accepted such liability in writing.

This report has been prepared by Hymans Robertson LLP, based upon its understanding of legislation and events as of November 2022.

Croydon Council

REPORT TO:	Pension Board 23 March 2023
SUBJECT:	Local Government Pension Scheme Advisory Board / The Pensions Regulator Update
LEAD OFFICER:	Matthew Hallett – Acting Head of Pensions and Treasury

1. **RECOMMENDATION**

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

2. **EXECUTIVE SUMMARY**

- 2.1 This report advises the Board of the matters currently being considered by the Local Government Pension Scheme Advisory Board and The Pensions Regulator which are relevant to the Fund. Any implications for the Fund have been noted and are being addressed in consultation with Fund advisers.

3 **DETAIL**

3.1. **Local Government Pension Scheme Advisory Board (SAB)**

DLUHC consultation on changes to the SAB's cost management process

On 6 March 2023 SAB submitted its response to DLUHC's consultation. The SAB scheme cost assessment is the part of the cost management process which operates independently of, and prior to, the HM Treasury directed cost management process. The response is generally supportive of the Department's approach as they have taken on board many of the points made by the Board on how best to re-align the SAB process with the HM Treasury process, which was reformed last year. SAB hope that an opportunity will be found to make the necessary amendments to the 2013 LGPS Regulations ahead of the 2020 scheme valuation process being undertaken. The full response [can be found here](#).

On 30 January 2023 DLUHC launched an 8 weeks consultation on changes to the Scheme Advisory Board's cost management process – the process that operates separately from, but alongside, the quadrennial scheme-level cost management process, which is based upon HM Treasury legislation and directions. The consultation follows the report from the Government Actuary's Department into changes to the HM Treasury cost management process, and the resulting policy and legislative changes set out in HM Treasury's response to that report. It acknowledges the differences between these two processes but proposes measures suggested by SAB in its consultation response to better integrate the SAB process within the statutory HMT mechanism. The consultation closes on 24 March 2023 and [can be found here](#).

DLUHC consultation on changing the revaluation date

On 10 February 2023 DLUHC issued a consultation on changing the Scheme revaluation date from 1 to 6 April, with effect from 1 April 2023. The proposed change would remove the impact of high inflation on the annual allowance and reduce the number of members incurring a tax charge. The consultation ran for two weeks and closed on 24 February 2023. The consultation can be viewed on the [Scheme consultations page](#).

SAB appear not to have responded to the consultation but the Council has been advised by the LGA of their response as follows:

We have published [our response](#) to DLUHC's consultation on changing the annual revaluation date in the LGPS. The consultation documents and our response can be viewed on the [scheme consultations page](#) of www.lgpsregs.org.

Whilst DLUHC appear to have accepted a number of clarification / drafting amendments they indicate that they will be making changes to the Regulations largely in accordance with their consultation proposals.

"Edinburgh Reforms"

On 9 December, the Chancellor of the Exchequer announced a set of reforms to drive growth and competitiveness in the financial services sector. It has been confirmed that the Government will be consulting in early 2023 on issuing new guidance on Local Government Pension Scheme asset pooling. The government will also consult on requiring LGPS funds to ensure they are considering investment opportunities in illiquid assets such as venture and growth capital, as part of a diversified investment strategy.

2021/22 Annual Reports and Audit issues within the LGPS

On 15 February 2023 the Minister for Local Government responded to the letter written to him in August 2022 by SAB on delays in the external audit of local authority accounts, including pension fund accounts. He welcomed the Board's advice and recommendation to consider the separation of main authority accounts and the pension fund accounts and has asked his officials to consider the scope for developing this further.

PC 23032023

On 30 November 2022 the Board stated that it is aware that some pension fund audits are likely to be delayed again this year, largely due to issues with auditing the host authority's accounts. There is a statutory duty under regulation 57 of the LGPS Regulations 2013 for administering authorities to publish an annual report 'on or before 1 December'. The Board has written to the minister with proposals to help improve the timely completion of audit. In the meantime, it urges administering authorities to publish their 2021/22 annual reports based on the best data available to them by the statutory deadline. Ideally, the report would be based on audited data. However, if that is likely to result in a significant delay, the Board asks funds to produce and publish reports based on unaudited data (labelled as draft), and to re-publish an amended annual report with the external auditor's opinion and revised data after audit, where necessary.

On 3 August 2022 the Board Chair, Cllr Phillips, has written to the Minister outlining issues facing funds as a result of audit issues relating to the main local authority accounts. The letter proposes separating pension fund accounts from main local authority accounts as a potential solution to the problem and asks the Minister to task officials to work with the Board and its committees to consider the benefits and risks of such an approach.

Climate risk reporting consultation

On 22 February 2023 SAB published the results of their survey to gauge the preparedness of pension funds for the changes being considered by Government as follows:

We received a total of 51 responses to this survey. Approximately 30% of respondents indicated their fund does not have adequate resources to produce a risk report. From those without the adequate resources, 45% indicated they do not have a sufficient project plan in place to deliver a report by the anticipated deadline of December 2024. 25% of respondents do not believe that they have access to sufficient data to populate a risk report and a further 27% of respondents are unsure if they have access to the necessary data. Scope 3 carbon emissions data and carbon emissions data for alternatives and private markets were regularly cited as being extremely difficult to obtain. Although 56% responded that they have a plan in place to produce the data required to an acceptable standard, many funds cited they were dependent on the ability of third parties such as pools and fund managers to source the data and conduct the climate risk analysis.

35% of respondents indicated they had conducted a full assessment on what expertise was required for risk analysis. 27% have not and 35% of funds had undertaken some sort of assessment. 69% of respondents indicated they had a plan to source the resources required for the production of the report. While many funds indicated they were awaiting more certainty before carrying out assessments of what was required for the report, some were pressing ahead with plans as soon as possible.

The Board is working closely with the Department and administering authorities to better understand the challenge and support them through it. We intend to repeat this survey after the Government Response to last year's consultation is published, and the precise requirements are clearer.

Interestingly, the survey also found that 25 funds reported a date of 2050 or sooner for reaching net zero in their asset portfolio, however a substantial number of respondents indicated that risk reporting will not change or will have a limited impact on their asset allocation or choice of investments. Rather they considered it as a means to “show progress” against targets set. Some stated that it provided a focus for engagement both with their asset managers and the underlying companies in order to effect real world change, rather than simply “greening” the portfolio.

On 18 November 2022 the Board submitted its response to DLUHC’s climate risk reporting consultation. The response includes some over-arching observations on the role of pension funds (as well as their limitations), the production of climate risk reports as well as responses to the Department’s specific questions on governance, scenario analysis, metrics, and risk management. The Board welcomed the opportunity to engage with the Department’s proposals and believes that pension funds should be able to make a positive contribution by supporting the just transition to a sustainable future. The full response [can be found here](#).

Statement on employer contributions

On 1 November 2022 the Board announced that, at their meeting on 10 October 2022, they discussed emerging results from the current round of triennial fund valuations. Whilst understanding and recognising the extremely challenging position for local government finance, the Board asks that administering authorities and other fund employers have regard to the desirability for long term stability in pension contributions when considering whether reductions in employer contributions are desirable as a result of an improved funding position. [The full statement](#) gives more detail of the Board’s discussion, and full reasons for making this statement.

Taskforce on Climate-related Financial Disclosures (TCFD)

On 1 September 2022 The Department for Levelling Up, Housing and Communities (DLUHC) [launched its consultation](#) regarding governance and reporting of climate change risks. The consultation seeks views on proposals to require Local Government Pension Scheme administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). The consultation closed on 24 November 2022.

Scheme Advisory Board response to HM Treasury's exit pay consultation

In August, HM Treasury issued a consultation on a new controls process for high value exit payments paid to staff working in central government. Although that will not affect local government workers directly, some LGPS employers are likely to be covered by the new arrangements and on 17 October 2022 the Scheme Advisory Board submitted this [response](#).

Age discrimination in LGPS benefits

On 26 August 2022 the Board Chair, Cllr Phillips, has written to the Minister recommending reform of the LGPS rules on death grants and survivor benefits. This is to address recent challenges that the current rules are discriminatory and also to investigate “future proofing” Scheme benefits against potential future legal challenge.

McCloud response

On 3 March 2023 SAB has published guidance to assist administering authorities with McCloud data issues. The guidance sets out what options administering authorities may consider if they are unable to collect the data needed to implement the McCloud remedy. It covers both missing data and data that may be inaccurate. The guidance should be read in conjunction with the legal advice provided by Eversheds on McCloud data issues which is referenced within the guidance document.

On 2 August 2022 the DLUHC provided an update on its work to rectify “McCloud” age discrimination. This has already been shared with LGPS administering authorities in England and Wales and software suppliers. Full details are available in the July LGPC bulletin.

Queen’s Speech

On 11 May 2022, the Queen’s Speech included a Procurement Bill which will cover the procurement, purchasing and investment decisions of public bodies and a Boycotts, Divestment and Sanctions Bill.

Levelling Up White Paper

On 27 April 2022 the Board Chair wrote to the Minister in response to the White Paper.

https://lgpsboard.org/images/Other/Letter_to_Kemi_Badenoch_Levelling_Up_270422.pdf

On 2 February 2022 the Government published the Levelling Up White Paper which includes references to LGPS funds having plans 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 mandation 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 \(www.gov.uk\)](https://www.gov.uk/government/white-papers/levelling-up-the-united-kingdom)

3.2 The Pensions Regulator (TPR)

TPR has a wider remit than the SAB and most of its publications / press releases concern private sector schemes. However, in recent months it has published the following matter of interest to the LGPS:

Pensions Dashboards compliance and enforcement policy

On 2 March 2023 the Council received the following email from the Local Government Association:

“DWP have today issued a written ministerial statement announcing delays to the delivery of pensions dashboards. A full version of the statement can be seen [here](#).

- *In the statement, the government announced its intention to legislate to amend schemes’ connection deadlines, to give PDP the time it needs to meet the significant challenges in developing the necessary digital architecture.*
- *While this announcement will come as a disappointment to many, we have to recognise that this is a hugely complex project. We owe it to savers to get this right, even if it means taking longer to deliver.*
- *DWP, PDP, TPR and FCA remain committed to the delivery of pensions dashboards. We are in continuous discussion with PDP, FCA and DWP on the progress of the project and the impact of any issues or delays which arise.*
- *We will continue to work with industry to make dashboards happen – to maintain an open dialogue and work collaboratively to meet any challenges which arise.*
- *TPR will not be taking regulatory action if schemes are unable to meet their deadlines because the technological system is not in place.*
- *We recognise the importance of supporting schemes through this process, and we will continue to provide education to support trustees in meeting their duties. We expect industry to continue preparing for dashboards, in particular by getting to grips with members’ data.*
- *We will shortly be updating our guidance in light of the recent announcement, and to provide further clarity on the steps schemes should be taking to continue to prepare.*

On 24 November 2022 TPR invited occupational pension schemes, their administrators, providers, and the wider industry, to respond to its newly published [consultation on dashboards compliance and enforcement](#).

The compliance and enforcement policy sets out TPR's expectations on how schemes should comply with new regulations, and its approach to regulating dashboard obligations. TPR is keen to hear from schemes of all sizes, their administrators and integrated service providers to ensure the new policy is understood by, and meets the needs of, the industry.

While TPR already regulates trustees and workplace pensions, a key part of complying with dashboard obligations will rest with third parties, such as administrators, employers and integrated service providers.

New legislation has been introduced enabling TPR to issue third parties with compliance notices. If they do not comply, they could be fined up to £50,000 (and individuals up to £5,000) for each breach. This is alongside other new powers to fine trustees and managers in the case of non-compliance with dashboard regulations. They include an option to issue penalties of up to £5,000 to individuals and up to £50,000 in other cases for any instance of a single compliance breach.

The consultation will close on 24 February 2023 and TPR expects to publish its final policy in spring 2023, ahead of the first schemes' dashboard deadlines in August 2023.

Guidance on tendering for fiduciary managers and setting objectives for investment consultants

On 4 August TPR took over the regulation of trustee duties from the Competition and Markets Authority. TPR has revised its guidance on the tender process for fiduciary management services and trustees setting objectives for their investment consultants.

Since December 2019, trustees have been legally required to run a competitive tender process when appointing fiduciary managers in relation to 20% or more of scheme assets. They have also been prohibited from receiving investment consultancy services without having set strategic objectives for their investment consultancy provider.

<https://www.thepensionsregulator.gov.uk/en/document-library/scheme-management-detailed-guidance/funding-and-investment-detailed-guidance/tender-and-set-objectives-for-investment-service-providers/tender-for-fiduciary-management-services>

<https://www.thepensionsregulator.gov.uk/en/document-library/scheme-management-detailed-guidance/funding-and-investment-detailed-guidance/tender-and-set-objectives-for-investment-service-providers/set-objectives-for-your-investment-consultant>

Funding Code of Practice for defined benefit pensions schemes

On 16 December 2022 TPR published its [**draft funding code of practice for defined benefit \(DB\) pensions schemes**](#) and a [**consultation document**](#).

The 14-week consultation sets out that schemes will be expected to set a long-term objective and a journey plan to get there. It is expected that schemes will reduce reliance on their sponsoring employer as they reach maturity. It will require trustees to improve risk management and raise the bar for evidencing supportable risk taking.

The code will support trustees, sponsoring employers and their advisers to manage their pension schemes and will replace the current code, introduced in 2014. It includes key expectations in relation to:

- trustees setting a plan for how they will achieve low dependency on the employer
- setting a journey plan to reach that point
- assessing the employer covenant as a key underpin for the level of risk that is supportable on that journey – considering cash, prospects and contingent assets
- setting their funding assumptions consistently with those plans
- open schemes allowing for future accrual where they can justify their approach
- assessing reasonable affordability when determining the appropriateness of recovery plans

The final regulations and code are currently planned to come into force in October 2023.

4. DATA PROTECTION IMPLICATIONS

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

No.

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

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

Approved by:

CONTACT OFFICER:

Matthew Hallett – Acting Head of Pensions and Treasury.

BACKGROUND DOCUMENTS:

None.

APPENDICES:

None.