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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, 19 October 2023** at **2.30 pm** in **Room 1.01 and 1.02 - Bernard Weatherill House, Mint Walk, Croydon CR0 1EA**

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

Tariq Aniemeka-Bailey
Democratic.Services@croydon.gov.uk
www.croydon.gov.uk/meetings
Tuesday, 10 October 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 27 July 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. 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

6. Cyber Security Strategy (Pages 13 - 50)

PART A

7. Verbal Update from Pension Committee

8. Pension Board Annual Report (Pages 51 - 58)

This report asks the Board to note the draft Pension Board Annual Report 2022/23 (Appendix A) and comment as they see fit.

9. Strategies and Policies for the Fund (Pages 59 - 72)

This report advises the Board of the various policies and strategies required for the proper administration of the Fund.

10. **Pensions Administration Team Performance Report** (Pages 73 - 86)

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 August 2023.

11. **Update on London CIV Pooling and Savings** (Pages 87 - 90)

This report advises the Board of the extent to which the Fund is complying with the pooling requirements of Guidance issued by the, then, Department for Communities & Local Government (DCLG) in 2015, the savings made through pooling in 2022/23 and the governance structure of the London Collective Investment Vehicle (LCIV).

12. **Report on Breaches of the Law** (Pages 91 - 116)

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.

13. **Update on Board Member Training** (Pages 117 - 128)

This report advises the Board of training undertaken by the Pension Board members in Year 2023/24 to 30 September 2023 and asks them to note the contents of the Logs attached to this report as Appendix A and Appendix B.

14. **Scheme Advisory Board and The Pensions Regulator Updates** (Pages 129 - 154)

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.

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Pension Board

Meeting held on Thursday, 27 July 2023 at 2.00 pm in Room 1.01 and 1.02 - Bernard Weatherill House, Mint Walk, Croydon CR0 1EA

MINUTES

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

Also Present: Ian Talbot

Apologies: Ava Payne (Lateness), Jane West

PART A

61/23 Minutes of the Previous Meeting

The minutes of the meeting held on Thursday, 23 March 2023 were agreed as an accurate record

62/23 Disclosure of Interests

The clerk informed the Board that he had liaised with the Head of Democratic Services about drafting a bespoke Register of Interest for members of the Pension Board. The Chair asked to receive a draft of the new Register of Interest form before it was presented to the Board for approval.

Ava Payne arrived at 2.05pm

63/23 Urgent Business (if any)

There were no items of urgent business.

64/23 Report on Mansion House Speech by Chancellor of the Exchequer

The Acting Head of Pensions and Treasury explained to members that he was encouraged by the work that the chancellor would do in consolidating and helping smaller funds. The Local Government Pension Scheme would see an acceleration of pooling, investment 5% of scheme assets in levelling up assets and 10% of invested in private equity. The Croydon fund currently had a 10% allocation in private equity and therefore was already in line with this criterion.

The Acting Head of Pensions and Treasury informed the Board that the fund had assets which were pooled but were outside of the pool framework, the fund would need to bring these assets under pool management in future.

The Acting Head of Pensions and Treasury stated that the consultation was at the end of October 2023.

The Acting Head of Pensions and Treasury explained that he was slightly disappointed, he accepted that the chancellor wanted to invest more in the UK however there needed to be an investable asset.

Teresa Fritz expressed concern about the sovereignty that the pool would have over asset allocation.

In response to questions from members, officers informed the Board that:

- That asset allocation would lie with the administering authority and not the pool manager. Funding pools would have to focus on larger assets, whereas smaller funds could target smaller assets and get very good returns whilst having an access point into the larger assets.

The Board asked the Acting Head of Pensions and Treasury to respond to the consultation, expressing the concerns they have over the sovereignty and lack of clarity on who was responsible for meeting the target returns of the fund.

RESOLVED:

- To note the summarised contents of the annual “Mansion House Speech” made by the Chancellor of the Exchequer, in particular, its implications for defined benefits schemes in general and the Local Government Pension Scheme in particular.
- To comment on and note the consultation launched by the Department for Levelling Up, Housing & Communities entitled “Local Government Pension Scheme (England and Wales): Next steps on investments.”

65/23 Conflicts of Interest Policy

The Chair expressed his concern that the Pensions Committee decided to defer the conflict-of-interest policy and the Chair did not share their sentiment that the document was too long.

The Acting Head of Pensions and Treasury introduced the report and stated that he would make a slightly more concise report which mainly covered the operational procedure of the policy before re-presenting it to the Committee. The Acting Head of Pensions and Treasury explained that he would publish the full report once the policy had been agreed by the Committee.

Richard Elliott stated that that the Members had a responsibility to act in the best interests of the scheme rather that the Council. Richard asked who was responsible for monitoring the Head of Pensions and Treasury's conflicts of interest as there could be a situation where there may be a conflict in their roles as both the Head of Pensions and the Head of Treasury.

Teresa Fritz stated that the proposed conflict of interest policy did not address the issue regarding the composition of the Pension Committee as the administering authority currently had all the voting rights. The focus seemed to be on having an equal political representation rather than a focus on equal rights between Members, administering authority and employers. Teresa also felt as though the draft conflict of interest policy was imbalanced as the document referenced the Pension Board four times and only referred to the Pension Committee once.

The Board strongly supported the proposed conflict of interest policy and encouraged the Pension Committee to adopt a conflict of Interest policy as soon as possible.

RESOLVED:

- To comment on the recommended Conflicts of Interest Policy.

66/23 Governance Policy

The Acting Head of Pensions and Treasury introduced the report and explained that the policy had been updated from the last version which had been agreed in 2019. The proposed governance policy had already been adopted by the Committee and was now being presented to the Pension Board for comment.

The Chair believed that it was imperative that the Committee played a role in the selection of the actuary as he saw this as good governance.

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

- Legally the pension fund and the Council were not separate which is why the actuarial appointment and advisor appointment was conducted by the Council rather than the Committee.

Teresa Fritz was concerned that there were a number of issues (climate change, pension dashboard and pooling) for the Committee members to consider, and if Members were not able to have a say in the appointment of the advisors then they may not be in a position to protect the fund and represent the interests of the employers.

The Board believed that the committee should play a greater role in the procurement of an actuary and the advisors.

RESOLVED:

- To review and agree the draft Governance Policy attached as Appendix A.

67/23 Governance Best Practice Compliance Statement June 2023

The Acting Head of Pensions and Treasury introduced the report and explained that officers had largely addressed the issues regarding employer representation and officers were now waiting for the constitution to be updated to reflect the agreed changes.

RESOLVED:

- To review and agree the draft Governance Best Practice Compliance Statement attached as Appendix A.

68/23 Pension Fund Administration Strategy updated June 2023

The Pensions Manager introduced the report and explained that the Committee had approved the updated pension fund administration strategy, which had since been sent to employers for consultation. Officers had not received any feedback from employers, but the strategy was ready to be implemented once the consultation had concluded.

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

- The annual liaison meeting had been put on hold due to the pandemic, Alison was working on a new format for the meeting, and she would be able to make progress with the arrangements once she had fully recruited to her team. The meeting would likely be conducted over MS Teams.
- There was an online communication plan as part of the KPI report.
- The number of queries for the self-registration service indicated that there was a system error rather than a user error.
- The named contact for employers varied, sometimes it was the payroll officer and other times it was even the receptionist (in smaller organisations).

RESOLVED:

- To review and agree the draft Pension Administration Strategy Statement attached as Appendix A.

69/23 Croydon Pension Fund Administration Performance Update

The Pensions Manager introduced the report and explained that the end of year processes was all complete apart from with one employer who was in the process of changing payroll companies and had not provided the Council with any information. The Pensions Manager explained that if officers were unable to get information the employers for an extended period, then they would have to report the employer to the Pensions regulator as they were unable to complete their annual benefits statements.

The Pension Manager stated that regulation changes such as the change in discount rates affected officers calculations for transfers within the pension fund.

The Pension Manager explained that the service was about to go live with their bulk leaver calculations. The department had also invested in the insights reporting tool which would enable officers to interpret data and would allow the KPI reports to be automated.

The Pension Manager informed the Board that the service reported their data to the nation fraud agency every two years, however this would now shift to a monthly report which should reduce the number of pensions that were overpaid.

In response to questions from members, officers informed the Board that:

- The administration team had one vacancy; this position would be changed from an administrative role to a trainee role. There had been some delays with some aspects of the teams duties due to factor changes, but officers were on top of their workload.
- The technical team were checking to see if there was any missing data for the active members of the fund, the data for the deferred members of the fund had all been collected and officers were confident of meeting the deadline for the annual benefits statement.

RESOLVED:

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

70/23 Report on Breaches of the Law

The Acting Head of Pensions and Treasury introduced the report and explained that there was an update on the Councils accounts. The 2019/20 accounts the required accounting adjustments had been agreed and the accounts needed to be sent to the auditor to be signed off. The Acting Head of Pensions and Treasury was keeping the pensions regulator updated on how things were progressing with the accounts which were yet to be signed off.

The Acting Head of Pensions and Treasury explained that the Scheme Advisory Board (SAB) had written to the minister regarding a separation of the Councils accounts from the pension schemes accounts and the minister had responded in agreement with the suggestion.

The Acting Head of Pensions and Treasury Another breach was failure to provide refunds in a timely manner, this was because officers had to wait for members of the fund to contact them before a refund could be issued.

RESOLVED:

- To consider the contents of the Pension Fund Breaches Log, Appendix A, and to commented as appropriate.

71/23 Review of Risk Register

The Acting Head of Pensions and Treasury introduced the report and explained that three of the risks had been removed from the risk register. The Acting Head of Pensions and Treasury removed these risk as the London CIV had resolved their resourcing issues; the Russia invasion of Ukraine was now considered part of the normal geopolitical risk and the risk relating to inflation and liquidity had now been added to the liquidity risk.

In response to questions from members, officers informed the Board that:

- The Head of Cyber Security informed officers on what to do regarding cyber security, officers stated that they will bring an interim report back on cyber security in October with an end date included.
- Officers were assessing the end of year report and in several years, they will be able to compare this with the data received from Mc Cloud. Officers had lowered the risk after assessing the data which they currently had.
- As part of the administration strategy there was a rule that stated that there would be fines issued for employers who did not provide data in a timely manner, however officers had not had the time or resources to fine individual employers.
- The London CIV provided a service looking at the Croydon’s listed assets, this was a free service. They would also look at assets that sat outside of the funding pool.

The Board requested an interim progress report on cyber security to be presented at the Pension Board meeting on 19 October 2023.

RESOLVED:

- To note the contents of the Pension Fund Risk Register and comment as appropriate.

72/23 Training Update

The Acting Head of Pensions and Treasury introduced the report and explained that Hymans mandatory training had been issued for members to complete again, this was expected to be completed on an annual basis and would cover the bulk of the required training. The Acting Head of Pensions and Treasury stated that there was no clear deadline set for the board members to complete the training.

The Pensions Manager stated that they had spoken with the software provider who informed officers that they were prepared to conduct presentations on the procurement dashboard for members.

The Acting Head of Treasury and Pensions stated that he was looking to hold another training session on multi asset credit before the Pension Committee meeting on the 19 September and invited members of the Board to attend.

RESOLVED:

- To note the contents of the Pension Board Training Log (Appendix A).
- To note the mandatory training items in Appendix B.
- To consider what areas of training they would like to be included in any forward training plan.

73/23 Fund Representation Policy

The Acting Head of Pensions and Treasury introduced the report and explained that following the Scheme Advisory Boards (SAB) good governance review a policy for the representation of non-administration employers should be implemented. The Acting Head of Pensions and Treasury informed the board that officers had amended the funds policy and would present the draft of the policy to the Pensions Committee for agreement. The Acting Head of Pensions and Treasury stated that most of the changes were based on the rationale behind having one voting employer representative and a voting staff side member representative.

In response to questions from members, officers informed the Board that:

- The employer representative would be an external individual.

RESOLVED:

- To note the Representation Policy and comment as appropriate.

74/23 Scheme Advisory Board and The Pensions Regulator updates to 30 June 2023

The Acting Head of Pensions and Treasury introduced the report and explained that the report included all of the updates from the past year.

RESOLVED:

- To note the contents of the report.

Ava Payne informed the Board that she will be starting a 6-month secondment from the 1 October 2023, and she will be unable to attend meetings during this period.

The meeting ended at 3.28 pm

Signed: ....

Date: ....

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of the Local Government Act 1972.

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Croydon Council

REPORT TO:	**Pension Board** **19 October 2023**
SUBJECT:	**Pension Board Annual Report 2022/23**
LEAD OFFICER:	**Matthew Hallett, Acting Head of Pensions and Treasury**

1. RECOMMENDATION

1.1 The Board are invited to note the draft Pension Board Annual Report 2022/23 prepared by the Chair of the Board and comment as they see fit.

2. EXECUTIVE SUMMARY

2.1 This report asks the Board to note the draft Pension Board Annual Report 2022/23 (Appendix A) and comment as they see fit.

3. DETAIL

3.1 This report highlights the Pension Board Annual Report 2022/23 drafted by the Chair of the Board (Appendix A). The Report sets out the work of the Board over the past year and their plans for the future. The final version of the Report will be published on the Fund's website.

3.2 The Board are invited to note this report and comment as they see fit.

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

APPENDIX:

A Draft Pension Board Annual Report 2022/23

APPENDIX A

LONDON BOROUGH OF CROYDON PENSION FUND

Pension Board Annual Report 2022/23

Introduction

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

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

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

Membership

The Board consists of 6 voting members, comprising 3 member representatives and 3 employer representatives, plus an independent Chair, making 7 members in all. During 2022/23 there was an “Employer Representative” vacancy with the other posts held by:

Chair
Michael Ellsmore

Employer Representatives
Richard Elliott
Councillor Margaret Bird

Member Representatives
Teresa Fritz
Ava Payne (Union representative)
David Whickman (Union representative)

During 2023/24 officers will undertake an exercise to fill the vacancy with a representative from our non-local authority Fund employers.

The Board is supported by the Corporate Director of Resources (Section 151 Officer) the Acting Head of Pensions and Treasury and the Investment, Governance and Administration teams.

Activity during 2022/23

For the first time for several years we were able to hold each of our four meetings face-to-face in Bernard Weatherill House. Whilst it was disappointing that the employer representative position remained unfilled there were at least five members present at most of the meetings. It was particularly pleasing that Councillor Bird was able to attend each of the meetings thereby helping to maintain the close relationship with the Council that we all seek.

At each of our meetings we received a report on the performance of the Administration Team. This is in accordance with our wish to oversee administration and resource allocation and to seek to ensure that services are being delivered to a high standard.

We were pleased to see that performance in relation to the key “retirements” and “deaths” indicators and the issue of Annual Benefits Statements, particularly for active members, remained at a very high level. During the year the “backlog” project work carried out by Hymans Robertson was completed and the administration data required by the Actuary for the triennial valuation was delivered on time.

Whilst there was some turnover of staff during the year we appreciated the efforts of officers to fill the vacancies as quickly as possible and were pleased to note that during the year we had few positions unfilled.

The Board continued to take a great interest in the development and promotion of the self-service functions and were assured that both active and deferred members were increasingly being encouraged to use them. Support was offered to members having issues around registering for the service and employers were asked to encourage their active members to use it. Nevertheless, we are looking forward to the system upgrade, with new reporting functionality to enable employers to promote the services more effectively, expected next year. We were encouraged to hear that progress was being made in respect of employer on-boarding to I-Connect and that work is continuing to roll it out further.

During the year the Board were advised that the Administration Team had received their quality data assessment scores and had scored 97.4% on common data and 96.4% on scheme specific data, an improvement on the previous year. Work was continuing to clear the errors and, whilst concerns were acknowledged, officers were confident that pension payments were accurate.

Members continued to express their interest in cyber security and, at our January meeting, were advised that the mapping of data movements and risks was complete and that a report would be presented at a future meeting

Also, at each of our meetings, we received a report on the Fund's breaches of the law. We understand that The Pensions Regulator expects us to play a key oversight role but are also keen to emphasise the importance of the role of the Pension Committee as the key decision maker.

We expressed concern over the failure to publish audited accounts for any of the years since 2018-19 due to wider problems at Croydon Council. We were assured by officers that, whilst the auditor had not raised any concerns over the Fund's accounts so far examined, as the Fund is not a separate legal entity they cannot be finalised until the Council's accounts are signed off. Officers assured the Board that the lack of audit certification of the various Fund accounts does not present a material risk to any members but accepted that it does not evidence good governance. At our request, the Acting Head of Pensions and Treasury reported to The Pensions Regulator that we had three years of accounts outstanding and the Regulator asked to be kept informed of progress in relation to this breach.

At our meeting in July 2022 the Board received a report on the progress made in respect of the action plan arising from the Aon Governance Review of the Fund. We were generally very impressed with the progress and the findings were consolidated into an action plan. The Board commented on various aspects of the report including the following:

- the creation of a Head of Pension Fund post as part of the review of the structure to be taken forward by the Section 151 Officer which would focus on the Fund with no other Council responsibilities;
- that a voting employer representative and voting member representative be appointed to Committee; and
- that a report on procurement and recruitment be presented to the Board in twelve months with the possibility that bespoke policies for the Fund be established.

In January 2023 we received a report which had been considered by the Committee providing a comprehensive update on progress in respect of all outstanding items from the Governance Review. Whilst there are a number outstanding this is more an indication of the Fund's commitment to take on board all matters likely to improve its governance rather than any lack of commitment.

We noted that the Pensions Dashboard and dealing with cases identified under the McCloud ruling would need careful resourcing.

On the training front, a number of Board members completed the Hymans Aspire online training programme and we were pleased that two members of the Board attended the Scheme Advisory Board's governance conference in Cardiff. We hope to send two delegates to the 2024 conference.

Other matters considered formally by the Board during the year included:

- Knowledge and Skills Policy;
- Risk Management Policy;
- Risk Register – Board members were particularly interested in cyber security and asked for a training session to be held;

- Triennial Actuarial Valuation and Funding Strategy Statement;
- Governance and Compliance Statement;
- Communications Policy;
- Fund Medium Term Business Plan and Board Forward Plan;
- Updates from the Local Government Pension Scheme Advisory Board and The Pensions Regulator;
- Training Plan - Officers have procured an online training application which members can access at their convenience to supplement other training opportunities;
- Constitutional changes; and
- Publishing Board Information

Looking Ahead

We are pleased with the progress made in 2022/23 and are looking for next year to be just as successful.

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

Pensions administration will continue to attract attention from The Pensions Regulator and the Board will be taking a particular interest in the administration of the Fund and the service provided to both employers and members. We expect to review the Administration Strategy, Conflicts of Interest Policy, Representation Policy and the Governance and Best Practice Statement and to see a report on procurement and recruitment.

The implications of the "McCloud" case for the LGPS are still being reviewed and we will continue to take an interest in its effect on the Fund.

We understand that the development of automated functions to improve administration processes will be a priority for the Administration Team and that they will look to develop bulk leaver calculations on the pension system and improved reporting functionality using "Insights."

Until we see the audited Fund accounts for the last three years we shall remain concerned and stand by our suggestion that they be produced and published independently of those of the Council. We are looking forward to hearing how the matter is being progressed within Government.

Keeping our knowledge and skills up-to-date will remain important to us and we shall be looking to take advantage of opportunities that become available. We shall be working through our structured training plan and we are particularly keen for training on cyber security and conflicts of interest to take place as early as possible.

Finally, whilst the Board is expecting 2023/24 to be another busy year for the Fund it may also see developments to the Scheme at a national level. Foremost amongst them could be proposals requiring LGPS funds to assess, manage and report on climate-related risks and matters arising from the Government's consultation entitled "Next steps on investments." We shall look at the implications of all the relevant legislation and reports and guidance issued by the Scheme Advisory Board and The Pensions Regulator.

Michael Ellsmore
Chair
October 2023

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Croydon Council

REPORT TO:	**Pension Board** **19 October 2023**
SUBJECT:	**Policies and Strategies Considered by Pension Committee and Pension Board**
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 various policies and strategies required for the proper administration of the Fund.

3. DETAIL

3.1 From time to time Members of both the Board and the Committee have raised concerns over the number of "strategies" and "policies" which they are asked to consider and the reasons for this.

3.2 The Local Government Pension Scheme is established through legislation and is subject to many regulations, statutory and non-statutory guidance, codes of practice and best practice. Below are the "Strategies" and "Policies" agreed by the Committee and/or Board and an explantion as to why they need to be agreed.

3.3 **Governance Policy (agreed by Pension Committee on 20 June 2023)**

Regulation 55 of The Local Government Pension Scheme Regulations 2013 requires that:

(1) An administering authority must prepare a written statement setting out-

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

(b) if the authority does so-

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

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

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

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

(d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 106 (local pension boards: establishment).

3.4 **Pension Fund Annual Report (agreed by Pension Committee in respect of 2020/21 on 3 December 2021)**

Regulation 57 of The Local Government Pension Scheme Regulations 2013 requires that:

(1) An administering authority must, in relation to each year beginning on 1st April 2014 and each subsequent year, prepare a document ("the pension fund annual report") which contains-

(a) a report about the management and financial performance during the year of each of the pension funds maintained by the authority;

(b) a report explaining the authority's investment policy for each of those funds and reviewing the performance during the year of the investments of each fund;

(c) a report of the arrangements made during the year for the administration of each of those funds;

(d) for each of those funds, a statement by the actuary who carried out the most recent valuation of the assets and liabilities of the fund in accordance with regulation 62 (actuarial valuations of pension funds), of the level of funding disclosed by that valuation;

(e) the current version of the statement under regulation 55 (governance compliance statement);

(f) for each of the funds, the fund account and net asset statement with supporting notes and disclosures prepared in accordance with proper practices;

(g) an annual report dealing with-

(i) the extent to which the authority and the Scheme employers in relation to which it is the administering authority have achieved any levels of performance set out in a pension administration strategy in accordance with regulation 59 (pension administration strategy), and

(ii) such other matters arising from a pension administration strategy as it considers appropriate;

(h) the current version of the statement referred to in regulation 58 (funding strategy statement);

(i) the current version of the investment strategy under regulation 7 (investment strategy statement) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016;

(j) the current version of the statement under regulation 61 (statements of policy concerning communications with members and Scheme employers); and

(k) any other material which the authority considers appropriate.

3.5 **Funding Strategy Statement – (along with various satellite policies agreed by Pension Committee on 14 March 2023 and Admission Policy agreed at Pension Committee on 3 December 2021)**

Regulation 58 of The Local Government Pension Scheme Regulations 2013 requires that:

(1) An administering authority must, after consultation with such persons as it considers appropriate, prepare, maintain and publish a written statement setting out its funding strategy.

(3) The authority must keep the statement under review and, after consultation with such persons as it considers appropriate, make such revisions as are appropriate following a material change in its policy set out in the statement, and if revisions are made, publish the statement as revised.

(4) In preparing, maintaining and reviewing the statement, the administering authority must have regard to-

(a) the guidance set out in the document published in October 2012 by CIPFA, the Chartered Institute of Public Finance and Accountancy and called "Preparing and Maintaining a Funding Strategy Statement in the Local Government Pension Scheme 2012(42); and

(b) the current version of the investment strategy under regulation 7 (investment strategy statement) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

3.6 **Pension Administration Strategy (agreed by Pension Committee on 20 June 2023)**

Regulation 59 of The Local Government Pension Scheme Regulations 2013 requires that:

(1) An administering authority may prepare a written statement of the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate ("its pension administration strategy") and, where it does so, paragraphs (3) to (7) apply.

(2) The matters are-

- *(a) procedures for liaison and communication with Scheme employers in relation to which it is the administering authority ("its Scheme employers");*
- *(b) the establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions by-*
  - *(i) the setting of performance targets,*
  - *(ii) the making of agreements about levels of performance and associated matters, or*
  - *(iii) such other means as the administering authority considers appropriate;*
- *(c) procedures which aim to secure that the administering authority and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;*
- *(d) procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions;*
- *(e) the circumstances in which the administering authority may consider giving written notice to any of its Scheme employers under regulation 70 (additional costs arising from Scheme employer's level of performance) on account of that employer's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b);*
- *(f) the publication by the administering authority of annual reports dealing with-*
  - *(i) the extent to which that authority and its Scheme employers have achieved the levels of performance established under sub-paragraph (b), and*
  - *(i) such other matters arising from its pension administration strategy as it considers appropriate; and*
- *(g) such other matters as appear to the administering authority after consulting its Scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.*

3.7 **Mandatory Discretions Policy (agreed by Pension Committee on 14 June 2022)**

Regulation 60 of The Local Government Pension Scheme Regulations 2013 requires that:

(1) A Scheme employer must prepare a written statement of its policy in relation to the exercise of its functions under regulations—

(a)16(2)(e) and 16(4)(d) (funding of additional pension);

(b)30(6) (flexible retirement);

(c)30(8) (waiving of actuarial reduction); and

(d)31 (award of additional pension),

A policy on Mandatory Discretions is required under the following legislation:

The Local Government Pension Scheme Regulations 1995;

The Local Government Pension Scheme Regulations 1997;

The Local Government Pension Scheme (Transitional Provisions) Regulations 1997;

The Local Government Pension Scheme Regulations 1997 (as amended);

The Local Government (Early Termination of Employment) Discretionary Compensation Regulations 2000;

The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007;

The Local Government (Early Termination of Employment) Discretionary Compensation Regulations 2006;

The Local Government Pension Scheme (Administration) Regulations 2008;

The Local Government Pension Scheme (Transitional Provisions) Regulations 2008;

The Local Government Discretionary Payments (Injury Allowance) Regulations 2012; and

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

These discretions relate to the following:

- post 31.3.14 active members (excluding councillor members) and post 31.3.14 leavers (excluding councillor members);
- scheme members (excluding councillor members) who ceased active membership on or after 1.4.08 and before 1.4.14;
- scheme members (excluding councillors) who ceased active membership on or after 1.4.98. and before 1.4.08; and
- scheme members who ceased active membership before 1.4.98.

The Administering Authority has in place a Discretions Policy in relation to:

- Abatement of pension following re-employment;
- Waiving reduction;
- Switching on the 85 year rule; and
- Early payment of deferred benefits

It has separate policies for Communication, Funding Strategy and Governance and Compliance Statement.

3.8 **Communication Policy (agreed by Pension Committee on 17 September 2019 and Pension Board on 12 January 2023)**

Regulation 61 of The Local Government Pension Scheme Regulations 2013 requires that:

(1) An administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with-

(a) members;
(b) representatives of members;
(c) prospective members; and
(d) Scheme employers.

(2) In particular the statement must set out its policy on-

(a) the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers;
(b) the format, frequency and method of distributing such information or publicity; and
(c) the promotion of the Scheme to prospective members and their employers.

3.9 **Conflicts of interest policy (Agreed for Board only by Pension Board on 2 July 2015 and revised whole Fund version agreed by Pension Committee on 19 September 2023)**

Regulation 108 of The Local Government Pension Scheme Regulations 2013 requires that:

(1) Each administering authority must be satisfied that any person to be appointed as a member of a local pension board does not have a conflict of interest.

(2) An administering authority must be satisfied from time to time that none of the members of a local pension board has a conflict of interest.

On 2 July 2015, the Board adopted a Conflicts of Interest Policy.

In their Governance Review of the Fund, Aon go into some detail as to how conflicts of interest are currently managed and, whilst they acknowledge that current practices meet current legal requirements, they argue that they could be improved to meet good practice and national guidance. As regards a Policy to cover the whole of the Fund's management they comment as follows:

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

• *the Council's Code of Conduct*

• *how it relates to co-optees and observers*

• *examples of Fund specific potential conflicts of interest*

• *how conflicts of interest (and potential conflicts of interest) will be managed*

• *guidance for officers and advisers of the Fund to also adhere to*

In the "Full draft of the new code of practice" published by The Pensions Regulator in March 2021 is included the following:

Identifying and recording conflicts of interest

- ……
- *Maintain a written policy for managing actual and perceived conflicts of interest;*
- …….

In their report dated February 2021 to the Scheme Advisory Report entitled "Good Governance: Phase 3 Report to SAB" Hymans Robertson recommend as follows:

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.

They further advise that the 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.

3.10 **Breaches of Law Policy (Agreed by Pension Committee on 11 October 2023)**

The Policy arises from statutory duties and The Pensions Regulator Code requirements that certain people with responsibilities in connection with Fund are required to report matters they consider may be contrary to legal duties and of significance to the Regulator.

On 2 July 2015, in relation to its own duties, the Pension Board agreed a " Breaches of the Law Policy."

In their Governance Review of the Fund Aon note that the current procedure "appears to be focussed on Local Pension Board members" and the agreed action arising from the Review is:

Review current Pension Board breaches procedure but, in doing so, expand to cover all of those involved with the management of the Fund (i.e. Committee and senior officers)

The current Policy incorporates this recommendation.

3.11 **Risk Management Policy (Agreed by Pension Board on 23 March 2023 and Pension Committee on 19 September 2023)**

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.

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 (Code of Practice number 9) 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.

CIPFA has published technical guidance in their publication “Managing Risk In The Local government Pension Scheme” (2018 Edition). 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.

In the “Full draft of the new code of practice” published by The Pensions Regulator in March 2021 is included the following:

Risk management policies
- *The operation of policies to identify and assess risks facing the scheme;*
- *The internal control policies and procedures for the scheme;*

- *Management of potential internal conflicts of interest, and those with participating employers and service providers;*
- *The prevention of conflicts of interest where the employer and governing body use the same service provider; and.*
- *Continuity planning for the scheme and, where applicable, how it has performed*

3.12 **Representation Policy (Agreed by Pension Board on 27 July 2023 and by Pension Committee on 19 September 2023)**

In their report dated February 2021 to the Scheme Advisory Report entitled “Good Governance: Phase 3 Report to SAB” Hymans Robertson recommend as follows:

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 representation and voting rights for each party.*

The report expands on this recommendation as follows:

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.*

3.13 **Investment Strategy Statement (Agreed by Pension Committee on 19 September 2023)**

Regulation 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 requires that:

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

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

(a) a requirement to invest fund money in a wide variety of investments;

(b) the authority’s assessment of the suitability of particular investments and types of investments;

(c) the authority’s approach to risk, including the ways in which risks are to be assessed and managed;

(d) the authority’s approach to pooling investments, including the use of collective investment vehicles and shared services;

(e) the authority’s policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and

(f) the authority’s policy on the exercise of the rights (including voting rights) attaching to investments.

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

3.14 **Satellite Policies included within the Funding Strategy Statement (agreed by Pension Committee on 14 March 2023)**

Within legislation affecting the Fund, most notably the Local Government Pension Scheme Regulations 2013, there are many references to the arrangements for employers wishing to join or leave the Scheme and for bulk transfers of staff.

In their 2019 Governance Review, Aon advised as follows:

Although not legally required, many administering authorities have now put admission and bulk transfer policies in place to provide greater detail and expand on some of the areas in the FSS.

Consider whether to introduce admission and bulk transfer policies, to provide greater detail and expand on some of the areas in the FSS.

Update the "Policy for Employer leaving the Fund" in line with exit credit legislation (and review when further amendment regulations are made).

Arising from the review the "Admissions Policy," Bulk Transfer Policy" and "Policy for Employers Leaving the Fund" were agreed by the Pension Committee on 3 December 2021.

Subsequently, the following policies were appended to the Funding Strategy Statement agreed by the Pension Committee on 14 March 2023:

- Policy on contribution reviews;
- Policy on academy funding;
- Policy on bulk transfers;
- Cessation policy; and
- Policy on prepayments

3.15 **Knowledge and Skills Policy (agreed by Pension Committee on 14 June 2022)**

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

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

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

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

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

In their report dated February 2021 to the Scheme Advisory Report entitled "Good Governance: Phase 3 Report to SAB" Hymans Robertson recommend as follows:

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 [as detailed in Report].

3.16 **Environmental Social and Governance Policy (included as paragraph 6 in Investment Strategy Statement agreed by Pension Committee on 14 September 2021)**

Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 place the following requirements on the Administering Authority in relation to the Investment Strategy:

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

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

(e) the authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments;

3.17 **Business Plan (Agreed by Pension Committee on 14 March 2023)**

At their meeting on 15 September 2020 the Committee considered guidance from The Pensions Regulator and CIPFA, as highlighted by Aon in their Governance Review of the Fund, recommending that “a medium term business plan should be created for the pension fund.” They agreed to note the draft “Medium Term Business Plan 2020-2023” as presented to them.

On 14 March 2023 they subsequently agreed a Business Plan for 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: Allister Bannin 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:

None.

Croydon Council

REPORT TO:	**Pension Board** **19 October 2023**
SUBJECT:	**Croydon Pensions Administration Team Key Performance Indicators for the period June 2023 to August 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 August 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 Board on the LGPS administration performance for the period June 2023 to August 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. Average days to process are well below our targeted KPIs in most categories.

4.2 We did see a slight drop in KPIs with one of two cases missing target in key life event cases. Upon investigation the main reason for this was due to administrative errors with the workflow system. Staff are provided with guidance and reminders on the importance of correctly using the workflow system.

4.3 The Technical Team have focused on End of Year processes throughout the summer and have successfully updated member records with pay and contribution details provided by employers.

4.4 Details of potential starters and leavers not previously known to us have been identified and the team are working with employers to gather information required to process these leavers.

4.5 We are required to produce Annual Benefit Statements (ABS) for active and deferred members by the 31 August 2023. The ABS were produced on the 24 August 2023 and were made available on the Member Self-Service portal.

4.6 We have carried out extensive testing over the spring and summer on the bulk leaver calculation facility within the pension software system. The bulk calculation process targets CARE only deferred benefits and frozen refunds. The testing has identified areas where we can use the bulk calculation functionality and free up the team's resources to focus on more complex cases.

4.7 In August we successfully carried out the first bulk calculations and cleared more than 500 leaver calculations.

4.8 The next phase of the project will be to incorporate this into our monthly processes and develop effective KPI monitoring.

4.9 Currently the bulk calculations cannot be used on final salary cases or frozen refund where there is an option to transfer out of the scheme. The team are prioritizing these cases during fortnightly Blitz Days throughout the summer and into autumn.

4.10 The anticipated upgrade to the member self-service (MSS) tool will be a larger project than previously anticipated and we are in the initial stages of working with Heywoods to plan this.

4.11 In the meantime, we are focusing on easing the member registration process as this has been recognized as a barrier to some members accessing MSS. We will also use the new Insights reporting tools to access at an employer level MSS uptake and tailor MSS promotion by employer.

4.12 We have been working with the Fraud Team to increase mortality screening via the National Fraud Initiative from a biennial basis to monthly reports.

4.13 Where we are not informed of a death, overpayment of pension benefits is likely to occur. Although the number of cases has dropped since we became part of Tell Us Once those cases picked up via the NFI reports every two years do cause a substantial amount of work for the team. We anticipate moving to monthly reporting will have a significant impact on the number of pensions overpaid and our ability to recover overpayments.

4.14 We are continuing to work with the Fraud Team to develop an effective process to be used long term to maximize the benefits of the NFI reports.

5. CONSULTATION

5.1 Officers have previously consulted with both the Pension Committee and Local Pension Board on 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: Matthew Hallet 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, June 2023 to August 2023

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Croydon Pensions Admin Team

Performance Report

October 2023

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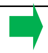
Reference Key Table

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
		June 2023		July 2023		August 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	74	97.30%	107	99.07%	90	98.89%		2 cases missed target in June 1 case missed target in July 1 case missed target in August (delay in getting information from the employer).
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)	65	73.85%	105	60%	128	72.66%		Cases processed by the Bulk Calculation facility have not been included. Many deferred benefit calculations are delayed due to outstanding interfund and aggregation cases. The team have been focusing on Blitz Days and a change in aggregation process to try and eliviate this issue. Some Interfund transfers were put on hold during this period while we awaited new factors from GAD.

Process	Legal Requirement	Total Number Completed	% Achieved in legal deadline	Total Number Completed	% Achieved in legal deadline	Total Number Completed	% Achieved in legal deadline	Direction of Travel	Comments
		June 2023		July 2023		August 2023			
To process and pay a refund	Two months from the date of request	13	100%	14	100%	18	100%		
Obtain transfer details for transfer in, calculate and provide quotation to member	Two months from the date of request	0	N/A	2	100%	1	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	57	100%	51	100%	33	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	68	100%	70	100%	69	98.55%		1 case missed target in August. This was due to the workflow task being set up incorrectly. The task comments show the case was processed and checked within target.

Process	Legal Requirement	Total Number Completed	% Achieved in legal deadline	Total Number Completed	% Achieved in legal deadline	Total Number Completed	% Achieved in legal deadline	Direction of Travel	Comments
		June 2023		July 2023		August 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)	30	100%	28	100%	21	100%	➡	
Provide all active and deferred members with annual benefit statements each year	By 31st August					Actives Deferred Combined Total	100% 90.33% 94.61%		Maintained 100% of ABSs for active members. We have seen an improvement in the Deferred ABSs from previous year (86.19%).

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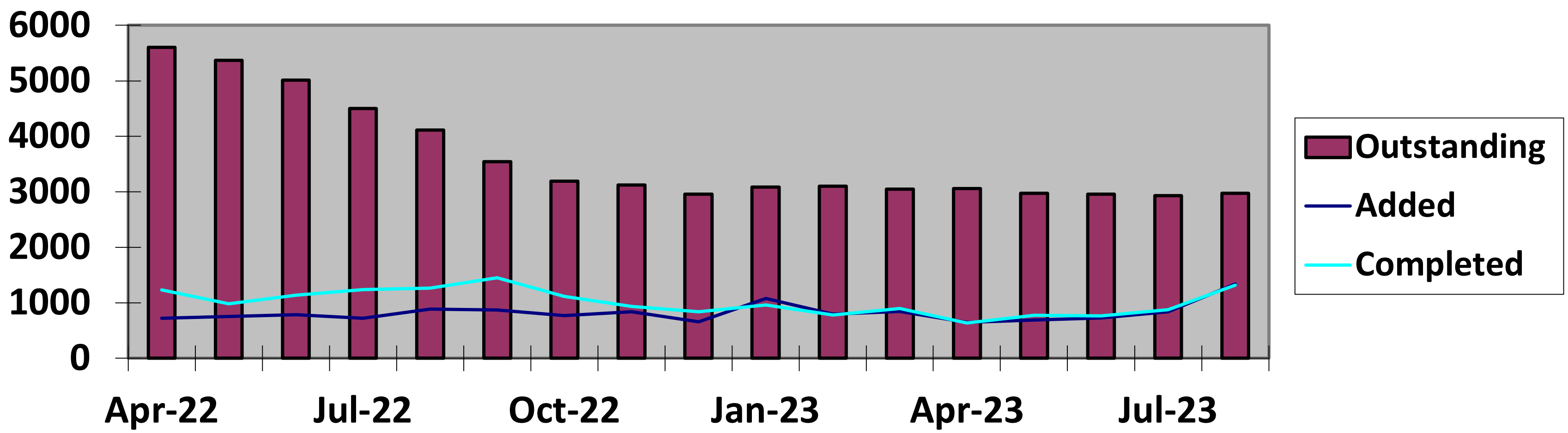
Team Performance Targets

Process	Team Target	Total Number Completed	% Achieved against target	Average days to process	Total Number Completed	% Achieved against target	Average days to process	Total Number Completed	% Achieved against target	Average days to process	Direction of Travel	Comments
		June 2023			July 2023			August 2023				
Send a notification of joining the LGPS to a scheme member	30 days from date of notification of joining member	74	97.30%	5	107	99.07%	2	90	98.89%	3	⬇	1 case missed target in August (delay in getting information from the employer)
Inform a scheme member of their calculated benefits (refund or deferred)	40 working days from date of notification (from employer or scheme member)	65	73.85%	79	105	60%	214	128	71.09%	166	➡	Bulk leaver calculations have not been included. Work continues via Blitz Days and targeted work allocation to improve leaver calculations.

Process	Team Target	Total Number Completed	% Achieved against target	Average days to process	Total Number Completed	% Achieved against target	Average days to process	Total Number Completed	% Achieved against target	Average days to process	Direction of Travel	Comments
		June 2023			July 2023			August 2023				
To process and pay a refund	40 working days from the date of request	13	100%	2	14	100%	1	18	100%	1		
Obtain transfer details for transfer in, calculate and provide quotation to member	40 working days from the date of request	0	N/A	N/A	2	100%	0	1	0.00%	13		One case in August was delayed while we waited for new GAD factors.
Notify the amount of retirement benefits	20 working days from date of retirement	57	100%	2	51	100%	1	33	100%	1		
Provide a retirement quotation on request	15 working days from date of request	68	98.53%	3	70	100%	2	69	97.10%	6		1 case missed target in June. We were unable to trace te member and the reply due was not updated correctly. 2 case missed target in August. One was due to the workflow task being set up incorrectly. The task comments show the case was processed and checked within target. The second case missed target by one day.
Calculate and notify (dependent(s) of amount of death benefits	20 working days from receipt of all information	30	96.67%	4	28	92.86%	9	21	95.24%	3		1 case missed target in June 2 cases missed target in July 1 case missed target in August

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

		Increase from previous Q
Total Scheme members registered	6222 (23.39%)	↑
Number scheme members who accessed annual benefit statement in Q1 2023/24	591	↑
Breakdown by member status		
• Actives	30.89%	↑
• Deferred	20.45%	↑
• Pensioners & Dependents	19.42%	↑

Croydon Council

REPORT TO:	**Pension Board** **19 October 2023**
SUBJECT:	**The Collective Investment Vehicle for London Local Authorities Pension Funds: Compliance with pooling requirements, review of savings and governance structure.**
LEAD OFFICER:	**Matthew Hallett – Acting Head of Pensions and Treasury**

1. RECOMMENDATION

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

2. EXECUTIVE SUMMARY

2.1 This report advises the Board of the extent to which the Fund is complying with the pooling requirements of Guidance issued by the, then, Department for Communities & Local Government (DCLG) in 2015, the savings made through pooling in 2022/23 and the governance structure of the London Collective Investment Vehicle (LCIV).

3. DETAIL

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

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

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

3.3 Since its founding in 2014 LCIV has developed its governance structure through a Corporate Governance and Controls framework. The key components of the framework are the Shareholder Committee, comprising Leaders and Treasurers of twelve of the London boroughs, and a Board made up of executive and non-executive directors all of whom must meet FCA fitness to serve requirements. Details of the full Governance structure can be accessed online via https://londonciv.org.uk/governance

3.4 The Croydon Fund's formal involvement in the governance of LCIV is only through attendance at the twice yearly Shareholder General Meeting. Officers are, however, in regular contact with the LCIV officers.

3.5 During the development of the pooling concept funds estimated how they could comply with its requirements in the context of their own asset allocation policies. The Council Fund's Investment Strategy Statement, as agreed on 18 September 2018 and current for 2021/22, includes the following:

5.3 The Fund holds illiquid assets outside of the London CIV pool. The cost of exiting these strategies early would have a negative financial impact on the Fund. These will be held as legacy assets until such time as they mature. The Fund will continue to invest in illiquid assets outside of the London CIV pool, until suitable strategies are made available by the London CIV pool, in order to meet its asset allocation target.
5.4 Therefore, the proportion of assets that will be invested through the pool will be circa. 65%

3.6 At 31 March 2023 the Fund had investments of £159.8m (9.6% of its investments) invested in sub-funds managed by the LCIV and a further £670.9m (40.1%) managed by Legal and General which is classified within the pooling umbrella. The arrangement with Legal and General was established in 2016 as a way of providing fee discounts to members without moving passive assets into the LCIV. Whilst the Fund is conscious that the proportion of its assets invested through the pool (49.7%) is below the target of 65%, investments will only be made in pool products when this is the optimum strategy.

3.7 A summary of the overall position of the Fund at 31 March 2023 is as follows:

INVESTMENT	£m	%
LCIV related		
Legal and General Equities	670.863	40.1
RBC Equities	77.964	4.7
PIMCO Fixed interest bonds	81.804	4.9
LCIV	0.150	
LCIV related total	830.781	49.7
Non LCIV related total	843.373	50.3
TOTAL	1,674.154	100.0

3.8 Estimated savings made against assumptions of standard fees and costs incurred from the pool investments during 2022/23 were as follows:

	Assets under management at 31 March 2023	**Estimated gross fees savings**	**Management fees and development funding charge**	**Estimated net fees savings**
	£'000	**£'000**	**£'000**	**£'000**
Legal and General Equities	670,863	384	32	352
RBC Global Asset Management (UK)	77,964	119	19	100
PIMCO Fixed interest	81,804	226	4	222
LCIV	150			
Development funding charge'*			110	(110)
TOTAL	830,781	729	165	564

‘* LCIV’s fixed income stream contributing to the core costs of the Company payable equally by all the shareholders.

3.9 The Board are invited to note this report.

4. DATA PROTECTION IMPLICATIONS

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

No.

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: Allister Bannin 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:

None.

REPORT TO:	**Pension Board** **19 October 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 recommended that the log was reviewed regularly by the Pension Committee and Board. It was last reviewed by Board on 27 July 2023. 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 2 new entries have been added, 3 entries have been amended and 3 entries have been deleted. Breaches 1 concerning Annual Benefit Statements dated August 2020 which is now over 3 years old, breach 4 concerning the administration backlog which has now been completed and breach 5 concerning meeting minutes which are now up to date have been removed. Breach 6 concerning failure to publish audited fund accounts has been amended to reflect that the 2019/20 accounts have now been published and are expected to be signed off in November and breaches 7 and 8 concerning the 2020/21 and 2021/22 accounts have been updated to show that they are now expected to be finalised by June 2024. Breach 12 concerning the failure of the Council as a scheme employer to provide an employer discretions policy has been added. Breach 13 has been added concerning failure to issue 100% of benefit statements by 31 August 2023.

3.4 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.

Appendix A

Breaches Log 19 October 2023 Pension Board Meeting

Number	**2**
Date	**Aug 21**
Category	**Administration - ABS**
Description and cause	Failure to produce 100% of Annual Benefit Statement notifications
Possible effect and wider implications	Members and former members do not have up to date information on the value of their LGPS benefits affecting 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.
Reaction	The team managed to issue 99.94% of annual benefit statements.
Reported / Not reported	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
Colour rating	
Outcome of report / investigation	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.
Outstanding actions	
Comments	

Number	**3**
Date	**Aug 22**
Category	**Administration - ABS**
Description and cause	Failure to produce 100% of Annual Benefit Statement notifications
Possible effect and wider implications	Members and former members do not have up to date information on the value of their LGPS benefits affecting 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.
Reaction	The technical team have issued 92.30% of the statements due. The majority of the deferred ABSs not issued were a result of outstanding leaver calculations which were identified as part of the backlog project contracted to a third party. The remainder relate to leavers 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 as part of their daily process. Members will be contacted once the calculations have been completed.
Reported / Not reported	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
Colour rating	

Outcome of report / investigation	Not reported. 100% for active members were issued. While 86.19% for deferred members were issued, the rest were not produced due to ongoing benefit calculations or transfer calculations where we were awaiting information. These cases are included in BAU work and handled by the Pension Admin Team on a daily process.
Outstanding actions	
Comments	

Number	**6**
Date	**Sep 21**
Category	**Finance - Accounts**
Description and cause	Failure of the Fund to publish audited Fund Accounts for year 2019/20 by 30 September 2020
Possible effect and wider implications	Lack of accurate data available on which to base funding requirements. This could result in insufficient funds to pay all benefit liabilities.
Reaction	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 has now been resolved and agreed and we are awaiting sign off to be completed. The draft Annual Report and Accounts were presented to Pension Committee on 3 December 2021.

Reported / Not reported	The matter had not initially 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 was 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 were 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.
Colour rating	
Outcome of report / investigation	
Outstanding actions	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. A joint Report has been submitted to the TPR by the Chairs of the Board, Committee and Head of Pensions. The Pension Regulator asked for a timetable for completion which the Head of Pension & Treasury has provided and agreed to keep the Regulator informed of progress. **Update October 2023:** The 2019/20 accounts have been published and are expected to be signed off in November.
Comments	

Number	**7**
Date	**Sep 22**
Category	**Finance - Accounts**
Description and cause	Failure to publish the audited Fund Accounts for year 20/21 by 30 September 2021
Possible effect and wider implications	Lack of accurate data available on which to base funding requirements. This could result in insufficient funds to pay all benefit liabilities.
Reaction	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 accounts cannot be signed off until the 2019/20 account have been completed. The draft Annual Report and Accounts were presented to Pension Committee on 3 December 2021
Reported / Not reported	The matter had not been initially 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. **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
Colour rating	
Outcome of report / investigation	

Outstanding actions	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. A joint Report has been submitted to the TPR by the Chairs of the Board, Committee and Head of Pensions. The Pension Regulator asked for a timetable for completion which the Head of Pension & Treasury has provided and agreed to keep the Regulator informed of progress. **Update October 2023:** The Corporate Director of Resources and Section 151 Officer is expecting the 2020/21 accounts to be finalised by June 2024.
Comments	

Number	**8**
Date	**Sep 22**
Category	**Finance - Accounts**
Description and cause	Failure to publish the audited Fund Accounts for year 21/22 by 30 September 2022
Possible effect and wider implications	Lack of accurate data available on which to base funding requirements. This could result in insufficient funds to pay all benefit liabilities.
Reaction	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.
Reported / Not reported	The matter had not been initially 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. **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.
Colour rating	
Outcome of report / investigation	
Outstanding actions	The Fund Accounts form part of the Council Accounts and cannot be signed off separately. A joint Report has been submitted to the TPR by the Chairs of the Board, Committee and Head of Pensions. The Pension Regulator asked for a timetable for completion which the Head of Pension & Treasury has provided and agreed to keep the Regulator informed of progress. **Update October 2023:** The Corporate Director of

	Resources and Section 151 Officer is expecting the 2021/22 accounts to be finalised by June 2024.
Comments	

Number	**9**
Date	**Mar 23**
Category	**Administration - Refunds**
Description and cause	A refund to which a member was entitled was paid after the deadline stated in the LGPS Regulations 2013 (as amended). Under Regulation 18 (1) of the LGPS Regulations 2013 (as amended) when a member with less than 2 years qualifying service ceases active membership of the Fund they are entitled to receive a refund of contributions. Under 18(5) the administering authority must make the refund when the person requests payment or on the expiry of 5 years from the date active membership ceased if no request for payment has been received.
Possible effect and wider implications	Member does not receive monies they are entitled to. Possibly causing financial hardship however the amounts due are relatively small. The impact to the Fund is insignificant.
Reaction	Under Regulation 18 (1) of the LGPS Regulations 2013 (as amended) when a member with less than 2 years qualifying service ceases active membership of the Fund they are entitled to receive a refund of contributions. Under 18(5) the administering authority must make the refund when the person requests payment or on the expiry of 5 years from the date active membership ceased if no request for payment has been received.
Reported / Not reported	Not Reported. Letters explaining the member's rights to refunds were sent out on 21.8.2018 with reminders being sent on 17.1.2019. No response was received from the member until 2.3.2023 when completed claim forms were sent in. At this point the refund calculations were finalised and requests for ad hoc payments to be made were signed off on 8.3.2023.
Colour rating	

Outcome of report / investigation	The cause is the difficulty in tracing members. An amendment to the regulations is planned which will take away the requirement to make payment within 5 years of active membership in the Fund ceasing. Pension Dashboard requirements may assist members in keeping check on their pension entitlements. The admin Team have been told that as soon as they receive a refund claim form for a frozen refund they must act immediately.
Outstanding actions	
Comments	This is an issue across all LGPS funds. The LGA are pushing for the regulations to be changed to eliminate the 5 year payment deadline. It is difficult to trace members if they do not provide us with up to date address information. It would take considerable resources to try to trace address details and issue more reminders for outstanding cases . LGA advice is to wait for the regulatory change to be put into place.

Number	**10**
Date	**Mar 23**
Category	**Administration - Refunds**
Description and cause	A refund to which a member was entitled was paid after the deadline stated in the LGPS Regulations 2013 (as amended). Under Regulation 18 (1) of the LGPS Regulations 2013 (as amended) when a member with less than 2 years qualifying service ceases active membership of the Fund they are entitled to receive a refund of contributions. Under 18(5) the administering authority must make the refund when the person requests payment or on the expiry of 5 years from the date active membership ceased if no request for payment has been received.
Possible effect and wider implications	Member does not receive monies they are entitled to. Possibly causing financial hardship however the amounts due are relatively small. The impact to the Fund is insignificant.
Reaction	Under Regulation 18 (1) of the LGPS Regulations 2013 (as amended) when a member with less than 2 years qualifying service ceases active membership of the Fund they are entitled to receive a refund of contributions. Under 18(5) the administering authority must make the refund when the person requests payment or on the expiry of 5 years from the date active membership ceased if no request for payment has been received.
Reported / Not reported	Not Reported. A letter explaining the member's rights to a refund was sent out on 31.3.2017. No response was received from the member until 13.3.2023 when the completed claim form was sent in. A check needed to be done to ensure that the member was not active before payment could be made due to possible tax implications. Once this had been verified the refund calculations were finalised and the request for ad hoc payment to be made was signed off on 31.3.2023.

Colour rating	
Outcome of report / investigation	The cause is the difficulty in tracing members. An amendment to the regulations is planned which will take away the requirement to make payment within 5 years of active membership in the Fund ceasing. Pension Dashboard
	requirements may assist members in keeping check on their pension entitlements. The admin Team have been told that as soon as they receive a refund claim form for a frozen refund they must act immediately.
Outstanding actions	
Comments	This is an issue across all LGPS funds. The LGA are pushing for the regulations to be changed to eliminate the 5 year payment deadline. It is difficult to trace members if they do not provide us with up to date address information. It would take considerable resources to try to trace address details and issue more reminders for outstanding cases . LGA advice is to wait for the regulatory change to be put into place.

Number	**11**
Date	**Apr 23**
Category	**Administration - Refunds**
Description and cause	A refund to which a member was entitled was paid after the deadline stated in the LGPS Regulations 2013 (as amended). Under Regulation 18 (1) of the LGPS Regulations 2013 (as amended) when a member with less than 2 years qualifying service ceases active membership of the Fund they are entitled to receive a refund of contributions. Under 18(5) the administering authority must make the refund when the person requests payment or on the expiry of 5 years from the date active membership ceased if no request for payment has been received.
Possible effect and wider implications	Member does not receive monies they are entitled to. Possibly causing financial hardship however the amounts due are relatively small. The impact to the Fund is insignificant.
Reaction	Under Regulation 18 (1) of the LGPS Regulations 2013 (as amended) when a member with less than 2 years qualifying service ceases active membership of the Fund they are entitled to receive a refund of contributions. Under 18(5) the administering authority must make the refund when the person requests payment or on the expiry of 5 years from the date active membership ceased if no request for payment has been received.
Reported / Not reported	Not Reported. A letter explaining the member's rights to a refund was sent out on 16.5.2017. No response was received from the member until 8.6.2017 when the member requested a transfer quote which was provided on 15.6.2017. The member decided not to proceed with the transfer. No further correspondence was received from the member until 3.3.2023 when another transfer request was received which they were no longer entitled to. A refund form was then issued as that was the only option available to the member.

Colour rating	
Outcome of report / investigation	The cause is the difficulty in tracing members. An amendment to the regulations is planned which will take away the requirement to make payment within 5 years of active membership in
	the Fund ceasing. Pension Dashboard requirements may assist members in keeping check on their pension entitlements. The admin Team have been told that as soon as they receive a refund claim form for a frozen refund they must act immediately.
Outstanding actions	
Comments	This is an issue across all LGPS funds. The LGA are pushing for the regulations to be changed to eliminate the 5 year payment deadline. It is difficult to trace members if they do not provide us with up to date address information. It would take considerable resources to try to trace address details and issue more reminders for outstanding cases . LGA advice is to wait for the regulatory change to be put into place.

Number	**12**
Date	**Sep 23**
Category	**Governance – Employer Discretions**
Description and cause	The Council in their capacity as a Scheme Employer has failed to prepare a statement of its policy in respect of the mandatory discretions as required under regulation 60 of the regulations. A policy in respect of the administering authority mandatory discretions was agreed by the committee on 8 July 2014. It appears that there may have mistakenly been an assumption that this satisfied the requirements of the Council as employer.
Possible effect and wider implications	Failure to satisfy the requirements of the regulations constitutes a breach of the law. If the situation is not rectified then the matter may need to be reported to the regulator who has the power to impose a fine. Any decisions made in relation to discretionary items could be open to challenge as the Council as employer has no policy to inform decision making therefore no consistency of approach and justification for application of discretions. This could lead to legal challenge and possible financial costs, both legal fees and in terms of benefit amounts payable. This could result in detriment to the Council's reputation and delays and distress to members when their benefits are put into payment, possibly resulting in financial hardship.
Reaction	The Pensions Team have been in contact with the HR Team to assist them in producing an employer discretions policy. A template has been provided and officers have provided advice to HR. The Head of Pensions has told the Chief People Officer and Corporate Director of Sustainable Communities, Regeneration and Economic Recovery to provide the Council Employer Policy within 2 months. **Update October 2023:** The final version of the policy has now been completed. The Head of Pensions is working with the employer to progress matters via

	Council procedures to enable it to be adopted. The expectation is that this should be completed by the end of November 2023.
Reported / Not reported	Not Reported. The Head of Pensions has concluded that the breach is not of material significance to The Pension Regulator as long as the Council produces an employer discretions policy within 2 months. **Update October 2023:** The policy is now ready to be adopted by Council. This should be done by the end of November 2023.
Colour rating	
Outcome of report / investigation	
Outstanding actions	Officers to check that the policy is produced with the 2 month timeframe. **Update October 2023:** Officers to check that the policy has been agreed by the end of November 2023.
Comments	

Number	**13**
Date	**Aug 23**
Category	**Administration - ABS**
Description and cause	Failure to produce 100% of Annual Benefit Statement notifications
Possible effect and wider implications	Members and former members do not have up to date information on the value of their LGPS benefits affecting 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.
Reaction	The team managed to issue 99.33% of annual benefit statements.
Reported / Not reported	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.
Colour rating	
Outcome of report / investigation	Not Reported.
Outstanding actions	
Comments	

Breaches Log Ratings Categorisation Table

Rating	Description	Breach Occurred		Breach Identified		Action Taken	Decision
	Cause, effect, reaction and wider implications considered together **ARE LIKELY** to be of material significance	Error has occurred	**PLUS**	Errors not recognised	**PLUS**	No action taken to rectify and tackle the cause	**MUST** report to TPR
	Cause, effect, reaction and wider implications considered together **MAY** be of material significance	Error has occurred	**PLUS**	Error rectified	**PLUS**	Systemic cause not addressed so issue may arise again	**MAY** report to TPR – consider the evidence and make a decision
	Cause, effect, reaction and wider implications considered together **ARE NOT LIKELY** to be of material significance	Error has occurred	**PLUS**	Error rectified	**PLUS**	Systemic causes addressed to mitigate against issue arising again	**DO NOT** report to TPR

REPORT TO:	**Pension Board 19 October 2023**
SUBJECT:	**Review of Board Training**
LEAD OFFICER:	**Matthew Hallett, Acting Head of Pensions and Treasury**

1. RECOMMENDATION

1.1 The Board is asked to note the contents of the Pension Board Training Log.

2. EXECUTIVE SUMMARY

2.1 This report advises the Board of training undertaken by the Pension Board members in Year 2023/24 to 30 September 2023 and asks them to note the contents of the Logs attached to this report as Appendix A and Appendix B.

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 2023/24 to 30 September 2023 (attached as Appendix A and Appendix B).

3.6 Since the last report in July 2023 no further training additional training has been undertaken by Board members.

3.7 The latest report on the Hymans on-line training uptake shows that 2 Board members have completed 1 or more modules and that 1 Board member has started 1 or more modules.

3.8 Board members are reminded that they should either complete the Hymans on-line modules, or the LGA Fundamentals programme once every 3 to 4 years.

3.9 Officers have circulated training opportunities to Board members in relation to the LGA Fundamentals sessions and the LGA conference in January 2024.

3.10 A training session on Cyber Security will be held before the Board meeting on 19 October.

3.11 A training session on Investments will be held before the Committee meeting on 12 December 2023; Board members will be able to log on to the session remotely.

3.12 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

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Additional Training Attended by Pension Board Member 2023/24 to 30 September 2023

Appendix A

Date	25/04/2023	21/06/2023	26-28/06/2023	10/07/2023	17-19/10/2023
Training Hrs	2.00	1.50	14.00	2.00	14.00
Category	Investment	Investment	Mixed	Governance	Mixed
Name	Mercers ESG	SAB Code of Transpareny	PLSA LGPS Conference	EDI Southwark	PLSA Annual Conference
Cllr Margaret Bird	0	0	0	0	0
Mike Ellsmore	0	0	0	1	0
Richard Elliott	0	0	0	0	0
Teresa Fritz	0	0	1	0	0
Ava Payne	0	0	0	0	0
David Whickman	0	0	0	0	0
Vacant	0	0	0	0	0
Sessions Completed					
Board	0	0	1	1	0
Total Completed	0	0	1	1	0
Hours Completed					
Board	0	0	14	2	0
Total Completed	0	0	14	2	0

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Hymans On-line Training Modules Progress for Pension Board 2023/24 to 30 September 2023 Appendix B

Modules Not Started

LGPS Role	Full Name	Course Name	Course Enrolment Status
Pension Board	Ava Payne	Module 1 - Committee Role and Pensions Legislation	Enrolled
Pension Board	Ava Payne	Module 2 - Pensions Governance	Enrolled
Pension Board	Ava Payne	Module 3 - Pensions Administration	Enrolled
Pension Board	Ava Payne	Module 4 - Pensions Accounting and Audit Standards	Enrolled
Pension Board	Ava Payne	Module 5 - Procurement and Relationship Management	Enrolled
Pension Board	Ava Payne	Module 6 - Investment Performance and Risk Management	Enrolled
Pension Board	Ava Payne	Module 7 - Financial Markets and Product Knowledge	Enrolled
Pension Board	Ava Payne	Module 8 - Actuarial methods, Standards and Practices	Enrolled
Pension Board	David Whickman	Module 1 - Committee Role and Pensions Legislation	Enrolled
Pension Board	David Whickman	Module 2 - Pensions Governance	Enrolled
Pension Board	David Whickman	Module 3 - Pensions Administration	Enrolled
Pension Board	David Whickman	Module 4 - Pensions Accounting and Audit Standards	Enrolled
Pension Board	David Whickman	Module 5 - Procurement and Relationship Management	Enrolled

Pension Board	David Whickman	Module 6 - Investment Performance and Risk Management	Enrolled
Pension Board	David Whickman	Module 7 - Financial Markets and Product Knowledge	Enrolled
Pension Board	David Whickman	Module 8 - Actuarial methods, Standards and Practices	Enrolled
Pension Board	Margaret Bird	Module 1 - Committee Role and Pensions Legislation	Enrolled
Pension Board	Margaret Bird	Module 2 - Pensions Governance	Enrolled
Pension Board	Margaret Bird	Module 3 - Pensions Administration	Enrolled
Pension Board	Margaret Bird	Module 4 - Pensions Accounting and Audit Standards	Enrolled
Pension Board	Margaret Bird	Module 5 - Procurement and Relationship Management	Enrolled
Pension Board	Margaret Bird	Module 6 - Investment Performance and Risk Management	Enrolled
Pension Board	Margaret Bird	Module 7 - Financial Markets and Product Knowledge	Enrolled
Pension Board	Margaret Bird	Module 8 - Actuarial methods, Standards and Practices	Enrolled
Pension Board	Richard Elliott	Module 1 - Committee Role and Pensions Legislation	Enrolled
Pension Board	Richard Elliott	Module 2 - Pensions Governance	Enrolled
Pension Board	Richard Elliott	Module 3 - Pensions Administration	Enrolled
Pension Board	Richard Elliott	Module 4 - Pensions Accounting and Audit Standards	Enrolled
Pension Board	Richard Elliott	Module 5 - Procurement and Relationship Management	Enrolled

Pension Board	Richard Elliott	Module 6 - Investment Performance and Risk Management	Enrolled
Pension Board	Richard Elliott	Module 7 - Financial Markets and Product Knowledge	Enrolled
Pension Board	Richard Elliott	Module 8 - Actuarial methods, Standards and Practices	Enrolled

Modules Not Started Totals

Status	Full Name	LGPS Role	Total Not Strated	Total possible	% Not Started
Enrolled	Ava Payne	Pension Board	8	8	100
Enrolled	Davis Whickman	Pension Board	8	8	100
Enrolled	Margaret Bird	Pension Board	8	8	100
Enrolled	Richard Elliott	Pension Board	8	8	100

Modules In Progress

LGPS Role	Full Name	Course Name	Course Enrolment Status
Pension Board	Teresa Fritz	Module 3 - Pensions Administration	In Progress

Modules In Progress Totals

Status	Full Name	LGPS Role	Total In Progress	Total possible	% In Progress
In Progress	Teresa Fritz	Pension Board	1	8	13

Modules Completed

LGPS Role	Full Name	Course Name	Course Enrolment Status
Pension Board	Mike Ellsmore	Module 1 - Committee Role and Pensions Legislation	Completed
Pension Board	Mike Ellsmore	Module 2 - Pensions Governance	Completed
Pension Board	Mike Ellsmore	Module 3 - Pensions Administration	Completed
Pension Board	Mike Ellsmore	Module 4 - Pensions Accounting and Audit Standards	Completed
Pension Board	Mike Ellsmore	Module 5 - Procurement and Relationship Management	Completed
Pension Board	Mike Ellsmore	Module 6 - Investment Performance and Risk Management	Completed
Pension Board	Mike Ellsmore	Module 7 - Financial Markets and Product Knowledge	Completed
Pension Board	Mike Ellsmore	Module 8 - Actuarial methods, Standards and Practices	Completed
Pension Board	Teresa Fritz	Module 1 - Committee Role and Pensions Legislation	Completed
Pension Board	Teresa Fritz	Module 2 - Pensions Governance	Completed
Pension Board	Teresa Fritz	Module 4 - Pensions Accounting and Audit Standards	Completed
Pension Board	Teresa Fritz	Module 5 - Procurement and Relationship Management	Completed
Pension Board	Teresa Fritz	Module 6 - Investment Performance and Risk Management	Completed
Pension Board	Teresa Fritz	Module 7 - Financial Markets and Product Knowledge	Completed
Pension Board	Teresa Fritz	Module 8 - Actuarial methods, Standards and Practices	Completed

Modules Completed Totals

Status	Full Name	LGPS Role	Total Completed	Total possible	% Completed
Completed	Mike Ellsmore	Pension Board	8	8	100
Completed	Teresa Fritz	Pension Board	7	8	88

Croydon Council

REPORT TO:	**Pension Board** **19 October 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)

Key Messages from SAB on the DLUHC Consultation on Investment Issues (Next Steps for Investments in the LGPS)

On 2 October 2023 the Board submitted its full response (also attached as Appendix A) to DLUHC's consultation on investment issues which opened on 11th July 2023. This consultation included proposals in a range of areas, including; setting a target date for the migration of all listed assets to pools, a proposed move to fewer pools (with a target size of £50bn), a requirement for funds to have a plan to invest up to 5% of assets to support levelling up in the UK and a proposal for funds/pools to dedicate 10% of assets to private equity investments.

The Board's response was shaped by a working group comprised of elected members, scheme representatives and practitioners from the Board's membership, led by Board Chair, Cllr Roger Phillips.

On 11 July 2023 DLUHC issued a consultation on a number of investment-related proposals for the LGPS. These include imposing a deadline of 31 March 2025 for the transition of listed assets from funds to pools; proposals around increasing LGPS investments in private equity and projects that meet the government's levelling up agenda; details around the implementation of the Competition and Markets Authority Order relating to investment consultants, and a technical change to the 2016 investment regulations. The consultation will run for twelve weeks and closes on 2 October 2023. You can view the consultation on the gov.uk website. DLUHC is asking that respondents use the online consultation link to respond. The Scheme Advisory Board will be responding to the consultation and will publish information about its discussions, as well as a draft response, in due course.

On 9 December 2022, the Chancellor of the Exchequer announced a set of reforms (known as the "Edinburgh 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.

Publication of the 2022 Scheme Valuation Report

On 10 August 2023 the Scheme Advisory Board published a detailed report that pulls together data from all of the 2022 local fund valuation reports. The Report aims to provide a rich source of information about a range of vital issues for Scheme members, employers and other stakeholders. It shows that:

- The average funding level has improved from 98% in 2019 to 107% at 2022 (on local funding bases), with all Funds reporting an improvement in their position since 2019
- Average contribution rates to meet future service costs rose from 18.6% of payroll at 2019 to 19.8% of payroll at 2022
- Overall, contribution rates fell – reflecting lower deficit contributions – to 21.1% of payroll at 2022 from 22.9% of payroll at 2019
- Employee contributions increased marginally from 6.5% of pay to 6.6%

The report also examines the main assumptions used by funds in their 2022 valuations, looking at trends around setting of the discount rate, life expectancy and future expectations for inflation and salary increases.

Compliance and Reporting Committee's Annual Report working group - Review of 2019 CIPFA 'Preparing the Annual Report' guidance

On 27 July 2023 the Board reported that the Annual Report working group had been reviewing the 2019 CIPFA 'Preparing the Annual Report' guidance and had identified several areas within the current guidance which now require updating and clarification. A priority has been to streamline the guidance and reduce duplication with other reporting obligations wherever possible.

Another key area of improvement identified was how funds should report and categorise the allocation of assets. This area is covered in DLUHC's recent consultation on LGPS investments, which proposes a requirement for 'a single standard set of data on investments across annual reports and LGPS statistics'. The new guidance will suggest funds follow a 'worked example' template provided by the SAB which aims to improve consistency and better scheme-level reporting of asset allocation in the SAB annual report. Using standard data to report asset classes also aims to make the annual report process simpler for funds and more consistent for readers to directly compare data. The 'worked example' template for the categorisation of assets will shortly be shared by the SAB secretariat team and should be incorporated into reporting as soon as possible whilst the new guidance is being prepared.

From an administrative perspective, the Key Performance Indicators are being reviewed, with various fund officers and software providers invited to provide comment on the current guidance. The aim is better to define them and allow for standardised reporting so that funds can properly benchmark themselves against others. The new guidance aims to be in place ready for the 2023/24 reporting period but there are reporting changes which the Board hope can be implemented on a voluntary basis for 2022/23 annual reports.

Update on LGPS Gender Pensions Gap Report (27 July 2023)

The earlier Gender Pensions Gap report for LGPS identified a substantial difference between the average level of LGPS pension benefits accrued by male and female scheme members. The difference between men and women as to their accrued benefits in the Local Government Pension Scheme is 34.7% for benefits in the reformed CARE scheme and 46.4% for benefits in the legacy final salary scheme. For benefits in payment the difference was even greater (49%).

While this potentially indicates some progress towards equality, the Board asked the Government Actuary's Department (GAD) to explore these gender gaps in more depth, focussing on:

- Career patterns – in particular, evidence of recent and past part-time working
- Differences relating to employers or categories of employers
- Comparing our analysis with the LGA's 2019 gender pay gap report

This further report sets out GAD's findings. Essentially there is no simple answer and there seems to be a complex interaction between the types of work women do, their career patterns (in terms of part-time working and gaps in service) and their ability to progress their careers after having taken on childcare or other caring responsibilities. The report shows, for example, that:

- Part-time working patterns are closely related to gender pension (and pay) gaps for LGPS members. Controlling for differences between men and women in terms of both current and historic part-time working patterns reduces, but does not eliminate, these gender gaps. Possible explanatory factors include length of service and employer differences.

- Pay and pension gender gaps can be attributed to both differences for males and females working for the same employer ('within employer') and differences in the proportions of males and females working at higher or lower paying employers ('between employer') as well as between different categories of employers.

There is as yet no settled approach to data and methodological issues that would allow detailed comparisons to be drawn between gender gaps with different public sector pension schemes. The Board has therefore proposed that GAD put in place a common reporting framework for all of the public sector schemes, potentially working this into the quadrennial scheme valuation process. Similarly, we believe that the relationship between gender pay and pension gaps reporting needs to be addressed to allow for greater transparency and understanding.

The Board has decided to set up a small working group to consider next steps. For example:

- Are there any in-scheme changes that would help address the levels of inequality (e.g. around the ability to buy back service)
- Can we direct employers to best practice in managing the career paths of those who take time off for caring responsibilities
- How do we communicate with members to ensure they are informed about the potential pension implications of the career choices they make
- How can we mainstream this kind of analysis so we can properly evaluate "what works" and how much is left to do.

If you are interested in taking part in the working group, then please contact the SAB Secretariat directly.

Second reading of the Economic Activity of Public Bodies (Overseas Matters) in the House of Commons

On 3 July 2023 The Economic Activity of Public Bodies (Overseas Matters) Bill, also known as the Boycotts, Divestments and Sanctions Bill had its second reading in the House of Commons. The Bill seeks to ban LGPS administering authorities from making investment decisions influenced by political and moral disapproval of foreign state conduct, except where this is required by formal Government legal sanctions, embargoes, and restrictions. In the course of the debate, significant concerns were expressed about the Bill. These centred around its rationale, its practicability and also whether it constituted a significant over-reach of Ministerial authority. The LGA has published a technical brief on the Bill which includes a section on the Bill's effect on pensions as well as the LGA view on this. The SAB will be providing written evidence on the Bill to the Public Bill Committee which will scrutinise the draft Bill. As far as the Board is aware, there is no evidence that any LGPS fund has instituted inappropriate politically motivated boycott or divestment policies.

Publication of the tenth Scheme Annual Report

On 26 June 2023 the Board published the tenth Scheme Annual Report. The aim of this Report is to provide a single source of information about the status of the LGPS for its members, employers, and other stakeholders. Continually improving key information about the Scheme as a whole is one of the top priorities of the Board. This report aggregates information supplied in the 86 fund annual reports, as of 31 March 2022.

Climate risk reporting

On 15 June 2023 DLUHC confirmed that implementation of climate reporting obligations would be delayed at least until next year. Presuming regulations are forthcoming in time for 1st April 2024, reports covering the period 1 April 2024 - 31 March 2025 would need to be produced by December 2025.

On 23 May 2023 the Board advised that TPR have published a review of climate-related disclosures by occupational pension schemes. The paper sets out TPR's preliminary observations and feedback to industry, based on their review of a selection of climate-related disclosures published by occupational pension schemes. The review relates to private pension schemes but contains observations which may be useful for LGPS funds ahead of the implementation of climate risk (TCFD) reporting in the LGPS – which is now expected to commence from 1 April 2024, with first reports due in late 2025.

On 22 February 2023 SAB published the results of their survey to guage 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.

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.

'McCloud' remedy in the LGPS – supplementary issues and scheme regulations consultation

On 30 May 2023 DLUHC launched a consultation that seeks views on changes to the Local Government Pension Scheme in England and Wales (LGPS). This follows a previous consultation that DLUHC undertook in 2020 on proposals to address discrimination found by the courts in the 'McCloud' case. The Court of Appeal ruled in 2018 that younger members of the judicial and firefighters' pension schemes had been unlawfully discriminated against – known as the McCloud judgement. The Department published the government response in April 2023 confirming the steps it will be taking to resolve the McCloud age gap discrimination in respect of the LGPS in England and Wales.

DLUHC are now seeking views on issues relating to the McCloud remedy. This will cover reconsulting on some areas, and consulting on issues not covered in the first consultation. The department are also seeking views on draft scheme regulations (see annex A) which would implement the remedy. The consultation closes at 11:59pm on 30 June 2023.

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.

2021/22 Annual Reports and Audit issues within the LGPS

On 30 May 2023 SAB issued the following statement in respect of the impact of completed triennial valuations on the delayed 2021/22 accounts

> *Councils may be aware that the delay in finalising accounts for 2021/22 has meant that information from the March 2022 triennial valuations of pension funds has become available before the audit of many accounts has been signed-off. This has led some auditors to request that the accounts are re-done using this more up to date information.*
>
> *Following discussions between stakeholders, last week the National Audit Office (NAO) issued supplementary guidance to auditors (guidance note SGN 3) and CIPFA issued supplementary guidance to accounts preparers (CIPFA Bulletin 14 Supplement). Taken together these make it clear that there is no need for the accounts to be re-stated using the triennial valuations, unless the original valuation in the accounts contained material omissions such as not taking account of an existing large-scale restructuring/redundancy programme. Hopefully, this will now prevent the issue of pension valuations adding further to the delays in finalising accounts.*

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.

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.

DLUHC consultation on changes to the SAB's cost management process (Scheme Cost Assessment – SCA)

On 23 May 2023 the Board issued the following statement:

> *DLUHC has issued the final regulations and published its response to the consultation on reforming the SAB's own parallel process for reviewing scheme cost. This is the process set out in Regulation 116 of the 2013 Regulations, which runs during the HM Treasury-led quadrennial scheme valuation process. The changes take into account SAB's response to the consultation and better align the SCA with HMT's reformed cost control mechanism (CCM).*
>
> *It helpfully re-iterates that the SAB process operates prior to the HMT CCM and gives the SAB greater flexibility in the making of recommendations to the Secretary of State where there is a breach. However, it leaves open for further discussion the link with the new "economic check" in the CCM.*

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.

SAB statement on Freedom of Information Act requests on climate advice and data (30th March 2023)

"Some funds have raised with the Board the increasing prevalence of requests for information about the responsible investment policies of administering authorities. These may come from interested scheme members or activist groups and can be "round robin" requests that are made to all LGPS funds with a view to collating information across the scheme (and making comparisons between funds' responses).

"As public authorities, there are duties on all administering authorities to be open and transparent about their policies and actions. However, the resources available to deal with requests are not unlimited and there will be occasions where cost, commercial sensitivity or other considerations will outweigh the public interest in releasing information. Further guidance on this is available from the Information Commissioner's Office. Support in how to respond to these requests, especially if they become onerous or vexatious, should be sought from the authority's legal and FOI advisers.

"If the new climate reporting duties had been brought in by the Government, as consulted on last year, from 1st April 2023 then that may have helped authorities currently considering the request from Carbon Tracker by putting, or at least having a plan to put, a large amount of information into the public domain which may have helped address some of the requests for information that are being received. Despite the delays in DLUHC concluding that consultation, the Board would recommend that all funds consider having a proactive publication scheme in place for climate data, and their stewardship activities, to minimise the volume of ad hoc requests that they have to field."

Changes to pensions taxation

On 15 March 2023 the Chancellor announced some changes to pensions taxation in the Spring Budget. The Annual Allowance (which is the maximum amount of pensions savings an individual can make each year before incurring a tax charge) will increase from £40,000 to £60,000 from 6 April 2023, with individuals continuing to be able to carry forward unused Annual Allowances from the three previous tax years. Changes were also made to the Lifetime Allowance, the charge for which will be reduced to zero from 6 April 2023, before being fully abolished in a future Finance Bill. Other changes were made to the Money Purchase Annual Allowance and Tapered Annual Allowance. More detail can be found in the Budget document and the Pension Tax Limits policy paper.

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.

On 9 March 2023 DLUHC responded to the consultation on changing the revaluation date. The response confirms that it will be proceeding with the change. Regulations have been published which take effect on 31 March 2023.

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 statements of interest to the LGPS:

Equality, Diversity and Inclusion

On 28 March 2023 TPR published equality, diversity and inclusion (EDI) **guidance for pension scheme governing bodies** and **employers**.

TPR hopes the guidance, developed with an industry working group, will be used by pension scheme governing bodies and sponsoring employers to improve the EDI of their scheme's board.

The guidance suggests that pension schemes have an EDI policy, which covers an agreed definition of EDI, the EDI aims of the governing body and an EDI training plan. Assessments of the governing body's performance should include how well EDI has been, and continues to be, embedded into processes, according to scheme objectives.

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.

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: 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 – SAB response to DLUHC consultation on investments

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Local Government Pension Scheme England and Wales

Scheme Advisory Board (SAB)

Department for Levelling Up, Housing and Communities

Local Government Pension Scheme (England and Wales): Next steps on investments

LGF Pensions Team, DLUHC
2nd Floor
Fry Building
2 Marsham Street
London SW1P 4DF

LGPensions@levellingup.gov.uk

Response to consultation

This response is submitted on behalf of the Local Government Pension Scheme Advisory Board (England and Wales) which is a body set up under Section 7 of the Public Service Pensions Act 2013 and The Local Government Pension Scheme Regulations 110-113.

The Board's purpose is to:

- Provide advice to the Secretary of State and to administering authorities on "the desirability of changes to the scheme" and "in relation to the effective and efficient administration and management" of the LGPS E&W ("the Scheme")
- Provide a framework to encourage best practice, increase transparency and coordinate technical and standards issues across the sector

Membership of the Board includes equal number of voting members representing employers and employees. The Board is also supported by non-voting members and advisors.

There are around 18,000 employers participating in the Scheme and therefore there are representatives of some of the larger employer groups (further/higher education institutions and academy schools) on the Board and its sub-committees.

Secretariat services are provided by the Local Government Association and separate Advisory Boards have been established for the LGPS in Scotland and in Northern Ireland. They are outside the scope of this response.

This response has been compiled by the Board Secretariat in consultation with members of the Board and approved by the Board in correspondence.

Yours sincerely,

Cllr Roger Phillips
Chair of the Board

Scheme Advisory Board (SAB)

Response to consultation questions

Preliminary remarks

The Board welcomes this consultation, which provides much-needed clarity on the Government's future intent on investment policy. The Board will engage fully and positively with the Government, LGPS funds and pools to build as broad a consensus as possible on the way forward.

However, the long delay from when this consultation was first mooted (2019) and its publication now has led to a considerable degree of uncertainty and unhelpful speculation. There was an absence of engagement in that period which was not helpful to those trying to push forward and make progress towards further collaboration on the delivery of fund investment strategies. That uncertainty could have been mitigated by an active dialogue between departmental officials, the Board and those working at funds and pools about their experience of pooling. We hope for lessons to be drawn that whatever the outcome of this consultation there needs to be a much greater level of engagement moving forward. That should be on an open and ongoing basis so that policy thinking can be shared and even in future co-produced.

In terms of this particular consultation, the Board recognises that we need to start from where we now are and not revisit earlier arguments about the merits of pooling. We believe that the most important question is how the Scheme can move forward in the best way possible.

The Board supports greater transparency and reporting, indeed it has developed the first scheme-level annual reports and triennial valuation summaries. Perhaps because of its efforts to produce scheme-wide publication, the Board recognises that compliance with existing publication requirements contained in regulations and statutory guidance is not universal.

There may be some good reasons for that, in terms of the well-recognised staffing difficulties and burgeoning workload of LGPS officers. However, the Board believes that it is time to review the panoply of reports, statements and strategies that funds are asked to produce and rationalise these with an eye to their core purpose and intended audience. Once that has been done, and there is a shared view that the reporting burden is reasonable, it would be appropriate to consider what the best enforcement mechanism is to ensure that LGPS funds are meeting their reporting obligations.

It is also important for the Board to emphasise that in order to deliver on existing workstreams, as well as taking forward many of the necessary reporting and guidance changes suggested in the consultation, the Board's annual budget and resourcing level in the Secretariat team will need to increase. We hope that the Minister will appreciate that without additional resource, it will not be possible for the Board to deliver these additional asks.

Scheme Advisory Board (SAB)

Responses to specific questions

Question 1: Do you consider that there are alternative approaches, opportunities or barriers within LGPS administering authorities' or investment pools' structures that should be considered to support the delivery of excellent value for money and outstanding net performance?

One barrier that the Department needs to address is the lack of evidence in the public domain that makes the case for their preferred model. The consultation refers to data supplied by the pools which has never been published and one research paper looking at international comparisons. Improving Scheme transparency has been a key principle for the Board, which is why we have established the Scheme-level Annual Report as well as the triennial Valuation report.

The Board believes that it would be easier to reconcile the differing views that exist if there were a wider evidence base to draw upon. There are always likely to be some who oppose pooling in principle but there will be some who may be persuadable if the case could be made in an independent, evidence-based manner.

Even for those who accept the basic premise of greater scale being needed, most would accept that the success of a pool in practice is built more on alignment of strategies and underlying approach to investment, rather than of total AUM. The one research paper quoted in the consultation also seems to recognise that.

The Board would therefore recommend that the Department should recognise that there also needs to be consideration of the number and size of partner funds who participate in a pool, as well as the total AUM. It seems plausible that there needs to be a manageable number of funds participating in order to effectively set a common direction and secure the benefits of a harmonised approach. If it is accepted that funds may legitimately have their own investment philosophy, then that needs to be respected and progress achieved by consent.

Of course, alignment of investment approaches requires building relationships of trust between partner funds and with the pool – which is why governance is key. Governance works best when partner funds are engaged and pro-active owners/members of pools and over time develop those relationships of trust.

Collaboration and trust cannot simply be mandated and that is why the Board believes that there is an ongoing role for both the Department and the Board to facilitate the development of those behaviours. That can be done both directly by engaging with pools and funds where relationships are not developing as hoped, as well as indirectly by actioning the Board's Good Governance recommendations from 2021.

In some cases, it seems that the Department does accept the Board's perspective of governance rather than size being key, for example in relation to the recognition by officials that the Wales Pension Partnership will be seen as an exception to the general rule and not expected to achieve the "optimal" scale of £50bn. This recognises that particular, strong partnership arrangements already in place for Wales and its unique national identity (including the need to produce materials in the Welsh language).

The Board feels that the consultation proposals should also recognise that there are potential risks associated with size including concentration risk (particularly in London) and the loss of ability to be nimble and take advantage of smaller opportunities. Genuinely local place-based investments are likely to be in the latter category. Generally, though there are likely to be different "sweet spots" in terms of scale for different asset classes. That seems to be recognised by the reference in the consultation to certain pools specialising in particular asset classes, rather than each pool developing that expertise separately.

Question 2: Do you agree with the proposal to set a deadline in guidance requiring administering authorities to transition listed assets to their LGPS pool by March 2025?

The Board understands the importance of setting clear deadlines but believes that March 2025 is an unrealistic deadline for all funds to transfer all listed assets. The Board would like to see evidence that the date has been chosen with due regard to the need to balance the associated tax and transition costs with the perceived benefits.

Key to the reasonableness of any target is how exacting the test will be of the reasons for not transferring an asset and the administrative burden of demonstrating this. It would be helpful to have further detail from DLUHC on what is expected to be contained in the "detailed rationale" for not transferring an asset, as well as who – whether those with fiduciary responsibility for investment, or DLUHC officials – would judge whether the rationale was adequate and how it is envisaged to be reported.

We also believe that an exception for the deadline should be made for the passive investment assets held via insurance funds. This is because the larger insurance funds already offer greater scale (and hence lower fees) than pools would be able to offer through any authorised contractual scheme of their own.

We would also welcome confirmation that an acceptable reason for delaying transition exists for legacy illiquid assets, particularly those in private markets, where the fee terms are already fixed. Transferring these assets to the pool would not allow for those fees to be revisited but would simply incur new legal, transition and tax costs.

The Board would suggest that the most appropriate point in the triennial valuation cycle for funds to be considering relevant factors and consulting on their investment and funding strategy statements would be one year later, in 2026. By then, the 2025 valuation results will be known and can be taken into account.

As a point of principle, the Board does not accept that it would be an appropriate use of the direction-making power contained in Regulation 8 of the LGPS Investment Regulations 2016 to compel a fund to transfer ownership of an asset to a pool, or disinvest from a non-pooled asset in order to invest in a pooled one, <u>unless there was clear evidence that retaining the pooled asset would be a breach of that fund's fiduciary duty</u>.

In Hansard, when Parliament was considering this power, the then Minister Marcus Jones MP was clear that:

"It is important to point out that that is an example of a backstop provision. The intention is to use this backstop provision sparingly and only when it is necessary to step in to protect the interests of both the scheme members and the local taxpayers, who might have to step in and bail out the LGPS if the investments are not made in a way that provides the best return from those funds."

The Board does not believe that LGPS funds are simply refusing to transfer assets where there is a clear financial benefit in transferring it to a pool. It is also not clear how the Department could from a distance make the necessary detailed financial assessment that this was the case. The Board would also query whether Stamp Duty would be payable on any transfer that happens by virtue of a legal direction given by the Secretary of State. Generally speaking it is not chargeable on assets transferred by operation of law.

The Board feels it is more appropriate for Government to focus on increasing the active participation of funds in pools (and thereby the pool's effectiveness) rather than using the threat of direction to compel funds to act against a fund's own better judgement.

Question 3: Should government revise guidance so as to set out fully how funds and pools should interact, and promote a model of pooling which includes the characteristics described above?

It is not clear what is meant by "promotion" of a particular model in this context. Government doesn't have the ability to direct or even issue guidance to pools that they would have to have regard to. The Board also believes that there are limits to how far guidance issued under Regulation 7 of the LGPS Investment Regulations 2016 could be used to indirectly shape pool governance arrangements.

The Government does have the ability to amend the 2016 Regulations or issue statutory guidance under them, but exactly what that would say and whether it would require unwinding of existing arrangements is not clear. The consultation recognises that different models have been adopted and says that "each model has its own benefits", which suggests that the model of pooling will remain heterogenous rather than homogenous. If that is not Government's view, then it should explicitly state that and outline its preferred operating model for the pools that it sees existing in the longer term.

The Board also feels while the Department's preferred model of pooling can work, it may not be the most appropriate approach for all funds. The picture drawn in the consultation is of a relatively top-down structure: with the Secretary of State potentially giving directions, pools having ownership of most decisions and partner funds left with quite residual functions. We believe that perspective needs to be altered to a more collaborative model, which has proved successful in practice. In this approach, funds are recognised as having a strong and active role in the governance of pools. They are able to hold the pool, its Board and executives to account and there is an important role for member representatives in that too.

The consultation says that there will be guidance on member representation but does not give any indication of what this would say. The Board believes that such guidance should recognise that member representatives will have an interest in "following the money" and ensuring that value is achieved at every stage. It should be clear that member representatives' role is to provide oversight – and they should be able to participate in the governance of the pool.

The Department also needs to seriously consider how the messages in this consultation could negatively affect progress with pooling. If there is a prospect of some pools ceasing to exist in the near future, then that will give many funds occasion to pause transfers and reconsider their participation in that particular pool. This is precisely the opposite effect to what it is trying to achieve.

If the number of pools is to reduce, the Minister needs to carefully balance any further marginal gains through increased scale against what may prove a greater cost of disruption (in terms of managing pool staff and buildings, fees, stamp duty and diversion of management attention at both funds and pools). There is no indication in the consultation of how this process of rationalisation is expected to occur nor what the respective roles of Government, pools and funds would be in that process. Without clear ground-rules for how mergers or acquisitions would work, the risk is that they become time-consuming and messy, and therefore costly.

There is also a potential issue where the pool is an adviser on investment strategy as well as provider of products. There are potential conflicts of interest there that need to be considered, with appropriate protections put in place where necessary.

Question 4: Should guidance include a requirement for administering authorities to have a training policy for pensions committee members and to report against the policy?

The Board very much welcomes this recognition of the importance of training for Pension Committee members, with the need for Committee members' training to be "levelled up" to at least equal the responsibility placed in primary legislation and regulations on Pension Board members. We share the desire for increased transparency on effectiveness of outcomes and training of Pension Committee members and think that the proposals are the absolute minimum that should be expected, particularly bearing in mind the requirements of the MIFIDII opt up.

The Board would welcome a commitment from the Department to work with it to develop within a defined timescale a consistent set of reporting standards for training (and if agreed trusts that the Minister will approve the budget necessary to support this work). We would also encourage the Department to set out a long-awaited timetable for the implementation of the full range of Good Governance recommendations on training and expertise that were sent to the (then) Minister two and a half years ago and are yet to be addressed.

Indeed, in relation to these proposals we would urge the Department to go further and require those sitting on Pension Committees to meet standards which more closely mirror the statutory requirements on Pension Board members. They are expected to develop a knowledge and understanding of the law relating to pensions, the rules of the scheme and basic principles relating to the funding and the investment of scheme assets. There is no reason why Pension Committee members should not have a similar legal obligation, and this would also address the current anomaly whereby Pension Board members are required to demonstrate that they have the capacity to fulfil their roles but there is no similar provision in respect of Pension Committee members.

The consultation document proposes to require funds to report on the training undertaken. However, the current statutory guidance (issued by CIPFA in 2019) already says that the Governance Compliance Statement should include "membership of each panel, board, committee or sub-committee with a matrix showing each member's voting rights, record of attendance at meetings and details of training received during the reporting period".

The same statutory guidance also recommends that the Annual Report includes "details of training offered and take-up (training is mandatory for local pension board members but not for a pensions committee)". As per our introductory remarks, there is a need for a more effective mechanism to ensure compliance, but this should be combined with a thorough revision of the range of reporting duties which funds are expected to comply with.

Question 5: Do you agree with the proposals regarding reporting? Should there be an additional requirement for funds to report net returns for each asset class against a consistent benchmark, and if so how should this requirement operate?

The Board has long believed in the need to increase the quality and transparency of reporting by funds. As mentioned in the response to Question 4, the Board believes that there should be a detailed review of the relative functions and content of the SF3 return, the Annual Report (AR) and other reporting duties on LGPS funds and pools.

It makes sense to review these in a holistic way, especially as further new reporting obligations (such as around climate risk reporting) are in development. For each source (AR, SF3, pool reporting) we need to be clear about the intended audience, purpose and what conclusions readers are meant to be able to draw from the data. Of course, in carrying out this review we need to be mindful to minimise the administrative burden that arise from any changes made.

The Board agrees that it would be helpful to have better and more consistent data on investment performance. We support the principle that data on net returns should be reported against appropriate benchmarks. However, there are practical difficulties in doing so and the choice of benchmark would be significant and needs to be carefully considered – the Board would welcome engagement about how this might work.

The Board would also emphasise that this data will need to be presented with sufficient contextualisation. Without that, comparing net return figures between funds could lead to erroneous conclusions being drawn if the reader were not sufficiently aware of how the figure would be affected by considerations such as the different funding positions, different risk appetites (which will be reflected both in strategic asset allocation and the choice of assets within a specific asset class) and the extent to which the assets are managed in-house or externally.

Question 6: Do you agree with the proposals for the Scheme Annual Report?

Yes, this will be helpful and make it easier to produce the Board’s annual Scheme Report. It will however require an up-front investment of time and resource which we will reflect in the Board’s workplan, and budget, for coming years.

The Board would also like to remind the Department of its proposal to separate the production of pension fund annual accounts in England from the administering authorities’ own accounts, as is already the case for the LGPS in Scotland and Wales. This policy measure would help to significantly improve the quality and timeliness of Scheme-level data.

Question 7: Do you agree with the proposed definition of levelling up investments?

We understand the temptation, with borrowing costs for Government at a higher level than they have been for some time, to look to LGPS funds as a ready source of funding for regeneration or infrastructure projects. And there is no question that more needs to be done to boost productivity, grow the economy, raise living standards and to do so in a way that reduces the inequality in outcomes across the UK. However, LGPS funds cannot invest simply to support Government policy or provide loans on favourable terms for projects supported by Government.

However, the Board believes that most funds are very open to investing in place-based initiatives where particular projects can be demonstrated to be consistent with the fund's fiduciary duty and appetite for risk. Due to the need to manage conflicts of interest, we again urge the Department to implement the recommendations of the Board's Good Governance review, which includes the need for each fund to have a conflict of interest policy. Not least because local authorities and other scheme employers (e.g. universities and housing associations) may well be partners in some of the proposals which the fund is invited to support.

Some funds have a deep understanding about how their local economy works, which could give them a competitive advantage over other investors. But the key barriers are scale and supply of opportunities: we would like to see a deeper consideration by Government of what can be done collectively to address those.

For funds to invest, the bar to be passed for "levelling up" investments is a relative one, set by the opportunities presented elsewhere in the economy (and a global economy at that). UK infrastructure projects will need to be competitive with other opportunities around the world.

We note that the consultation says that the LGPS "can play a key role in building a pipeline of investable UK opportunities without costly deal by deal auctions". The most appropriate role for LGPS funds in this context is likely to provide a clear steer to Government on the kinds of propositions (in terms of risk, cost and return) that it would be interested in, the range of those between different funds and eventually to invest in suitable opportunities. While LGPS funds should be consulted on what the pipeline is for and who the potential customers of that pipeline are, we do not believe that it would be for the LGPS to construct it. That is clearly a job for a Central Government agency (or a body nominated to act on its behalf).

We believe that Central Government absolutely needs to take a more active role in this space and could do so by setting out a clearer and more activist industrial strategy, or make a comparable offer to support transition to a net zero world such as those offered in other jurisdictions (like the significant funding commitments announced by the US and EU).

In relation to the specific question on the definition of Levelling Up investments, that proposed at paragraph 62 of the consultation document does seem to have the necessary degree of flexibility. There are ongoing debates on the best way to measure impact and no settled methodology has yet emerged. We would expect the requirement that the impact be "measurable" not to be tested against any particular standard. Indeed, some of the levelling up missions themselves are very loosely described and so we would also not expect the Department to quibble about whether any particular investment did or did not meet the definition – that is best left for local determination.

Question 8: Do you agree that funds should be able to invest through their own pool in another pool's investment vehicle?

We are not aware of anything that would prevent a fund from investing in another pool if that pool had opened its funds to external investors. As far as we are aware, no pools have taken that step and for good reason (these are very clearly set out in the response from SYPA, which has been shared with the Board). GLIL does allow the admission of new investors outside the LGPS but GLIL is not a pool as such, but rather a cross-pool (LPP and Northern) investment vehicle. Increased use of collaborative vehicles of that type may be a more productive route for the Department to explore rather than permitting or encouraging funds to invest via pools other than their own “home” pool. There is also the potential for additional costs to arise as a result of investing in another pool’s product through the “home” pool, which would seem to run counter to the cost-saving aims of pooling.

Question 9: Do you agree with the proposed requirements for the levelling up plan to be published by funds?

The Board has no objections in principle to the publication of a levelling up plan by funds, so long as the requirements are proportionate, in line with fiduciary duty and integrated with the other duties and strategies that funds need to produce. The detail of this should be wrapped up in the general review that we have proposed of what information LGPS funds are required to publish.

As was mentioned in the answer to Question 7 above, the Board would also like to see the Department, and HM Treasury, produce a plan for how it will help increase the scale and investable opportunities available to LGPS funds.

Question 10: Do you agree with the proposed reporting requirements on levelling up investments?

At the risk of repetition, the Board has no objections to LGPS funds being asked to report on how they are investing in line with a Levelling up target. However, any requirement needs to be proportionate and considered alongside a review of publication duties more generally.

It should also be acknowledged that Levelling Up investments are not an asset class of their own. We would therefore suggest that the investments are to be reported under the principal asset class breakdown. These kinds of investments may come in terms of public or private equity, and also take the form of bonds (like those issued by water utility companies).

Question 11: Do you agree that funds should have an ambition to invest 10% of their funds into private equity as part of a diversified but ambitious investment portfolio? Are there barriers to investment in growth equity and venture capital for the LGPS which could be removed?

The Board does not agree with this proposal. We feel the increasing attempts by the Government to intervene in asset allocations is unhelpful. Asset allocation is the key determinant of success and requires careful consideration of the specific circumstances of the fund and is based on taking professional advice from officers, actuaries, investment consultants and others. Statements from Ministers cheerleading particular asset classes, albeit well meant, are not relevant or particularly helpful to that process.

In any case many funds are now in a position where, due to strong funding levels and the desire of many employers to manage volatility in their future contribution levels, they wish to reduce their exposure to risk. That makes them very reluctant to increase their allocation to riskier asset classes, such as private equity.

It would also be helpful to clarify whether this is intended to cover private markets and growth assets more generally. We believe it makes less sense to limit it to private equity, narrowly defined.

The Government should also be aware that, putting aside considerations of risk and return, there are issues with transparency working with some private equity managers. That is both in terms of cost transparency data and climate risk reporting.

The Board would also put forward the suggestion that private debt be considered to be part of this ambition – should it be pursued by Government. Private debt often provides funding to UK companies as they grow and develop, and therefore could be said to meet the Government's desire to contribute to overall UK economic growth.

Question 12: Do you agree that LGPS should be supported to collaborate with the British Business Bank and to capitalise on the Bank's expertise?

The Board believes that Government departments and agencies like the UK Infrastructure Bank and British Business Bank should work together to pull together a pipeline of investable opportunities for LGPS funds. The Board has previously recommended that the Government create and market a selection of social impact bonds. As different funds and pools are of markedly different sizes, the creation of bonds would allow all funds to invest at a scale that is appropriate for them.

Central Government clearly has a role to play here. For example, we look to the Government to develop a coherent and well understood industrial and planning strategy that gives long-term investors confidence that this is more than a passing political fad.

Longer term policy commitments, and ideally cross-party consensus, would be extremely helpful to address the policy risk that accompanies the financial risk in many larger projects. As we have seen with debates on HS2, airport expansion and on-shore wind, uncertainty around how Government policies may change is damaging to investor confidence.

To create some certainty and sense of momentum, some governments have identified significant streams of funding to support transition towards Net Zero, e.g. those announced in the United States and the European Union.

Question 13: Do you agree with the proposed implementation of the Order through amendments to the 2016 Regulations and guidance?

Yes

Question 14: Do you agree with the proposed amendment to the definition of investments?

Yes

Question 15: Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so please provide relevant data or evidence.

The Board believes that it is important for the financial services industry to become more inclusive and that Government and the LGPS should consider how its practices can further that aim. The Board notes that the development of pooling companies has enabled the

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LGPS to bring in more diverse talent and create opportunities and viable career paths in parts of the country where this was not the case before. Notable examples include the way Border To Coast has brought new jobs to Leeds and made it the biggest investment player in the UK not based in London or Edinburgh. Similar success is evident in Wolverhampton, due to LGPS Central, which has been actively championing the need for change in the investment industry.

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