

Pension Committee Agenda



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

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

Reserve Members: Richard Chatterjee, Stuart Collins, Alisa Flemming,
Simon Fox, Stella Nabukeera, Appu Srinivasan, Nikhil Sherine Thampi and
Robert Ward

A meeting of the **Pension Committee** which you are hereby summoned to attend,
will be held on **Tuesday, 20 June 2023** at **10.00 am** in **Council Chamber, Town
Hall, Katharine Street, Croydon CR0 1NX**

Katherine Kerswell
Chief Executive
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
Monday, 12 June 2023

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

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

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

If you require any assistance, please contact the person detailed above, on the righthand side.

AGENDA – PART A

1. Apologies for Absence

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

2. Minutes of the Previous Meeting (Pages 7 - 14)

To approve the minutes of the meeting held on Tuesday, 14th March, 2023 as an accurate record.

3. Disclosure of Interests

Members are invited to declare any disclosable pecuniary interests (DPIs) and other registrable and non-registrable 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. Conflicts of Interest Policy (Pages 15 - 36)

This report advises the Committee of the arguments for adopting a whole Fund Conflicts of Interest Policy and recommends that they agree the draft attached as Appendix B.

6. Governance Policy (Pages 37 - 56)

This report updates the Governance Policy for consideration by the Committee.

7. Governance Best Practice Compliance Statement (Pages 57 - 66)

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

8. Pension Administration Strategy (Pages 67 - 142)

This report updates the Pension Administration Strategy Statement for consideration by the Committee.

9. Croydon Pensions Administration Team Key Performance Indicators for the Period from February 2023 to April 2023 (Pages 143 - 156)

This report sets out Key Performance Indicators for the administration of the Local Government Pension Scheme for the three-month period up to the end of April 2023.

10. Contract for the Provision of Actuarial Services for the Pension Fund (Pages 157 - 162)

This report advises the Committee of the progress to date in respect of the procurement of Actuarial Services for the Fund for a period of six years from 1 August 2023.

11. Review of Breaches Log (Pages 163 - 180)

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

12. Review of Risk Register (Pages 181 - 206)

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

13. Local Government Pension Scheme Advisory Board/ The Pensions Regulator Update (Pages 207 - 216)

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

14. Part A -Progress Report for Quarter Ended 31 March 2023 (Pages 217 - 224)

This report provides an update on the Fund's performance for the quarter to 31 March 2023. The report falls into four parts. Section 1 addresses performance against strategic goals. The second section considers the asset allocation strategy and how that is being applied, specifically current and planned investments. The third section deals with risk management and the fourth and final section summarises the recent investment manager site visit.

15. Part B -Progress Report for Quarter Ended 31 March 2023 (Pages 225 - 302)

This report provides the commercially sensitive context to the performance of the Pension Fund over the most recent quarter.

Performance analysis and market commentary provided by Mercer are included at Appendix A and Appendix B respectively.

16. Investment Strategy Review (Pages 303 - 336)

17. 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

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Pension Committee

Meeting held on Tuesday, 14 March 2023 at 10.00 am in Council Chamber, Town Hall, Katharine Street, Croydon CR0 1NX

MINUTES

Present: Councillor Callton Young OBE (Chair);

Councillors Simon Brew, Richard Chatterjee, Patricia Hay-Justice, Yvette Hopley, Alasdair Stewart

Co-opted Members: Ms Gilli Driver and Charles Quaye

Also

Present: Councillors Clive Fraser (Online), Stuart Collins (Online)

Apologies: Councillor Nina Degrads and Endri Llabuti

PART A

55/23 Minutes of the Previous Meeting

The minutes of the meeting held on Tuesday, 6 December 2022 were agreed as an accurate record subject to the following amendment:

That removal of Peter Howard from the attendance list as he was not present at the 6 December meeting.

56/23 Disclosure of Interests

The Committee agreed that their register of interest forms were up to date.

57/23 Urgent Business (if any)

There were no items of urgent business.

58/23 Funding Strategy Statement and Satellite Policies

The Acting Head of Pensions and Treasury introduced the item and explained that the purpose of the report was to round up the process of setting the valuation and Funding Strategy Statement (FSS). During the 11 October 2022 meeting, the Committee discussed the FSS and adopted the draft FSS. The FSS has since been out for consultation to the other employers within the Fund and there had been no suggested changes to the proposed FSS.

Officers had also issued employers with their contribution rates for the next three years as part of a plan to keep contribution rates stable. As the employers had received their contribution rates, the Actuary was now able to sign off the Rates and Adjustments Certificate for all the employers and this process would be completed by the end of March 2023.

In response to questions from Members, Officers informed the Committee that:

- The appendices would be updated within the final statement which would be published.
- During the consultation, officers conducted a webinar with the academies and separate webinars with other employers. Broadly speaking the future funding rate counteracted the benefits that the Employers had received from the past service deficit rate. As the funding level had improved, the service deficit rate had decreased but the future service rate had increased. Officers were confident that employers would accept the contribution rates.
- The Committee set the policy for the FSS and the Actuary determines the contribution rates based on the funding strategy.
- The Actuary was responsible for signing the Rates and Adjustments Certificate.
- The Actuary would make sure the assumptions that had been made in the funding strategy were still valid amidst any changes to interest rates.

Resolved to:

- 1.1 Note the outcome of the recent consultation on the Funding Strategy Statement.
- 1.2 Adopt the Funding Strategy Statement, included as Appendix A.
- 1.3 Adopt the Policy on Contribution Reviews included as Appendix B.
- 1.4 Adopt the Policy on Academies Funding, included as Appendix C.
- 1.5 Adopt the Policy on Bulk Transfers, included as Appendix D.
- 1.6 Adopt the Cessation Policy, included as Appendix E.
- 1.7 Adopt the Prepayments Policy, included as Appendix F

59/23 Pension Fund Medium Term Business Plan 2023-26

The Acting Head of Pensions and Treasury introduced the item and explained that Officers had completed the valuation sign off, had assessed the good governance guide and were working on a good governance action plan moving forward. Officers were slightly concerned that they could find themselves in a position where the cash flow within the scheme would become negative. However, they are confident that this would not pose a threat to liquidity over the next three years as there was enough investment income being generated by the Fund which could be accessed.

In response to questions from Members, Officers informed the Committee that:

- The Fund had a large buffer of around £40 million in cash and had received good returns on the cash.
- Drawing other income within the Fund this would relate mainly to the LGIM equity portfolio. Officers estimated that there was a 2-3% dividend income that could be drawn from LGIM.
- They expected cash from distributions from private equity and infrastructure investments to outweigh calls to the investments so generate more income to the Fund over the next few years.
- In the resourcing budget the department was showing six vacancies, there were currently two temporary workers and the plan moving forward would be to fill these vacant positions.
- Officers had been in contact with other local authorities on how to manage the workload and had explored whether a shared service would be the best practice to cover the vacancies within the pensions and treasury service. The Corporate Director of Resources & S151 Officer stated that she would provide updates on the structure of the department to the Committee within the next four months.
- Liaising with other boroughs would enable the service to become more resilient.
- The proposal for the amendment to the voting rights on the Committee was with the Monitoring Officer and a decision would likely be made by May 2023.
- Inflation had been factored into the budget for the new financial year and was part of the business plan.
- The funding came from the Pension Fund and there were not the same financial pressures on the Fund as there was on the Council's budget.
- There was no requirement to make any further savings on the staffing budget, so there was no plan to reduce the number of staff in the service.
- Last year there was a bulk transfer in as part of the South London Waste Partnership exercise of around £15 million. This year part of the backlog exercise was to identify the transfers out, these were now being processed and had made the figure higher than expected but the Acting Head of Pensions and Treasury forecasted this to decrease over the next financial year.
- Transfers in and out tended to balance out overtime.

Resolved:

1.1 To comment on and agree to the recommended Medium Term Business Plan 2023/26.

60/23 Review of Breaches Log

The Acting Head of Pensions and Treasury introduced the item and explained that the 2019-20; 2020-21 and 2021-22 accounts which were outstanding

should be reported to the pension's regulator. The Pension Board had already suggested that the outstanding accounts should be reported suggested that the Committee might want to file a joint report.

In response to questions from members officers informed the Committee that:

- At present, there were three years' worth of accounts to be signed off, this was not the case for other members of the Local Government Pension Scheme (LGPS).
- The audit for the 2019-20 accounts for the pension fund had been substantially completed but the accounts still needed to be signed off.
- A report on the outstanding accounts would be drafted after the meeting.
- The Breaches Log was presented to the Pension Board and Committee at every meeting and if there was an item that affected a member then they would be notified.
- There was a governance risk by not having the accounts signed off but there was no risk to member benefits. If there was a material risk to members, then Officers would inform the membership.

A Member stated that 'the failure to publish minutes' item on the breaches log should be changed from an 'amber' rating to a 'green' rating as the minutes for the Pension Committee were now being published in a timely manner.

Resolved to:

- 1.1 Consider the contents of the Pension Fund Breaches Log, Appendix A, and to comment as appropriate.
- 1.2 Agree to the filing of a joint report with the Pensions Board to The Pensions Regulator for failing to publish audited Annual Report and Accounts within statutory deadlines for the years 2019/20, 2020/21 and 2021/22.
- 1.3 To move 'the failure to publish minutes' item on the breaches log from amber to green.

61/23 Review of Risk Register

The Acting Head of Pensions and Treasury introduced the item and explained that two new risks had been added to the risk register, these were 'conflicts of interest' and 'climate change'. The Acting Head of Pensions and Treasury stated that the conflicts of interest had been a longstanding issue which was why there was a need for the conflict-of-interest policy which now sat with the monitoring officer. The Acting Head of Pensions and Treasury explained that work had begun on the investment strategy, and this would factor in the climate change risk to any portfolio.

In response to questions from members officers informed the Committee that:

- The reason for holding of large amounts of cash was to guard against the risk of inflation. At present, there was a lot of volatility in the market and following the investment strategy review they would re-assess their stance on the amount of cash held. The pension fund was receiving a better return on the cash than any asset they could have invested in.

Resolved to:

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

62/23 Croydon Pensions Administration Team Key Performance Indicators for the Period From November 2022 to January 2023

The Pension Manager stated that the team continued to perform well on business-as-usual tasks from November 2022 to January 2023.

There had been a focus on preparation for end of year and an anticipation of the annual allowance for 2022-23 which officers were concerned would affect more people given the pension revaluation in line with CPI of 10.1%.

The Pension manager explained that the team had focused on inter-fund transfers this quarter, and that auto aggregation had caused many more transfers and officers had to ensure the removal of any false negative annual allowance calculations.

The Pension Manager confirmed that there had been an addition to the team in January 2023.

Resolved to:

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

63/23 Review of Committee Training

The Acting Head of Pensions and Treasury introduced the item and explained that the investment workshop in February 2023 was well attended and invited Members to inform Officers if their attendance for any training sessions had not been recorded.

In response to questions from Members, Officers informed the Committee that:

- There were several free courses ran by investment managers and if a member believed that the course was relevant then their attendance would be recorded.

Resolved to:

1.1 Note the contents of the Pension Committee Training Log.

64/23 Local Government Pension Scheme Advisory Board/The Pensions Regulator Update

The Acting Head of Pensions and Treasury introduced the item and explained that the report advised the Committee of the matters currently being considered by the Local Government Pension Scheme Advisory Board and The Pensions Regulator.

Resolved to:

1.1 To note the contents of the report.

65/23 Progress Report for Quarter Ended 31 December 2022

The Acting Head of Pensions and Treasury introduced the item and explained that there had been a slight increase in the asset value over the period. The main reason for the increase was due to an increase in the bond and private equity portfolios, the decrease in the predicted interest rates from the previous quarter led to an increase in the value of the bond portfolios.

The Acting Head of Pensions and Treasury stated that the property valuations had significantly decreased over the quarter due to increased interest rates. Increased interest rates mean that other investments such as bonds become a more attractive investment relative to property. The valuation of the Fund had held up largely to due to the diversification of assets that the Fund had been invested in.

In response to questions from Members, Officers informed the Committee that:

- The Schroders allocation covered a range of property types, but primarily commercial and the M&G property fund was entirely residential.
- The asset class performed badly over the quarter rather than managers. Schroders had outperformed the property benchmark which highlighted their importance to the Fund.
- There had been a squeeze for liquidity in Q3, so there was a need for pension schemes to raise capital at a short notice which led them to re-assess their investment strategies and place a higher emphasis on liquidity. This led to an increase in the number of sales of properties in the quarter.
- Knightsbridge was the venture capital fund within the portfolio and they did not bank with Silicon Valley Bank so there was no direct exposure however the underlying companies that were invested in may have exposure.

Resolved to:

1.1 Note the performance of the Fund for the quarter ended 31 December 2022.

66/23 Exclusion of the Press and Public

RESOLVED that members of the Press and Public be excluded from the remainder of the meeting under Section 100A(4) of the Local Government Act 1972 on the grounds that: (i) it involved the likely disclosure of exempt information as defined in Paragraph 3 (Information relating to the financial or business affairs of any particular person (including the authority holding that information)) of Part 1 of Schedule 12A of the Act: and (ii) that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.
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67/23 Progress Report for Quarter Ended 31 December 2022

RESOLVED that members of the Press and Public be excluded from the remainder of the meeting under Section 100A(4) of the Local Government Act 1972 on the grounds that: (i) it involved the likely disclosure of exempt information as defined in Paragraph 3 (Information relating to the financial or business affairs of any particular person (including the authority holding that information)) of Part 1 of Schedule 12A of the Act: and (ii) that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

The meeting ended at 11.51 am

Signed:

Date:

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Pension Committee Action Log 2023-24

Date of meeting	Action	Agenda ref.	Deadline	Progress
14 June 2022	Fund manager meetings to be arranged for Committee to attend	21/22	-	Awaiting confirmation from Councillors on suitable dates
6 December 2022	The Acting Head of Pensions and Treasury informed the Committee that there would be an investment strategy review in the first quarter of next year so a date for members' training would need to be forthcoming.	47/22	December 2023	An initial workshop was held in February 2023. Work is ongoing to complete the review. Further training was provided in April 2023.
6 December 2022	The Committee agreed the amendments to voting rights proposed in the paper considered by the Committee at their meeting of 11 October remain unchanged to preserve the balance on the Committee subject to agreement from the monitoring officer and the constitution working group.	48/22	May 2023	Officers have agreed the changes with the monitoring officer. A report will be sent to Full Council meeting for the changes to be agreed.
6 December 2022	The Committee agreed changes to the Constitution to agree an annual allowance will be paid to the Members of the Pension Board and the Pension Board Chair as set out in section 3.3.	48/22	May 2023	Officers have agreed the changes with the monitoring officer. A report will be sent to Full Council meeting for the changes to be agreed.

Completed Actions

Date of meeting	Action	Deadline	Progress	
14 June 2022	Discuss frequency and time of cttee dates	16/22	Sept 2022	Date identified subject to discussion with the Chair
14 June 2022	MH to review minutes ready for committee to approve at the next meeting	13 Sept 2022	11 October 2022	Approved at the 11 October Pension Committee meeting – Action Completed
14 June 2022	MH and DS to generate Work Programme and Action Log for review at each committee meeting	13 Sept 2022	11 October 2022	Action Completed

14 June 2022	Pension Team to give update from the regulator on the minutes and quantify backlog of tasks in the Breaches Log	13 Sept 2022	11 October 2022	Verbal update delivered to the Pension Committee on the 11 October – Action Completed
14 June 2022	Attach timescales to the outstanding Governance Review actions	13 Sept 2022	11 October 2022	Governance progress report was included for the October committee – Action Completed
14 June 2022	Discretions policy – Amend and send to employers for consultation	-	-	This was sent to employers with request for comment by 09.09.22 Update since – no comments received, consultation complete – Action Completed
14 June 2022	Key Performance Indicators Report – Add further detail on backlog	-	11 October 2022	This was included in October report – Action Completed
14 June 2022	Governance Compliance Statement – Amend Principal G as not Fully compliant and under Principal D check if the Pensions Board is classified as a sub-committee	13 Sept 2022	11 October 2022	This was included in the report for consideration at the October committee meeting – Action Completed
14 June 2022	Members requested a formal training plan	-	11 October 2022	A report was presented at the October Committee meeting- Action Completed
14 June 2022	Budget Review - Only one year's data in the table in the report to forecast future spending. Need to estimate of forecast based on data stretching further back in time	13/22		Completed 14 March 2023. This has been included in the business plan.
11 October 2022	Officers to present a paper to the next committee meeting explaining the rationale behind enfranchisement and balance of representation	28/22	6 December 2022	Presented at 6 December 2022 meeting
11 October 2022	The Committee recommended that appropriate constraints on Board Member allowances are added to the proposed constitutional changes	29/22	6 December 2022	Presented at 6 December 2022 meeting

6 December 2022	Officers agreed to ensure that Members of the Committee who did not have access to online papers received their physical copies of the agenda in good time.	43/22	-	
14 March 2023	Agree to the filing of a joint report with the Pensions Board to The Pensions Regulator for failing to publish audited Annual Report and Accounts within statutory deadlines for the years 2019/20, 2020/21 and 2021/22.	60/23	-	
14 March 2023	To move 'the failure to publish minutes' item on the breaches log from amber to green.	60/23	-	

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Croydon Council

REPORT TO:	Pension Committee 20 June 2023
SUBJECT:	Conflicts of Interest Policy
LEAD OFFICER:	Matthew Hallett, Acting Head of Pensions and Treasury

1. RECOMMENDATION

- 1.1 The Committee are asked to agree to the recommended Conflicts of Interest Policy.

2. EXECUTIVE SUMMARY

- 2.1 This report advises the Committee of the arguments for adopting a whole Fund Conflicts of Interest Policy and recommends that they agree the draft attached as Appendix B.

3. DETAIL

- 3.1. In accordance with LGPS Regulations 2013 (S108) and Scheme Advisory Board Guidance, in July 2015, the Fund adopted a Conflicts of Interest Policy for the Pension Board.

- 3.2 Broadly conflicts are currently managed as follows:

- Committee members and co-opted members are required to adhere to the “Constitution of the London Borough of Croydon” [as at 14 April 2023] Part 5.I Section 9 and Appendix B accessible via:

<https://democracy.croydon.gov.uk/documents/s46562/Part%205I%20MEMBERS%20CODE%20OF%20CONDUCT.pdf>

and must have proper operational procedures in place described in a written statement further to Regulation 55 of The Local Government Pension Scheme Regulations 2013.

- Officers of the Council are required to adhere to the Staff Code of Conduct Section 4, the first paragraph of which states as follows:

You have an obligation to act in the best interests of the council and to avoid situations where there may be a potential conflict of interest e.g. where your personal loyalties could lead you to act in a way that is not in keeping with your loyalty to the council. You must take steps to resolve any conflicts arising in a way that protects the public interest, including

declaring private interests as below [in Code of Conduct].

- 3.3 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*

- 3.4 In the Action Plan Aon further comment:

This [Conflict of Interest declarations and approach for implementing Fund wide policy] should involve implementing the requirements of the Fund wide Conflict of Interest Policy including:

- *it should clearly set out who conflicts should be reported to*
- *require all parties to complete a declaration and allow for an annual exercise to reaffirm declarations*
- *implement conflict register*

- 3.5 During 2019, working groups acting on behalf of the Scheme Advisory Board made a number of proposals in their "Good Governance Review" and, on 3 February 2020, these were accepted by the Board. Amongst these proposals was the following:

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

The Board requested that the working groups provide further detail on the implementation of this proposal.

In their report dated February 2021 the working groups reported on this matter as detailed in Appendix A. It is expected that these recommendations will be reflected in legislation and / or statutory guidance and this Policy aims to reflect many of the recommendations within the "Good Governance Review." It will be reviewed once the recommendations are enacted in legislation and statutory guidance as necessary to ensure compliance.

3.6 The Pensions Regulator's draft new single Code of Practice relating to Conflicts of Interest (TGB039) states:

“Scheme managers should consider conflicts of interest in identifying and evaluating risks (see Identifying and assessing risks). Where relevant, our expectations on scheme managers for identifying and recording conflicts of interest are the same as the list above’. Some of those requirements are as follows:

Identifying and recording conflicts of interest

- Have a clear understanding of the importance of managing conflicts of interest and the circumstances in which they may arise;
- Understand any requirements of the scheme's governing documentation, or regulations under which it may operate, in relation to conflicts of interest; and
- Encourage a culture of openness and transparency in relation to conflicts of interest.

Maintain a written policy for managing actual and perceived conflicts of interests

- Maintain a register of interests which should be considered in every meeting of the governing body;
- Ensure all members of the governing body, advisers and service providers make declarations of interests and conflicts at their appointment, and as they arise;
- Ensure contracts and terms of appointment require advisers and service providers to operate their own conflicts policy and disclose all conflicts to the governing body;
- Record conflicts of interest in relation to a decision-making process, as well as the action taken to manage them, in the written records of the meeting (see Meetings and decision-making);
- If carrying out transactions with related parties, governing bodies should ensure transparency by complying with 'Financial Reporting Standard (FRS) 102 – Related Party Disclosures;' and
- Consider seeking independent legal advice to help decide the best approach to manage or avoid an actual or potential conflict of interest.

Note that it is expected that a further version of the draft single code is due to be published this year, now re-branded as the General Code. It may therefore be the case that there are changes to the draft guidance summarised above.

3.7 The Committee are asked to agree the draft Conflicts of Interest Policy included as Appendix B.

3.8 The Pension Board will be invited to receive the Policy at their next meeting on 27 July 2023.

4. CONSULTATION

4.1 Officers have prepared the Conflicts of Interest Policy in consultation with Aon, the Fund's Governance Adviser and the Monitoring Officer.

5. FINANCIAL IMPLICATIONS

5.1 There are no direct financial implications arising from this report.

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

6. LEGAL CONSIDERATIONS

6.1 Burges Salmon LLP (a legal advisor appointed to the Pension Fund) comments that there are no direct legal implications arising from the content of this report although managing conflicts of interest is an important ongoing requirement and it will be important to maintain robust and appropriate procedures to manage conflicts of interest that will arise from time to time. The Committee should note that the Pension Regulator's new code of practice (now known as the General Code) is likely to be formally published this year, and demonstrating compliance with it will be important.

7. HUMAN RESOURCES IMPACT

7.1 There are no immediate workforce impacts arising from the content of this report. Should any arise, these will be managed under Council policies and procedures.

Approved by: Gillian Bevan, Head of HR, Resources and Assistant Chief Executives on behalf of the Chief People Officer.

8. EQUALITIES IMPACT

8.1 The Council has a statutory duty to comply with the provisions set out in Sec 149 of the Equality Act 2010. The Council must therefore have due regard to:

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act.
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

8.2 There are no equality implications arising from this report.

Approved by: Denise McCausland – Equality Programme Manager

9. OTHER IMPLICATIONS

9.1 None.

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

CONTACT OFFICER:

BACKGROUND DOCUMENTS:

None.

APPENDICES:

Appendix A: Extract from “Good Governance: Phase 3 Report to SAB” February 2021

Appendix B: Conflicts of Interest Policy

Extract from “Good Governance: Phase 3 Report to SAB” February 2021

Conflicts of Interest

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

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

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

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

- Any commercial relationships between the administering authority or host authority and other employers in the fund/or other parties which may impact decisions made in the best interests of the fund. These may include shared service arrangements which impact the fund operations directly but will also include outsourcing relationship and companies related to or wholly owned by the Council, which do not relate to pension fund operations;
- Contribution setting for the administering and other employers;
- Cross charging for services or shared resourcing between the administering authority and the fund and ensuring the service quality is appropriate for the fund;

- Dual role of the administering authority as an owner and client of a pool;
- Investment decisions about local infrastructure; and
- How the pension fund appropriately responds to Council decisions or policies on global issues such as climate change.
- Any other roles within the Council being carried out by committee members or officers which may result in a conflict either in the time available to dedicate to the fund or in decision making or oversight. For example, some roles on other finance committees, audit or health committees or cabinet should be disclosed.

Each administering authority's policy should address:

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

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

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

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LONDON BOROUGH OF CROYDON PENSION FUND

CONFLICTS OF INTEREST POLICY

Introduction

1. This is the Conflicts of Interest Policy (Policy) for the London Borough of Croydon Pension Fund (Fund) of which the Council is the Administering Authority. The Policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of the Fund whether directly or in an advisory capacity.
2. The potential for conflicts of interest has always existed for those with Local Government Pension Scheme (LGPS) administering authority responsibilities and for advisers to LGPS funds. This reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, for example as a member of the LGPS, as an elected member or board member of an employer participating in the LGPS or indeed as an adviser to more than one administering authority. Furthermore, any of those persons may have a personal, business or other interest which might conflict, or be perceived to conflict, with their role managing or advising LGPS funds.
3. It is generally accepted that LGPS administering authorities have both fiduciary and public law duties to act in the best interest of both the LGPS beneficiaries and participating employers. This, however, does not preclude those involved in the management of an LGPS fund from having other roles or responsibilities which may result in an actual or potential conflict of interest. Accordingly, it is good practice to document within a Policy how any such conflicts or potential conflicts are to be managed. Further, the Good Governance Review¹ recommends that each fund should have a fund-wide published conflicts of interest policy. This recommendation is being considered by the Department for Levelling Up, Housing and Communities (DLUHC) and is expected to be adopted and enacted into legislation / statutory guidance. Additionally the new The Pensions Regulator Single Code of Practice also sets an expectation that Scheme managers maintain a written policy for managing actual and perceived conflicts of interest. In the meantime, Croydon, as Administering Authority of the Fund, considers it good practice to document within a policy, such as this, how any such conflicts or potential conflicts are to be managed in relation to Fund matters.

Purpose and objectives

¹ Phase 3 report published February 2021
https://www.lgpsboard.org/images/Other/Good_Governance_Final_Report_February_2021.pdf and is being considered by DLUHC.

4. This Policy applies to the Pension Committee members, Pension Board members, officers and advisers. Along with other constitutional documents, including the Member and Officer Codes of Conduct, it aims to ensure that those individuals do not act improperly or create a perception that they may have acted improperly. It is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the Fund.
5. The Council recognises that its functions as an Administering Authority, managing the Fund, can be quite different from its other functions and this policy has been developed with the specific requirements of Fund governance in mind. The Fund's "governance" objectives are set out in its Governance Policy Statement and prominent amongst them is that the Fund manages conflicts of interest appropriately.

To whom this Policy applies

6. This Policy and the issue of conflicts of interest in general must be considered in the light of each individual's role. The Policy applies to:
 - all members of the Pension Committee and the Pension Board, including LGPS member and employer representatives and co-optees, whether voting members or not;
 - any member of the Pension Committee or Pension Board whilst representing the Fund on other committees, groups or bodies;
 - all employees of the Administering Authority involved in the management, administration and governance of the Fund; and
 - all advisers to the Fund whether advising the Pension Committee, the Pension Board or Fund officers.
7. In this Policy, reference to advisers includes all advisers, suppliers and other parties providing advice and services to the Administering Authority in relation to Fund matters. These include, but are not limited to, actuaries, investment consultants, governance consultants, independent advisers, benefits consultants, third party administrators, investment managers, lawyers, custodians, officers of the London CIV and AVC providers.
8. Where an advisory appointment is with a firm rather than an individual, reference to "advisers" is to the lead adviser(s) responsible for the delivery of advice and services to the Administering Authority rather than the firm as a whole.
9. In accepting any role covered by this Policy, those individuals agree that they must:
 - acknowledge and declare any potential conflict of interest they may have;
 - be open with the Administering Authority on any actual or potential conflicts of interest they may have;

- adopt practical solutions to managing those conflicts; and
 - plan ahead and agree with the Administering Authority how they will manage any conflicts of interest which may arise in future.
10. The procedures outlined later in this Policy provide a framework for each individual to meet these requirements.

Legislative and related context

11. The overriding requirements in relation to the management of potential or actual conflicts of interest for those involved in LGPS funds are contained in various elements of legislation and guidance. These are considered further below.

The Public Service Pensions Act 2013

12. Section 5 of the Act requires that the scheme manager (in the case of the LGPS this is the administering authority) must be satisfied that a pension board member does not have a conflict of interest at the point of appointment and from time to time thereafter. It also requires pension board members (or nominated members) to provide reasonable information to the scheme manager for this purpose.
13. The Act defines a conflict of interest as “a financial or other interest which is likely to prejudice the person’s exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the LGPS or any connected scheme).”
14. Further, the Act requires that LGPS managers must have regard to any such guidance that the national Scheme Advisory Board issue (see below).

The Local Government Pension Scheme Regulations 2013

15. Regulation 108 of these Regulations applies the requirements of the Public Service Pensions Act 2013 to the LGPS, placing a duty on each administering authority to satisfy itself that pension board members do not have conflicts of interest on appointment or whilst they are members of the board. It also requires those pension board members to provide reasonable information to the administering authority in this regard.
16. Regulation 109 states that each administering authority must have regard to guidance issued by the Secretary of State in relation to pension boards. Further, regulation 110 provides that the national Scheme Advisory Board has a function of providing advice to administering authorities and pension boards. The LGPS national Scheme Advisory Board issued guidance relating to the establishment of pension boards including a section on conflicts of interest. This Policy has been developed having regard to that guidance.

The Pensions Act 2004

17. The Public Service Pensions Act 2013 also added several provisions to the Pensions Act 2004 related to the governance of public service pension schemes and, in particular, conflicts of interest.
18. Section 90A requires The Pensions Regulator to issue a code of practice relating to conflicts of interest for pension board members. The Pensions Regulator has issued such a code and this Policy has been developed having regard to that Code.
19. Further, under section 13, The Pensions Regulator can issue an improvement notice (i.e. a notice requiring steps to be taken to rectify a situation) where it is considered that the requirements relating to conflicts of interest for pension board members are not being adhered to.

Localism Act 2011

20. All members and co-opted members of the Pension Committee are required by the Localism Act 2011 to register and declare 'disclosable pecuniary interests' and 'other registerable interests' and abide by Croydon Council Members' Code of Conduct. That Code contains provisions relating to disclosable pecuniary interests, other registerable interests, non-registerable interests and sensitive interests including their disclosure and any limitations on members' participation where they have any such interest.

CIPFA Investment Pooling Governance Principles for LGPS Administering Authorities Guidance

21. This Guidance states:

"the establishment of investment pooling arrangements creates a range of additional roles that committee members, representatives, officers and advisors might have."

22. It includes some examples of how conflicts of interest could arise in these new roles and highlights the need for administering authorities to:
 - update their conflicts policies to have regard to asset pooling;
 - remind all those involved with the management of the fund of the policy requirements and the potential for conflicts to arise in respect of asset pooling responsibilities;
 - ensure declarations are updated appropriately.

23. This Policy has been updated to take account of the possibility of conflicts arising in relation to asset pooling in accordance with the CIPFA governance principles guidance.

Principles of Public Life

24. The Seven Principles of Public Life, otherwise known as the “Nolan Principles,” apply to anyone who works as a public office holder. They cover everyone elected or appointed to an office within local government and many are integral to the successful implementation of this Policy. They are as follows:

- selflessness;
- integrity;
- objectivity;
- accountability;
- openness;
- honesty; and
- leadership.

Advisers’ Professional Standards

25. Many advisers are required to meet professional standards relating to the management of conflicts of interest, for example, the Fund Actuary is bound by the requirements of the Institute and Faculty of Actuaries. Any protocol or other arrangement between an adviser and the Administering Authority in relation to conflicts of interest, whether as a requirement of a professional body or otherwise, should be read in conjunction with this Policy.

Administering Authority specific requirements

Pension Committee members

26. In addition to the requirements of this Policy, Committee members and the voting co-opted member are required to adhere to the “Constitution of the London Borough of Croydon” Part 5.I (Members’ Code of Conduct). This includes the requirement to register Disclosable Pecuniary Interests and Other Registrable Interests. For full text see link below:

<https://democracy.croydon.gov.uk/documents/s46562/Part%205I%20MEMBERS%20CODE%20OF%20CONDUCT.pdf>

27. Under Part 6.D of the Constitution (Scheme of Co-option) Appendix A discusses the Code of Conduct expected of non-voting co-opted Members. Clause vii of Appendix A covers conflicts of interests. The whole of Part 6.D can be accessed via the link below:

<https://democracy.croydon.gov.uk/documents/s46564/PART%206D%20Scheme%20of%20Co-Option.pdf>

Pension Board Members

28. In addition to the requirements of this Policy, Pension Board members are required to adhere to the “Constitution of the London Borough of Croydon” Part 4.M “Local Pension Board Procedure Rules.” Clause 15.2 refers specifically to the requirement for members to sign the Council’s Code of Conduct. The whole of Part 4.M can be accessed via the link below:

<https://democracy.croydon.gov.uk/documents/s46553/PART%204M%20Local%20Pension%20Board%20Procedure%20Rules.pdf>

Employees

29. In addition to the requirements of this Policy, officers of the Council are required to adhere to the Staff Code of Conduct Section 9 the first two paragraphs of which state as follows:

There may be occasions when there is scope for conflict between the Council’s interests and your own.

It is very important that you do not let your personal interests influence the work that you do or the decisions that you make for the Council – or put yourself in a position that might lead a person to accuse you of doing so. You must not allow your private interests or beliefs to conflict with your professional duty.

Advisers

30. The Administering Authority appoints its own advisers. How conflicts of interest will be identified and managed should be addressed within the contractual arrangements.
31. There may be circumstances where advisers are asked to give advice to the Council as an employer, other employers, LGPS members or member representatives such as the trades unions in relation to pension matters. Similarly, an adviser may also be appointed to another administering authority which is involved in a transaction involving the Fund. An adviser can only continue to advise the Administering Authority and another party where there is no conflict of interest in doing so.
32. Where the Pension Board decides to appoint an adviser, this can be the same person as is appointed to advise the Pension Committee or Fund officers if there is no conflict of interest between the two roles.

London CIV Conflict of Interest requirements

33. One of the potential areas of conflict covered by this Policy is investment pooling. A proportion of the Fund's assets are invested through the London CIV. Any members of the Pension Committee or senior officers of the Fund who are members of the Board of the London CIV or its Shareholder Committee must also comply with any requirements relating to the management of actual or potential conflicts of interest for the governance of the London CIV.

Conduct at Meetings

34. There may be circumstances where a representative of employers or members wishes to provide a specific point of view on behalf of an employer (or group of employers) or member (or group of members). The Administering Authority requires that any individual wishing to speak from an employer's or member's viewpoint must state this clearly, e.g. at a Pension Board or Pension Committee meeting, and that this is recorded in the minutes.

What is a Conflict or Potential Conflict and how will it be managed?

35. The Public Service Pensions Act 2013 defines a conflict of interest as a financial or other interest which is likely to prejudice a person's exercise of functions.

Therefore, a conflict of interest may arise when an individual has a responsibility or duty in relation to the management of the Fund and at the same time has:

- a separate personal interest (financial or otherwise); or
- another responsibility in relation to that matter giving rise to a possible conflict with their first responsibility.

36. An interest could also arise due to a family member or close colleague having a specific responsibility or interest in a matter.

37. One of the key areas of potential conflict relates to the dual roles held by those employed by or representing the Council as the Administering Authority to the Fund and as a participating employer in the Fund.

38. The "Members' Code of Conduct Guidance", part of the "Members' Code of Conduct" (see paragraph 26 above) included in the Constitution includes various worked examples of where conflicts could arise. Annex 1 provides examples specific to Fund activities.

39. The Council encourages a culture of openness and transparency, including in relation to its activities as Administering Authority. It encourages individuals to be vigilant and to have a clear understanding of their role, the circumstances in which they may have a conflict of interest and how potential conflicts should be managed. The Head of Pensions and Treasury, with advice from the Monitoring Officer as required, will evaluate the nature of any dual interests or responsibilities

that are highlighted and assess the impact on Fund operations and good governance were an actual conflict of interest to materialise.

40. Under the Members' Code of Conduct Appendix B Clause 4:

*Where a matter arises at a meeting which directly relates to one of your Disclosable Pecuniary Interests as set out in **Table 1**, you must disclose the interest, not participate in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest, just that you have an interest. Dispensation may be granted in limited circumstances, to enable you to participate and vote on a matter in which you have a disclosable pecuniary interest.*

The Administering Authority has a similar approach and so that it can fulfil its Obligations to manage and monitor potential conflicts of interests, the Pension Committee and the Pension Board must include an item on conflicts of interest at each meeting, applying to all those attending, which will require consideration of actual or potential conflicts relevant to the Fund, even if not a disclosable pecuniary interest or other registrable interest under the Members' Code of Conduct.

41. Provided that the Administering Authority, (having taken any professional advice deemed to be required) is satisfied that the method of management is satisfactory, the Council shall endeavour to avoid the need for an individual to have to resign due to a conflict of interest. However, where the conflict is considered to be so fundamental that it cannot be effectively managed, or where a Pension Board member has an actual conflict of interest as defined in the Public Service Pensions Act 2013, the individual will be required to resign from the Committee, Board or appointment.

Responsibility

42. The Administering Authority must be satisfied that conflicts of interest are appropriately managed. For this purpose, the Head of Pensions and Treasury is the designated individual for ensuring the procedure outlined below is adhered to. Where required, the Head of Pensions and Treasury will seek advice from the Monitoring Officer. However, it is the responsibility of each individual covered by this Policy to identify any potential instances where their personal, financial, business or other interests might come into conflict with their Fund duties.

Operational procedure for Officers, Pension Fund Committee members and Pension Board members

43. The Fund operates a Register of Conflicts of Interests for the recording of all declarations of interest. The format of the register is set out in Annex 2.

44. Further details of how potential conflicts of interest should be identified and managed are set out in the table below.

What is required	How this will be done
<p>Step 1 – Initial identification of interests which do or could give rise to a conflict</p>	<p>On appointment to their role or on the commencement of this Policy if later, all relevant individuals will be provided with a copy of this Policy and will be required to complete a Disclosure of Interests form.</p> <p>The information contained in disclosures will be collated into the Fund’s Register of Interests. Each individual is responsible for maintaining their register on a continuous basis.</p>
<p>Step 2 – Ongoing notification and management of potential or actual conflicts of interest</p>	<p>Where possible, any conflicts should be advised in writing to the Head of Pensions and Treasury and the Monitoring Officer before the start of any Committee, Board or other Fund meeting. At the commencement of each Pension Committee, Pension Board or other formal meeting where Fund matters are to be discussed, the Chair will ask all those present who are covered by this Policy to declare any new potential conflicts. Any disclosures will be recorded in the minutes of the meeting and in the Fund's Register of Interests. In addition, the latest version of the Register will be made available by the Head of Pensions and Treasury /Monitoring Officer to the Chair of every meeting prior to that meeting if required.</p> <p>The Chair, in consultation with the relevant officers will decide whether the conflicted or potentially conflicted individual needs to leave the meeting during the discussion on the relevant matter or to withdraw from voting on the matter.</p> <p>If such a conflict is identified outside of a meeting the notification must be made to the Head of Pensions and Treasury and the Monitoring Officer and, where it relates to the business of any meeting, also to the Chair of that meeting. The Head of Pensions and Treasury, in consultation with the Chair and with the advice of the Monitoring Officer where relevant, will consider any necessary action to manage the potential or actual conflict.</p> <p>Where information relating to any potential or actual conflict has been provided, the Head of Pensions and</p>

	<p>Treasury may seek such professional advice as he or she thinks fit on to how to address any identified conflicts.</p> <p>Any such potential or actual conflicts of interest and the action taken must be recorded on the Fund's Register of Interests and in the minutes of the meeting, if raised during a meeting.</p>
Step 3 - Periodic review of potential and actual conflicts	<p>At least once every 12 months, the Head of Pensions and Treasury / Monitoring Officer will provide to all individuals to whom this Policy applies a copy of their currently declared Pension Fund Register of interests. All individuals will confirm in writing that their information is correct or highlight any changes that need to be made</p>

Operational procedure for advisers

45. All of the Fund's key advisers are expected to have their own policies on how conflicts of interest in their relationships with their clients are managed and these should be shared with the Administering Authority.
46. Although this Policy applies to advisers, the operational procedures outlined above relating to completing ongoing disclosures are not expected to apply to advisers. Instead all advisers must:
- be provided with a copy of this Policy on appointment and whenever it is updated;
 - adhere to the principles of this Policy;
 - provide, on request, information in relation to how they manage and monitor actual or potential conflicts of interests relating to the provision of advice or services to the Fund.; and
 - notify the Head of Pensions and Treasury immediately should a potential or actual conflict of interest arise, including declaring such actual or potential conflicts at the beginning of Pension Committee and Pension Board meetings
47. All potential or actual conflicts notified by advisers will be recorded in the Fund's Register of Interests.

Monitoring and Reporting

48. In order to identify whether the objectives of the Policy are being met the Head of Pensions and Treasury / Monitoring Officer will review the Register on an annual basis and consider whether there have been any potential or actual conflicts of interest that were not declared at the earliest opportunity.

Key Risks

49. The key risks to the delivery of the Policy are outlined below.

- insufficient training or poor understanding in relation to individuals' roles on Fund matters;
- insufficient training or failure to communicate the requirements of the Policy;
- absence of the individual nominated to manage the operational aspects of the Policy and no one deputising, or failure of that individual to carry out the operational aspects in accordance with the Policy; and
- failure by a relevant Chair to take appropriate action when a conflict is highlighted at a meeting.

50. All of these could result in an actual conflict of interest arising and not being properly managed. The Head of Pensions and Treasury will monitor these and other key risks and consider how to respond to them.

Costs

51. All costs related to the operation and implementation of this Policy will be met directly by the Fund. However, no payments will be made to any individuals in relation to any time spent or expenses incurred in the disclosure or management of any potential or actual conflicts of interest under this Policy.

Approval, review and consultation

52. This Policy was approved by the Pension Committee on 20 June 2023. It will be formally reviewed and updated at least every three years or sooner if the conflict management arrangements, or other matters included within it, merit reconsideration, including if there are any changes to the LGPS or other relevant Regulations or Guidance which need to be considered.

Further Information

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

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

E-mail – matthew.hallett@croydon.gov.uk
Further information on the London Borough of Croydon Pension Fund can be found at:
pensions@croydon.gov.uk

Annex 1

Examples of Potential Conflicts of Interest

- a) An elected member on the Pension Committee may be required to provide views on a funding strategy which could result in an increase or decrease in employer contributions payable by the employer he or she represents.
- b) An elected member on the Pension Committee may be a member of a political party that has specific areas of interest that might influence Fund decision making.
- c) In considering actuarial advice and reports Committee members have an overriding responsibility to protect the long-term solvency of the Fund which could conflict with short-term budgeting priorities of individual employers.
- d) A member of the Pension Committee is on the board of, or employed by, an Investment Manager or other supplier that the Committee is considering appointing.
- e) An employer representative on the Pension Board is employed by a company to which the administering authority has outsourced its pension administration services and the Pension Board is reviewing the standards of service provided by that company.
- f) The person appointed to consider internal disputes is asked to review a case relating to a close friend or relative.
- g) The administering authority is considering buying its own payroll system for paying pensioners, rather than using the payroll system used for all employees of the Council. The Director of Finance, who has responsibility for the Council budget, is expected to approve the report to go to the Pension Committee which, if agreed, would result in a material reduction in the charges to the Council from the Fund.
- h) An employer representative may be aware of a system which would help to improve standards of service and/or record keeping but would be expensive to implement and lead to increased contribution rates. A conflict could arise through the representative's dual interests.
- i) Officers of the Fund are asked to provide a report to the Pension Committee or Pension Board on whether the administration services should be outsourced which, if it were to happen, could result in a change of employer or job insecurity for themselves.
- j) An employer representative employed by the administering authority and appointed to the Pension Board to represent employers generally could be conflicted if he or she only serves to act in the interests of the administering authority, rather than those of all participating employers. Equally, a member representative, who is also a trade union representative, appointed to the Pension Board to represent the entire scheme membership could be conflicted if he or she only acts in the interests of their union and union membership, rather than all scheme members.
- k) A Fund adviser is party to the development of a strategy which could result in additional work for his or her firm, for example, providing delegated or fiduciary management of Fund investments, providing assistance with monitoring the covenant of employers.

l) An employer representative has access to information by virtue of his or her employment, which could influence or inform the considerations or decisions of the Pension Committee or Pension Board. He or she has to consider whether to share this information in light of their duty of confidentiality to their employer. Their knowledge of this information will put them in a position of conflict if it is likely to prejudice their ability to carry out their functions as a member of the Pension Committee or Pension Board.

m) An officer of the Fund or member of the Pension Committee accepts hospitality from an Investment Manager or other supplier who has submitted a bid as part of a tender process.

n) An officer or member, serving on a committee/group of the London CIV may be called upon to consider the appointment of an investment manager or other supplier who already supplies services to their administering authority.

Annex 2

Date identified	Name of Person	Role of Person		Details of conflict	Actual or potential conflict	How notified(1)	Action taken(2)	Follow up requirements

Croydon Council

REPORT TO:	Pension Committee 20 June 2023
SUBJECT:	Governance Policy
LEAD OFFICER:	Matthew Hallett – Acting Head of Pensions and Treasury

1. **RECOMMENDATION**

- 1.1 The Committee are asked to review and agree the draft Governance Policy attached as Appendix A.

2. **EXECUTIVE SUMMARY**

- 2.1 This report updates the Governance Policy for consideration by the Committee.

3 **DETAIL**

- 3.1 Regulation 55 of the Local Government Pension Scheme Regulations 2013 requires an administering authority to 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 53(4) (Scheme managers).

- 3.2 The current Governance Policy for the Fund was agreed by the Committee on 17 September 2019 and they are now asked to review and agree the attached updated draft.

4. CONSULTATION

- 4.1 Officers have prepared the Governance Policy with regard to the recommendations of the Governance Review carried out by Aon, the Fund's Governance Adviser.

5. FINANCIAL IMPLICATIONS

- 5.1 There are no direct financial implications arising from this report.

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

6. LEGAL CONSIDERATIONS

- 6.1 Burges Salmon LLP (a legal advisor appointed to the Pension Fund) comments that there are no direct legal implications arising from the content of this report although it is important to be aware that maintaining a written statement pursuant to regulation 55 of the Local Government Pension Scheme Regulations 2013 is a legal requirement. Furthermore, the statement itself is important for the operation of the Committee.

7. HUMAN RESOURCES IMPACT

- 7.1 There are no immediate workforce implications arising from the content of this report.

Approved by: Gillian Bevan, Head of Hr, Resources and Assistant Chief Executives on behalf of Dean Shoesmith, Chief People Officer

8. EQUALITIES IMPACT

- 8.1 The Council has a statutory duty to comply with the provisions set out in Sec 149 of the Equality Act 2010. The Council must therefore have due regard to:
- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act.
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

8.2 There are no equality implications arising from this report.

Approved by: Denise McCausland – Equality Programme Manager

9. OTHER IMPLICATIONS

9.1 None.

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.

APPENDIX:

Appendix A: Governance Policy

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LONDON BOROUGH OF CROYDON PENSION FUND

GOVERNANCE POLICY

June 2023

GOVERNANCE POLICY

CONTENTS

Administering Authority

Aims and Objectives

Structure

London Collective Investment Vehicle

Pension Committee

- **Role**
- **Membership**
- **Meetings**
- **Other delegations of powers**

Pension Board

- **Role**
- **Membership**
- **Meetings**

Resources

- **Business planning and budget setting**
- **Service delivery**
- **Monitoring delivery**

Conflicts of Interest

- **Policy**
- **Process**
- **The Council as administering authority and employer**

Policy Documents

- **Funding Strategy Statement**
- **Investment Strategy Statement**
- **Administration Strategy**
- **Admissions Policy**
- **Communication Policy**
- **Governance Best Practice – Compliance Statement**
- **Knowledge and Skills / Training Policy**

Annual Report and Statement of Accounts

Administering Authority

Croydon Council (the Council) is the Administering Authority of the London Borough of Croydon Pension Fund (the Fund) and administers the Local Government Pension Scheme (the Scheme) on behalf of participating employers.

Under Regulation 55 of the Local Government Pension Scheme Regulations 2013 (the Regulations) an administering authority is required to prepare a written statement setting out the following:

- 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.

An administering authority must keep the Statement under review and make such revisions as are appropriate, following a material change to any of the matters mentioned therein. Before preparing or revising the Statement the administering authority must consult such persons as it considers appropriate.

This document details how the Council complies with this and other regulatory requirements and statutory guidance and how the functions of the Council relating to the Pension Fund are delegated.

Aims and Objectives

The Council recognises the significance of its role as Administering Authority to the Pension Fund on behalf of its stakeholders which include:

Around 31,000 current and former members of the Fund, and their dependants;

Around 100 employers within the Council area or with close links to the Council;

The local taxpayers within the Borough of Croydon; and

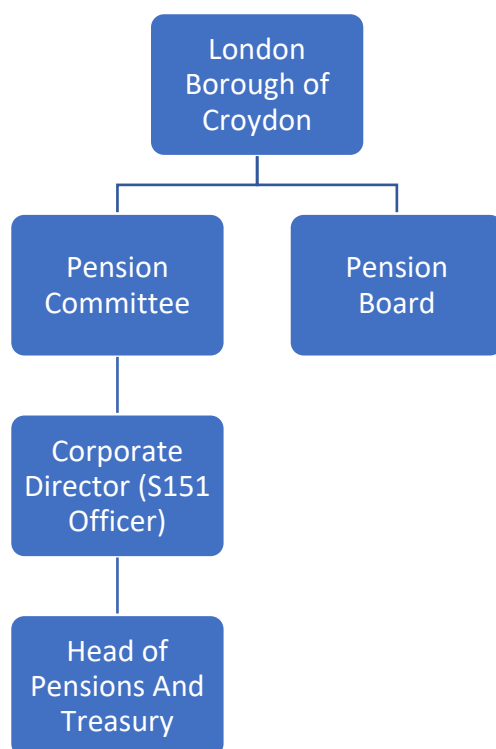
Central Government.

In relation to the governance of the Fund, our objectives are to ensure that:

- All officers, Pension Committee Members and Pension Board Members charged with the financial administration, benefits administration, oversight and decision-making with regard to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them;
- The Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties and that it operates in compliance with the Nolan principles;
- Appropriate measures are in place to manage the risks associated with the governance, administration and investment of the Fund, to understand those risks, to evaluate them and put in place measures to mitigate against them;
- All relevant legislation and statutory guidance is understood and complied with;
- The Fund aims to be at the forefront of best practice for Local Government Pension Scheme funds and is working towards ensuring compliance with the proposed recommendations of the Scheme Advisory Board Good Governance Review and the proposed new single Code of Practice of The Pensions Regulator; and
- The Fund manages conflicts of interest appropriately and has adopted a Fund Conflicts of Interest Policy covering Pension Committee Members, Pension Board Members, officers and all others involved in the management and administration of the Fund setting out requirements and appropriate actions.

Structure

The Constitution of the Council sets out how it operates, how decisions are made and the procedures which are followed to ensure that these are efficient and transparent and that those who make the decisions are accountable to local people. The Constitution sets out the framework under which the Fund is to be administered as shown in the diagram below.



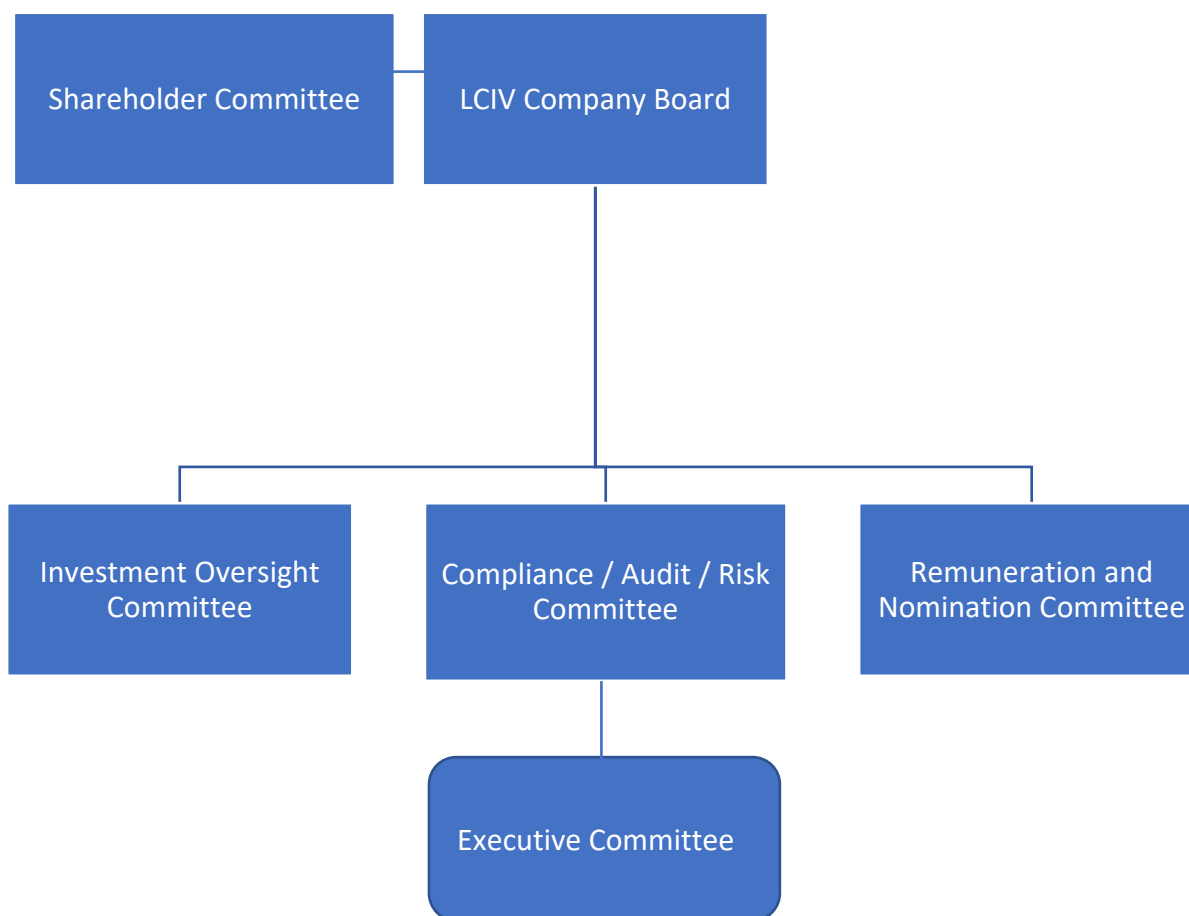
London Collective Investment Vehicle

In accordance with statutory guidance, the Fund is a member and shareholder of the London Collective Investment Vehicle (LCIV), a Financial Conduct Authority (FCA) regulated fund manager that represents the pooled investments of 32 London local authority pension funds. It has an Authorised Contractual Scheme structure and all the funds are equal shareholders.

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.

The Fund’s formal involvement in the governance of LCIV is through attendance at the twice-yearly Shareholder General Meeting. Officers are in regular contact with the LCIV officers and receive regular reports on the performance of the Fund’s investments, “Investor Level” reports on costs incurred by the Fund and an annual “Savings” report covering all the shareholders.

A report on the Fund’s interrelationships with the LCIV is considered by the Pension Committee annually.



Pension Committee

The Constitution allows for the appointment of a Pension Committee which has responsibility for the discharge of all executive functions assigned to it.

Role

- 1 To ensure that the Fund is properly operated in accordance with the Regulations all other relevant legislation and best practice as advised by The Pensions Regulator, including financial, governance and administrative matters.
- 2 To adopt Fund specific policies concerning the administration of the Fund, investing of Fund monies and the management of the Fund's solvency level. In addition, the Committee is responsible for compliance with all financial and regulatory requirements of the Fund.
- 3 To discharge its fiduciary responsibility in the best interest of the Fund, in particular:
 - a) To set the investment policy and review the performance of the Fund's investment managers, pooling arrangements, scheme administration, and external advisors;

- b) To make arrangements for the triennial actuarial valuation;
- c) To determine the Pension Administration Strategy;
- d) To approve and monitor compliance of statutory statements and policies required under the Regulations;
- e) To approve the Fund's Statements of Accounts and Annual Report;
- f) To ensure that the Council discharges its obligation, as administrating authority for the Scheme, to other Scheme employers; and
- g) To keep these terms of reference under review.

Membership

The Council decides the composition of, and makes appointments to, the Pension Committee.

The Statement recognises that all Scheme members and employers should be appropriately represented in the running of the Fund whilst, at the same time, ensuring that the Council, as the body with ultimate responsibility for running the Fund, maintains a majority position on the key governance bodies. To this end the Constitution specifies that the Council shall maintain a majority of voting members on the Pension Committee.

Currently the membership of the Committee is 8 elected Members from the Council on a politically proportionate basis. All Council Members have voting rights. In addition there are two elected pensioner members (one-voting and one non-voting) and one non-voting staff-side representative.

The Constitution is currently under review and it is proposed that the staff side member will be given voting rights. Additionally, a new voting employer representative role will be created. Although some of the representatives do not have voting rights they are treated as equal members of the Committee, they have access to all Committee advisers, officers, meetings and training and have the opportunity to contribute to the decision making process.

Three voting members of the Committee are required for a meeting to be quorate.

The Pension Committee may co-opt members as appropriate.

All Members of the Pension Committee, including non-voting members, are required to declare any interest that they have in relation to the Fund or items on the agenda at the commencement of each meeting.

The Fund is aware that good governance means that an organisation is open in its dealings and readily provides information to interested parties; meetings are open to

members of the public. However, there may be occasions when members of the public are excluded from meetings when it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that confidential information would be disclosed.

Meetings

The Pension Committee meets four times a year in the ordinary course of business and additional meetings may be arranged as required to facilitate its work. Work for the year will be agreed with the Committee and will include dedicated training sessions for Committee members.

Agendas for meetings will be agreed with the Chair and will be circulated electronically with supporting papers to all members of the Committee, officers of the Council as appropriate and the Fund's advisers. Where requested, hard copy is provided.

The Council will give at least five clear working days' notice of any meetings by posting details of the meeting on the Council's website.

There may occasionally be items which may be exempt from the agenda, reports and minutes of the meetings when it is likely that confidential information would be disclosed. Items which are likely to be excluded include issues where to disclose information would contravene an individual's privacy or where there are financial interests which may be compromised as a result of disclosure. Oral updates and presentations are also given at these meetings.

The Council will make available copies of the minutes of meetings and records of decisions; these are stored indefinitely. Minutes of meetings and records of decisions are available for inspection on the Council's website.

Other delegations of powers

The Committee act as quasi-trustees and oversee the management of the Fund. In this role the Committee have a clear fiduciary duty and must act in accordance with the Myners Principles in the performance of their functions: they have to ensure that the Fund is managed in accordance with the Regulations and to do so prudently and impartially and to ensure the best possible outcomes for the Fund, its participating employers, to local taxpayers and Scheme members. Whilst trustees can delegate some of their powers, they cannot delegate their responsibilities as trustees.

Pension Board

Role

With effect from 1 April 2015, each administering authority has been required to establish a Local Pension Board to assist them with:

- a) securing compliance with the Scheme Regulations and other legislation relating to the governance and administration of the Scheme and any statutory pension scheme that is connected with it;
- b) securing compliance with requirements imposed in relation to the Scheme and any connected scheme by The Pensions Regulator;
- c) such other matters as the scheme regulations may specify

Such Pensions Boards are not local authority committees but are reflected in a Council's Constitution. The Croydon Pension Board was set up by the Council and its Procedure Rules can be found within the Council's Constitution via

<https://democracy.croydon.gov.uk/documents/s46553/PART%204M%20Local%20Pension%20Board%20Procedure%20Rules.pdf>

The Council has charged the Pension Board with providing oversight of the matters outlined above. Although the Pension Board is not a decision-making body in relation to the management of the Fund, the Pension Committee are required to have regard to any such advice given by it under the Public Service Pensions Act 2013 7 (3).

Membership

The Pension Board consist of 7 members as follows:

- An Independent Chair;
- Three Employer Representatives, one of whom is from the Council; and
- Three Scheme Member Representatives, two of whom are nominated by the trade unions.

Board members, (excluding the Chair), have individual voting rights but it is expected the Board will, as far as possible, reach a consensus.

A meeting of the Board is only quorate when three of the six Employer and Scheme Member Representatives are present.

Members of the Board are required to declare any interests that they have in relation to the Fund or items on the agenda at the commencement of each meeting.

Meetings

The Pension Board meets at least four times a year in the ordinary course of business and additional meetings may be arranged as required to facilitate its work.

The Board will be treated in the same way as a Committee of the Council and, as such, members of the public may attend and papers will be made public in the same way as described above for the Pension Committee.

Resources

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

Business planning and budget setting

The Fund operates a 3-years' Business Plan ("the Plan") which sets out the priorities for its services. It is reviewed, updated and agreed by the Pension Committee once in each financial year and is publicly available. It sets out a programme of work against which progress can be monitored.

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

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

Service delivery

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

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

Monitoring delivery

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

- Performance against Key Performance Indicators (KPIs) is reported to the Pension Committee and Pension Board on a regular and agreed basis. Overall KPI performance is reported in the Fund's Annual Report. Plans to address any backlogs are added to business planning process as discussed above.
- Every year the Fund's internal auditors carry out reviews to provide assurance that the Fund's processes and systems are appropriate for managing risks.

Conflicts of Interest

Policy

The Fund has published a Conflicts of Interest Policy which sets out:

- How it identifies potential conflicts of interest;
- That the policy applies to members of both the Pension Committee and Pension Board, officers and advisers and contractors;
- How it makes sure that those affected understand their responsibilities in respect of ensuring that conflicts of interest are properly managed;
- Systems, controls and processes for managing and mitigating conflicts of interest effectively;
- How it reviews the effectiveness of its Conflicts of Interest policy and updates it as required; and
- How it embeds a culture which supports the management and mitigation of conflicts of interest.

Process

The Fund embeds the management of conflicts of interest into its everyday processes including by:

- Providing regular training to members of the Pension Committee, Pension Board and officers on identifying and managing potential conflicts of interest;
- Ensuring a record is kept of situations where the Conflicts of Interest Policy has been applied to mitigate or manage a potential conflict situation;
- Ensuring that a declaration of interests forms part of the agenda for all Pension Committee and Pension Board meetings and that an annual declaration of interests is completed;
- Ensuring actual and potential conflicts of interest are considered during procurement processes.

The Council as administering authority and employer

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

Whilst the Fund's Conflicts of Interest Policy refers to the responsibilities of Committee and Board members, officers and advisers it specifically states that "One of the key areas of potential conflict relates to the dual roles held by those employed by or representing the Council as the Administering Authority to the Fund and as a participating employer in the Fund" (Paragraph 37).

The Conflicts of Interest Policy makes specific reference to:

- The effect of the Fund's funding strategy on employers' contributions;
- The potential impact of political stances within the Administering Authority on the investment strategy of the Fund;
- Asset pooling and the role of the Administering Authority as both a shareholder in, and client of, the LCIV;
- The potential use of outsourced services
- Any other roles within the Council being carried out by Committee members or officers which may result in a conflict either in the time available to dedicate to the Fund or in decision making or oversight. eg roles in connection with the Council's financial arrangements.

The Fund is run for the benefit of its members and on behalf of all its employers. It is important therefore that the Fund's budget is managed separately from the expenditure of the Council.

Policy Documents

In addition to the foregoing, there are a number of other documents which are relevant to the governance and management of the Fund. Brief details of some of the most significant are given below and full copies of all relevant documents can be found on the Pension Fund Website: <https://www.croydonpensionscheme.org/>

Funding Strategy Statement

The Funding Strategy Statement (FSS) and associated satellite policies form part of the framework for the funding and management of the Fund. It sets out how the Fund will approach funding its liabilities and contains a schedule of the minimum contribution rates that are required of individual employers within the Fund. The FSS is drawn up by the Council with regard to the advice of the Fund Actuary and after consultation with the Fund's employers. The approach to contribution setting is based on specific employer characteristics such as its time horizon, strength of covenant and risk profile. This approach ensures a consistency across all employers and removes the possibility of any employer receiving more, or less, favourable treatment.

Investment Strategy Statement

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require pension fund administering authorities to prepare, maintain and publish a statement of the principles governing their decisions on the investment of the Fund.

The areas covered are as follows:

- A requirement to invest in a wide variety of investments;
- An assessment of the suitability of particular investments;
- The Fund's approach to risk, including measurement and management;
- The Fund's approach to pooling;
- The Fund's policy on how environmental, social, and governance considerations are taken into account; and
- The Fund's policy on the exercise of rights attached to investments.

Administration Strategy

The Fund's Administration Strategy sets out the way in which the Fund works with its employers and the mutual service standards that are expected. The Strategy details how the Fund will assist employers to ensure that they are best placed to meet their statutory Scheme obligations. On occasions where an employer's failure to comply with required processes and standards has led to the Fund incurring additional cost, the Strategy also provides for that cost to be recovered from the employer in question. This policy has been developed with all the Fund's employers and is operated in a consistent fashion across all of the employer base.

Admissions Policy

The Fund's Admissions Policy details its approach to admitting new employers to the Fund. This includes its approach to the use of guarantors, bonds and the setting of a fixed contribution rate for some employers. This policy, in conjunction with the Funding Strategy Statement, ensures a consistent approach when new employers are admitted into the Fund.

Communication Policy

The Fund's Communication Strategy sets out how it engages with various stakeholders in the Fund including active, deferred and pensioner scheme members. The Fund carries out a range of activities including:

- Contributing Scheme members
- Prospective Scheme members
- Pensioner Scheme members and dependants of deceased members
- Deferred Scheme members
- Scheme employers participating in the Fund
- Members of the Council
- Pension Committee
- Pension Board

Communication methods include:

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

Governance Best Practice—Compliance Statement

This sets out the Pension Fund's compliance with the Secretary of State's Statutory Guidance on Governance in the LGPS. This shows where the Fund is compliant or not compliant with best practice and the reasons why it may not be compliant.

Knowledge and Skills / Training Policy

The Fund has adopted a Knowledge and Skills / Training Policy which has been put into place to assist it in achieving its governance objectives. Pension Committee and Pension Board members and senior officers are expected to demonstrate their own personal commitment to training and to ensure that the governance objectives are met.

To assist in achieving these objectives, the Council aims to comply with:

- The CIPFA Knowledge and Skills Framework;
- The knowledge and skills elements of the Public Service Pensions Act 2013 and The Pensions Regulator's Code of Practice for Public Service Schemes; and
- The recommendations of the Scheme Advisory Board Good Governance Review

Any other LGPS specific guidance relating to the knowledge and skills of Pension Committee and Pension Board members, or Fund officers including the Section 151 Officer which may be issued from time to time will also be considered.

Details of the training undertaken by members of the Pension Committee and Pension Board are maintained and are reported in the Fund's Annual report. Targeted training is provided that is timely and directly relevant to the Committee and Board's activities as set out in the Business Plan.

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

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

Annual Report and Statement of Accounts

As part of the Council's Constitution it is the duty of the Corporate Director of Resources to ensure that record keeping and accounts are maintained by the Pension Fund. The Pension Fund accounts are produced in accordance with the accounting recommendations of the Financial Reports of Pensions Schemes - Statement of Recommended Practice. The financial statements summarise the transactions of the Fund and deal with the net assets of the Fund. The Statement of Accounts is reviewed by both the Pension Committee and the Audit and Governance Committee and incorporated in the Statement of Accounts for the Council. Full copies of the Report and Accounts are placed on the Council's website.

If you need more information about the Scheme please contact the following:

Pensions Section
Bernard Weatherill House
8 Mint Walk
Croydon
CR0 1EA

Telephone – 020 8726 6000 ext 44034

Email – pensions@croymdon.gov.uk

Website - <https://www.croydonpensionscheme.org/>

Croydon Council

REPORT TO:	Pension Committee 20 June 2023
SUBJECT:	Governance Best Practice Compliance Statement
LEAD OFFICER:	Matthew Hallett – Acting Head of Pensions and Treasury

1. **RECOMMENDATION**

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

2. **EXECUTIVE SUMMARY**

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

3 **DETAIL**

- 3.1 Regulation 55 of the Local Government Pension Scheme Regulations 2013 requires an administering authority to prepare a written statement setting out the extent to which a delegation of its functions to a committee, 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. In addition A3 of the Scheme Advisory Board Good Governance Review recommends Local Government Pension Scheme administering authorities to measure their governance arrangements against any standards set out. Statutory Guidance was issued by the, then, Secretary of State for Communities and Local Government or (now) by the Secretary of State for Levelling Up, Housing and Communities. The Committee is expected to review the Governance Best Practice Compliance Statement annually and must consult such persons as it considers appropriate when preparing or revising the Statement.
- 3.2 During 2022 the Committee first considered the draft Statement on 14 June and, having asked for some amendments, agreed it on 11 October.
- 3.3 The draft Best Practice Compliance Statement, included as Appendix A, sets out where the Pension Fund is fully compliant with the Guidance and, where it is not fully compliant, provides an explanation.

3.4 Recommended changes from the version agreed on 11 October 2022 are as follows:

Principle A b – to reflect proposed changes to Constitution;

Principle B a i – to reflect proposed changes to the Constitution;

Principle B a iii – to clarify the position and alter from “fully compliant” to non compliant;”

Principle B b – to reflect the position as regards access to documents;

Principle D - to reflect the position as regards voting rights;

Principle E – to explain training arrangements;

Principle G - to reflect the position as regards access to documents and change from “partially compliant” to “fully compliant.”

3.5 The Committee are asked to review and agree the attached Governance Best Practice Compliance Statement.

4. CONSULTATION

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

5. FINANCIAL IMPLICATIONS

5.1 There are no significant direct financial implications arising from this report.

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

6. LEGAL CONSIDERATIONS

6.1 Burges Salmon LLP (a legal advisor appointed to the Pension Fund) comments that there are no direct legal implications arising from the content of this report although it is a legal requirement to prepare the written statement noted above.

7. HUMAN RESOURCES IMPACT

- 7.1 There are no immediate workforce impacts arising from the recommendation of this report.

Approved by: Gillian Bevan, Head of HR, Resources and Assistant Chief Executives on behalf of the Chief People Officer

8. EQUALITIES IMPACT

- 8.1 The Council has a statutory duty to comply with the provisions set out in the Equality Act 2010. In summary, the Council must in the exercise of all its functions, “have due regard to” the need to comply with the three aims of the general equality duty. These are to:

- Eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act
- Advance equality of opportunity between people who share a protected characteristic and people who do not share it; and
- Foster good relations between people who share a protected characteristic and people who do not share it.

- 8.2 Having due regard means to consider the three aims of the Equality Duty as part of the process of decision-making. This means that decision makers must be able to evidence that they have taken into account any impact of the proposals under consideration on people who share the protected characteristics before decisions are taken.

Approved by: John Mukungunugwa, Interim Senior Equalities Officer on behalf of Denise McCausland Equality Programme Manager. Date: 09/06/2023

9. OTHER IMPLICATIONS

- 9.1 None.

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:

PEN 20062023

None.

APPENDIX:

Appendix A: Governance Best Practice Compliance Statement

Governance Best Practice - Compliance Statement

Regulation 55 of the Local Government Pension Scheme Regulations 2013 requires an administering authority to prepare a written statement setting out the extent to which a delegation of its functions to a committee, 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. In addition, A3 of the Scheme Advisory Board Good Governance Review recommends Local Government Pension Scheme Administering Authorities to measure their governance arrangements against any standards set out in the Statutory Guidance issued by the, then, Secretary of State for Communities and Local Government or (now) by the Secretary of State for Levelling Up, Housing and Communities. The Committee is expected to review the Governance Best Practice Compliance Statement annually and must consult such persons as it considers appropriate when preparing or revising the statement. The following compliance statement sets out where the Pension Fund is fully compliant with current guidance and, where it is not fully compliant, provides an explanation.

Principal A - Structure	London Borough of Croydon Pension Fund Compliance
a. The management of the administration of benefits and strategic management of Fund assets clearly rests with the main committee established by the appointing council.	Fully Compliant The Council Constitution delegates responsibility for the Pension Fund to the Pension Committee in respect of these matters.
b. That representatives of participating LGPS employers, admitted bodies and Scheme members (including pensioners and deferred members) are members of either the main or secondary committee to underpin the work of the main committee.	Partially Compliant Pensioner and Union representatives are appointed to the Pension Committee. Although the Committee does not currently have representatives of participating employers, proposed changes to the Constitution will create a new employer representative position on the Committee.
c. That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Not applicable – the Fund does not have a secondary committee.
d. That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Not applicable – the Fund does not have a secondary committee.

Principle B – Committee Membership and Representation	London Borough of Croydon Pension Fund Compliance
<p>a. That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:-</p> <ul style="list-style-type: none"> i) Employing authorities (including non-scheme employers, eg admitted bodies); ii) Scheme members (including deferred and pensioner scheme members); iii) Where appropriate, independent professional observers; and iv) Expert advisers (on an ad-hoc basis). 	<ul style="list-style-type: none"> i) Partially Compliant The Committee includes eight Councillors. At present there is no admitted body representative but provision is being made for such a position in the proposed constitutional amendments. ii) Fully Compliant The Committee includes 2 pensioners’ representatives and one trade union representative. iii) Non Compliant The Committee does not have an independent professional observer. However the Chair of the Pension Board is often invited to comment at meetings. iv) Fully Compliant The Fund has an Investment Advisor, Actuary and Governance and Legal Advisers.
<p>b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision-making process, with or without voting rights</p>	<p>Fully Compliant All members of the Committee have access to papers ahead of meetings, are invited to training and are able to contribute fully to the decision-making process.</p>

Principle C - Selection and role of lay members	London Borough of Croydon Pension Fund Compliance
a. That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee	Fully Compliant See the Governance Policy; training sessions specifically cover these points
b. That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	Fully Compliant Members of the Committee declare interests as appropriate at the start of each meeting.

Principle D – Voting	London Borough of Croydon Pension Fund Compliance
a. The policy of individual administering authority on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Fully Compliant Voting rights are covered under the constitution. A recent report to committee explained the rationale for extending voting rights or not to various positions on the Committee.

Principle E - Training/Facility time/Expenses	London Borough of Croydon Pension Fund Compliance
a. That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process	Fully Compliant. The Fund puts in place and regularly reviews a Fund Knowledge and Skills / Training Policy. Expenses are part of the Council Constitution and are covered by that
b. That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum	Fully Compliant The Policy applies equally to the Pension Committee, Pension Board and senior officers involved in the administration of the Fund
c. That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	Fully Compliant The Council seeks to ensure that all members of the Committee are aware of the eight areas of knowledge and skills relating to the LGPS which CIPFA has identified as being the

	core technical requirements for those involved in decision taking by way of the Knowledge and Skills Policy that is in place and the adoption of annual training plans. They are advised of training opportunities and a log is maintained of all training completed. Regular reports are made to Committee of training undertaken by members and details are included in the Fund Annual Report.
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Principle F - Meetings (frequency/quorum)	London Borough of Croydon Pension Fund Compliance
a. That an administering authority's main committee or committees meet at least quarterly	Fully Compliant
b. That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Not applicable – the Fund does not have a secondary committee.
c. That an administering authority that does not include lay members in their formal governance arrangements must provide a forum outside of those arrangements by which the interest of key stakeholders can be represented.	Fully Compliant This is achieved through representation on the Pension Committee or via the Pension Board.

Principle G - Access	London Borough of Croydon Pension Fund Compliance
a. That subject to any rules in the Council's Constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee	Fully Compliant Hard copies of meeting papers are generally dispatched to those members requiring them 5 clear working days prior to each meeting. All meeting papers are published on the website 5 clear working days prior to each meeting. Democratic Services produce, circulate for agreement and publish draft minutes shortly after meetings.

Principle H - Scope	London Borough of Croydon Pension Fund Compliance
a. That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Fully Compliant The Committee reviews all aspects of the Pension Fund management.

Principle I - Publicity	London Borough of Croydon Pension Fund Compliance
a. That administering authority have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements	Fully Compliant Governance Policy and Compliance statement is published in full on the Pensions website https://croydonpensionscheme.org/

June 2023

To be reviewed in June 2024

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Croydon Council

REPORT TO:	Pension Committee 20 June 2023
SUBJECT:	Pension Administration Strategy
LEAD OFFICER:	Matthew Hallett – Acting Head of Pensions and Treasury

1. RECOMMENDATION

- 1.1 The Committee are asked to review and agree the draft Pension Administration Strategy Statement attached as Appendix A.

2. EXECUTIVE SUMMARY

- 2.1 This report updates the Pension Administration Strategy Statement for consideration by the Committee.

3. DETAIL

- 3.1 Under Regulation 59 of The Local Government Pension Scheme Regulations 2013:

(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.

(2) The matters are—

(a) procedures for liaison and communication with Scheme employers in relation to which it is the administering authority;

(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

(ii) 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.

3.2 The Fund's current Administration Strategy Statement was agreed by the Committee on 20 June 2017. The revised draft incorporates a number of drafting, formatting, regulatory and procedural changes that have become necessary. The 2017 version of the document is attached as Appendix B for information purposes.

3.3 The Committee are asked to review and agree the updated draft attached as Appendix A.

4. CONSULTATION

4.1 Once agreed by Committee the Scheme employers will be consulted on the content of the Policy and their comments invited. The Consultation period will

run to 31 July 2023 and the results and final version of the Policy will be reported at the 19 September 2023 Committee meeting for agreement and sign off.

5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 5.1 There are no significant direct financial implications arising from this report which updates the Administration Strategy Statement for consultation with scheme employers.

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

6. LEGAL CONSIDERATIONS

- 6.1. Burges Salmon LLP (a legal advisor appointed to the Pension Fund) comments that there are no direct legal implications arising from the recommendations within this report. The Committee should note that the Committee (and Scheme employers) must have regard to the pension administration strategy when carrying out their functions under the Local Government Pension Scheme Regulations 2013.

7. HUMAN RESOURCES IMPACT

- 7.1 There are no direct workforce implications arising from the recommendations within this report. If any should arise these will be managed under the Council's policies and procedures.

Approved by: Gillian Bevan, Head of HR, Resources and Assistant Chief Executives on behalf of the Chief People Officer

8. EQUALITIES IMPACT

- 8.1 The Council has a statutory duty to comply with the provisions set out in the Equality Act 2010. In summary, the Council must in the exercise of all its functions, "have due regard to" the need to comply with the three aims of the general equality duty. These are to:

- Eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act
- Advance equality of opportunity between people who share a protected characteristic and people who do not share it; and
- Foster good relations between people who share a protected characteristic and people who do not share it.

8.2 Having due regard means to consider the three aims of the Equality Duty as part of the process of decision-making. This means that decision makers must be able to evidence that they have taken into account any impact of the proposals under consideration on people who share the protected characteristics before decisions are taken.

Approved by: John Mukungunugwa, Interim Senior Equalities Officer on behalf of Denise McCausland Equality Programme Manager. Date: 09/06/2023

9. OTHER IMPLICATIONS

9.1 None.

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.

APPENDIX:

Appendix A: Administration Strategy Statement

Appendix B : 2017 version Admin Strategy Statement

London Borough of Croydon Pension Fund Administration Strategy

Reviewed June 2023

Contents

Introduction.....	3
Regulatory framework.....	4
Responsibilities and procedures.....	6
3.1 Introduction.....	6
3.2 Legislation, codes and guidance.....	6
3.3 Internal standards.....	6
3.4 Performance.....	7
3.4.1 Standards.....	7
3.4.2 External providers.....	7
3.4.3 Procedures for ensuring compliance with statutory requirements and levels of performance.....	7
3.4.4 Monitoring.....	7
3.4.5 Audit.....	8
3.4.6 Communications.....	8
Review process.....	10
Consultation.....	10
Appendix 1 - Summary of communication and liaison.....	11
Appendix 2 – Performance standards.....	12
Appendix 3 - New entrants and current Scheme members.....	18
Appendix 4 - Early leavers.....	20
Appendix 5 – Retirements.....	21
Appendix 6 - Early retirement costs recharged to the Scheme employer.....	22
Appendix 7 - Death in service.....	23
Appendix 8 - Additional Voluntary Contribution Scheme.....	24
Appendix 9 - Ill health retirement.....	25
Appendix 10 – Examples of instances where costs may be recharged.....	27
Appendix 11 – Co-habiting partners.....	29
Appendix 12 – Payment of monthly contributions by Scheme employers.....	30
Appendix 13 - Year end procedures.....	33
Appendix 14 - Additional pension contributions (APCs).....	35
Appendix 15 - The 50/50 option.....	36

Introduction

The Local Government Pension Scheme (LGPS) represents a significant benefit to Scheme members. Much of the success in promoting the Scheme amongst Scheme members and ensuring a high-quality service delivery depends upon the relationship between the administering authority and Scheme employers in the day-to-day administration of the Scheme. Good quality administration is essential in the overall promotion of the Scheme and reminds or alerts employees to the value of the LGPS, thereby helping with recruitment, retention and motivation of employees.

An administration strategy, as allowed for by the LGPS, is seen as one of the tools which can help in delivering a high-quality administration service to Scheme members and other interested parties. Delivery of a high-quality administration service is not the responsibility of one person or organisation but is rather a result of the joint working / partnership of several different parties.

This is the Administration Strategy Statement (Strategy) of the London Borough of Croydon Pension Fund (the Fund), administered by Croydon Council (the Administering Authority). It has been developed following consultation with employers in the Fund.

The aim of this Strategy is to set out the quality and performance standards expected of the Administering Authority, other Scheme employers and the Pensions Team. It seeks to promote good working relationships, improve efficiency and the quality of data and documents and to ensure that Scheme members have the best possible experience.

The Strategy sets out the expected levels of performance of both the Administering Authority and the Scheme employers as well as details on how performance levels are monitored and the action that might be taken where persistent failure occurs.

The Strategy is effective from 1 September 2023.

Any enquiries in relation to the Strategy should be sent to:

The Pensions Team
Resources
London Borough of Croydon
Bernard Weatherill House
8 Mint Walk
Croydon,
CR0 1EA

Telephone: 0208 726 6000 ex 44034

Email: pensions@croydon.gov.uk

www.croydonpensionscheme.org

Regulatory framework

Regulation 59(1) of the Local Government Pension Scheme Regulations 2013 and expected amendments require an LGPS administering authority to prepare a written statement ("its pension administration strategy") which contains such of the matters mentioned below as they consider appropriate:

- Procedures for liaison and communication with Scheme employers.
- The establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions under the LGPS 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;
- 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.
- Procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions.
- The circumstances in which the administering authority may consider giving written notice to any of its Scheme employers on account of that employer's unsatisfactory performance when measured against established levels of performance.
- 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
 - (ii) such other matters arising from its pension administration strategy as it considers appropriate; and
- Such other matters as appear to the administering authority to be suitable for inclusion in that strategy.

In addition, regulation 59(6) of the LGPS Regulations also requires that, where a pension administration strategy is published, a copy is issued to each of their relevant employing authorities as well as to the Secretary of State. Similarly, when the strategy is revised at any future time the administering authority (after say a material change to any policies contained within the strategy) must notify all its Scheme employers and also the Secretary of State.

It is a requirement that, in preparing or revising any pension administration strategy, the administering authority must consult its relevant employing authorities and such other persons as it considers appropriate.

Both the administering authority and its Scheme employers must comply with the current version of any pension administration strategy when carrying out their functions under the LGPS Regulations.

In addition, Regulation 70 of the LGPS Regulations 2013 and possible amendments may require an administering authority to recover additional costs from a Scheme employer where, in its opinion, they are directly related to the poor performance of that employer. Where this situation arises, the administering authority is required to give written notice to the employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

The following Strategy, therefore, sets out the information required in accordance with Regulation 59(1) and forms the basis of the day-to-day relationship between the Administering Authority and the Scheme employers of the Fund. It also sets out the circumstances under Regulation 70 of the LGPS Regulations 2013 where additional costs are incurred as a result of the poor performance of a Scheme employer, together with the steps that would be taken before any such action were taken.

Responsibilities and procedures

3.1 Introduction

The delivery of a high-quality administration service is not solely the responsibility of the Administering Authority, but depends on joint working with a number of individuals in different organisations to ensure that Scheme members and other interested parties receive an appropriate level of service and that statutory requirements are met.

This Strategy has been developed following consultation with Scheme employers and other interested parties. It takes account of Scheme employers' current pension knowledge, perception of current administration standards and specific training needs to ensure the level of service can be delivered to the required standard.

Procedures have been agreed for the liaison and communication between the Fund and its Scheme employers. Full details are provided within the Fund's Communications Policy, which is available on the Fund's website at <https://www.croydonpensionscheme.org/resources/communication-policy/>

3.2 Legislation, codes and guidance

In carrying out their roles and responsibilities in relation to the administration of the Scheme the Administering Authority and Scheme employers, as a minimum, comply with overriding Legislation and statutory guidance and codes, including:

- The Pensions Acts 1993, 1995, 2004 and 2014
- The Local Government Pension Scheme Regulations 1995,1997 and 2008 as still applicable
- The 2004, 2006 and 2014 Finance Acts
- The Public Sector Pensions Act 2013
- The Local Government Pension Scheme Regulations 2013 (As amended)
- The Local Government Pension Scheme Regulations 2014
- Public Service Pensions Regulations 2014
- The Occupational and Personal Pension Schemes Regulations in force and as amended
- Freedom of Information Act 2014
- Under the Public Sector Pensions Act the LGPS is regulated by The Pensions Regulator
- Data Protection Act 2018 (as amended January 2021)
- The Equality Act 2021
- UK GDPR Regulations 2021
- Health and Safety legislation
- The Pensions Regulator
- The Scheme Advisory Board (SAB) Good Governance Requirements

3.3 Internal standards

In addition to compliance with legislation, codes and guidance, the Administering Authority and Scheme employers ensure that all functions/tasks are carried out to agreed quality standards. In this respect the standards to be met are:

- compliance with all requirements set out in the Employer Procedural Guide;
- work to be completed in the required format and/or on the appropriate forms contained within the Employer Procedural Guide;
- information to be legible and accurate;
- communications to be in a plain language style;

- information provided to be checked for accuracy by an appropriately qualified member of staff;
- information provided to be authorised by an agreed signatory; and actions carried out, or information provided, within the timescales set out in this Strategy or within statutory requirements.

3.4 Performance

Overriding legislation dictates minimum standards that pension schemes should meet in providing certain pieces of information to the various parties associated with the Scheme. In addition, the Scheme itself sets out a number of its own requirements in respect of Scheme members and prospective Scheme members, dependants, other pension providers and other regulatory bodies. Local performance standards have been agreed which cover all aspects of the administration of the Scheme, where appropriate going beyond the overriding legislative requirements. These locally agreed standards for the Fund are set out below.

3.4.1 Standards

The LGPS prescribes that certain decisions be taken by either the Administering Authority or the Scheme employer, in relation to the rights and entitlements of individual Scheme members. In order to meet these obligations in a timely and accurate manner, and also to comply with overriding disclosure requirements, the Fund has agreed levels of performance between itself and Scheme employers which are set out in Appendix 2.

The Fund continually reviews the performance of the Administering Authority and Scheme employers against the targets and standards set out in this Strategy and addresses with Scheme employers any issues that might be highlighted. The Fund also monitors success against the targets set out in the three years rolling service improvement plan, and takes all necessary action where shortcomings are identified.

3.4.2 External providers

The Administering Authority or its Scheme employers, whichever body is responsible for contracting any external service providers with responsibility for carrying out any functions relating to the administration of the LGPS (such as external pension administration providers, payroll and HR providers), ensure that they are made aware of the standards to be met. and monitor compliance against them.

3.4.3 Procedures for ensuring compliance with statutory requirements and levels of performance.

Ensuring compliance is the responsibility of the Administering Authority and its Scheme employers. We work closely with all Scheme employers to ensure compliance with all statutory requirements, whether they are specifically referenced in the LGPS Regulations, in overriding legislation, codes of practice, guidance or in this Strategy. We also work with employers to ensure that overall quality and timeliness standards are met. Various means are employed to ensure such compliance and service improvement after first seeking views from as wide an audience as possible.

3.4.4 Monitoring

The Fund monitors performance against specific tasks from the event date (e.g. date of leaving/retirement, etc.) to the date of the completion of the task (notwithstanding that service levels for benchmarking purposes are measured from the date that all necessary data has been received/is available). We monitor the performance of the Administering Authority in carrying out its responsibilities in relation to the Scheme.

The Administering Authority regularly monitors performance by benchmarking with other administering authorities through benchmarking clubs and other comparators available. Quality and standards of performance are included in performance monitoring and benchmarking.

The Fund will seek, at the earliest opportunity, to work closely with Scheme employers in identifying any areas of poor performance, provide the necessary training and development and put in place appropriate processes to improve the level of service delivery. Consideration for seeking additional administration costs where persistent failure occurs and no improvement is demonstrated by a Scheme employer would be seen as a failure and should only be taken once all opportunities to resolve any issues identified are exhausted. The following sets out the steps we will take in dealing with poor performance by a Scheme employer:

- write to the Scheme employer, setting out area(s) of poor performance;
- meet with the Scheme employer, to discuss area(s) of poor performance and how these can be addressed;
- issue formal written notice, where no improvement is demonstrated by the Scheme employer or there is a failure by the Scheme employer to take agreed action, setting out the area(s) of poor performance that have been identified, the steps taken to resolve those area(s) and notice that the additional costs will be reclaimed;
- clearly set out the calculations of any loss resulting to the Fund or Administering Authority, or additional cost, taking account of time and resources in resolving the specific area of poor performance;
- make claim against the Scheme employer, setting out reasons for doing so, in accordance with the LGPS Regulations; and set out clearly the date or dates by which payments must be made.

3.4.5 Audit

The Fund is subject to regular audits of its processes and internal controls. The Fund and its Scheme employers are expected to comply fully with any requests for information from both internal and approved external auditors. Any subsequent recommendations made are considered by the Fund and, where appropriate and following discussions with Scheme employers where necessary, implemented.

3.4.6 Communications

The Fund Communications Policy Statement includes specific details on monitoring the compliance of the Administering Authority and its Scheme employers in their communications with various parties associated with the LGPS. This Statement is included as an appendix to this Strategy. Specific features of the communications of the Fund are:

- Employer liaison officers

Each Scheme employer designates a named individual to act as a scheme liaison officer; being the main contact regarding any aspect of administering the LGPS. It is the responsibility of the Scheme Employer to keep the Administering Authority informed of any changes of contact details in good time.

- Employer forum

An annual remote meeting takes place with representatives of the Fund and its Scheme employers to discuss recent developments within the LGPS or pensions generally, to promote and ensure

statutory compliance and to monitor and review communication strategies. It is mandatory for named acting liaison officers to attend.

- Scheme Employer Procedural Guide

If appropriate the Fund updates the employer procedural guide to reflect changes to processes, forms and/or responsibilities highlighted as a result of the monitoring of quality and timeliness.

- Newsletters

Newsletters are issued to all pensioners annually informing them of the pension increase award.

- Annual Benefit Statements

The Fund will notify Scheme employers when Annual Benefit Statements are available. Scheme employers must notify their employees that Annual Benefit Statements are available online via the Member Self-Service portal.

- Training

Training resources are provided for employers to access on the Fund website.

Good communication reminds, or alerts, employees to the value of the LGPS and aids recruitment, retention and the motivation of the workforce. Effective communication between authorities reduces errors, improves efficiency and leads to good working relationships.

Where areas of improvement are identified from benchmarking or performance monitoring as indicated in the above section the Fund is responsible for working closely with the Scheme employers in improving the identified weaknesses.

Review process

The Fund will review this Strategy to ensure it remains up to date and meets the necessary regulatory requirements at least every three years. A current version of the Strategy will always be available on our website at www.croydonpensionscheme.org and paper copies will be available on request.

Consultation

In preparing this Strategy we have consulted with the relevant Scheme employers and other persons considered appropriate. Where it is necessary to revise the Strategy the relevant Scheme employers will be notified in writing of the changes and where a copy of the revised Strategy may be obtained.

Appendix 1 - Summary of communication and liaison

An annual remote meeting will be held with Scheme employers. This is a forum for employers to meet and discuss pension issues, speak to the Pensions Team and be kept informed of changes to the Scheme and the Fund Investments. It is mandatory for your named acting liaison officer to attend.

Updates on Pension Scheme changes will be sent to Scheme employers, to forward on to staff as and when required.

Newsletters are issued to all pensioners annually informing them of the pension increase award.

Annual Benefits Statements will be available to Scheme members on Member Self-Service. Any queries which may arise from the statements which result from information an employer has provided will be referred back to the employer to investigate.

Employers will be notified when the annual benefit statements have been published and must make all employees aware.

Consulting with Scheme employers in preparing or reviewing the Fund's policies and discretions. This will specifically include discussing the results of the triennial valuation.

Pension Fund Report - this annual report includes Fund investment information and statistics of the Scheme membership profile. It also includes details of the Pensions Team and the Fund performance levels.

Appendix 2 – Performance standards

Liaison and Communication		
Function / Task	Performance Target	Responsibility
Confirm nominated representative	30 working days of employer joining fund or change to nominated representative	Scheme employer
Publish and keep under review the London Borough of Croydon Pension Fund Administration Strategy	Within three months of decision to develop an administration strategy or one month of any changes being agreed with scheme employers	Administering Authority
Issue and keep up to date employer procedural guide to employer	30 working days from admission of new employer or date of change/amendment	Administering Authority
Issue and keep up to date pension website, scheme guide and all other literature for issue to Scheme members	30 working days from admission of new employer or date of change/amendment	Administering Authority
Formulate and publish policies in relation to all areas where the Administering Authority may exercise a discretion within the scheme	Within 30 working days of policy being agreed by the London Borough of Croydon Committee	Administering Authority
Host remote employer forum	Annually	Administering Authority
Notify Scheme employers and Scheme members of changes to Scheme rules or relevant legislation	Within one month of the change(s) coming into effect	Administering Authority
Notify Scheme employer (including London Borough of Croydon in its role as a Scheme employer) of issues relating to Scheme employer's poor performance (including arranging a meeting if required)	Within 5 working days of performance issue becoming apparent	Administering Authority
Notify Scheme employer (including London Borough of Croydon in its role as a Scheme employer) of a decision to recover additional costs associated with the Scheme employer's poor performance (including any interest that may be due)	Within 10 working days of scheme employer failure to improve performance, as agreed	Administering Authority
Issue annual benefit statements to active members, deferred members and pension credit members as at 31 March each year	Within 5 months of the end of the Scheme year to which it relates	Administering Authority
Full response to written enquiries	Within 10 working days of receipt of enquiry. Acknowledgement of receipt to be given within 3 working days	Administering Authority
Response to email enquiries	Within 7 working days of receipt of enquiry	Administering Authority
Response to telephone enquiries	Within 5 seconds. If response to enquiry cannot be given immediately the caller will be given an expected call back date and time	Administering Authority
Formulate and publish policies in relation to all areas where the Scheme employer may exercise a discretion within the scheme (including providing a copy of the policy decision(s) to the Fund)	Within 30 working days of policy being agreed by the Scheme employer	Scheme employer

Remit and provide schedule and make payment of employer/employee contributions	By the 19th calendar day of month after deduction	Scheme employer
Respond to enquiries from Administering Authority	5 working days from receipt of enquiry	Scheme employer
Provide year end information required by the Fund in a format agreed with the Fund	By 30 April following the year end	Scheme employer
Ensure payment of additional costs to the Fund associated with the poor performance of the Scheme employer	Within 30 working days of receipt of invoice from the Fund	Scheme employer
Distribute any information provided by the Fund to Scheme members/potential Scheme members	Within 15 days of its receipt	Scheme employer
Notification to the Fund (to enable them to liaise with actuary) of material changes to workforce/assumption related areas (e.g. restructurings/pay reviews/employer going to cease/contracting out of services).	No later than 5 working days after notice has been given to individuals or the total workforce	Scheme employer
Provide new/prospective Scheme members with Scheme information and new joiner forms	5 working days of commencement of employment, change in contractual conditions or as a result of auto enrolment staging	Scheme employer

Fund Administration		
Function / Task	Performance Target	Responsibility
Issue formal valuation results (including individual employer details)	10 working days from receipt of results from fund actuary (but in any event no later than 31 March following the valuation date)	Administering Authority
Carry out interim valuation exercise on cessation of admission agreements or Scheme employer ceasing participation in the Fund	Upon each cessation or occasion where a scheme employer ceases participation in the Fund	Administering Authority
Publish, and keep under review, the Fund's Governance Policy Statement	Within 30 working days of Policy being agreed by the London Borough of Croydon Pension Committee	Administering Authority
Publish and keep under review the London Borough of Croydon Pension Fund Funding Strategy Statement	To be reviewed at each triennial valuation, following consultation with Scheme employers and the Fund's actuary. Revised statement to be issued with the final valuation report	Administering Authority
Publish the Pension Fund Annual Report and any report from the auditor	By 30 September (or any other date stipulated in Regulations) following the year end which it relates	Administering Authority
All new prospective admission bodies to provide a bond or guarantee if required as specified by the Fund Actuary.	To be completed before the body can be admitted to the Fund	Scheme Employer
All admission bodies to provide amended bonds as reviewed periodically by the Fund Actuary.	Annually, or such other period as may be agreed with the Fund	Scheme Employer
Payment of additional fund payments in relation to early payment of benefits from ill health, flexible retirement, redundancy or business efficiency retirement	Within 30 working days of receipt of invoice from the Fund or within timescales specified in each case	Scheme Employer

Providing scheme members with an accurate and secure income for life is the responsibility of all involved in the administration of the scheme. Failure on to meet these responsibilities will ultimately impact our members and their financial future. The below responsibility ensures our members can be confident their pension benefits will be dealt with in an accurate and timely fashion. The responsibilities for the administration of member benefits should be a priority for scheme employers and the administering authority alike.

Scheme Administration – Administering Authority		
Function / Task	Performance Target	Responsibility
Scheme member to be set up on to pension administration software system	30 working days of receipt of all necessary information	Administering Authority
Provide responses to Scheme members/Scheme employers/personal representatives/dependents and other authorised persons	10 working days from receipt of enquiry	Administering Authority
Contact previous pension schemes to request estimate of any available transfers	10 working days from receipt of enquiry	Administering Authority
Provide transfer-in quote to Scheme member	10 working days of receipt of all necessary information from previous scheme) (request from scheme member)	Administering Authority
Confirm transfer-in payment and additional benefit (membership change) to Scheme member	10 working days of receipt of payment of transfer of value	Administering Authority
Arrange for the transfer of Scheme member free standing additional voluntary contributions (AVC) into in-house arrangement	10 working days of all the necessary information from FSAVC provider (receipt of request from scheme member)	Administering Authority
Respond to enquiries to purchase additional pension	5 working days	Administering Authority
Prepare and send quotation details to member	15 working days	Administering Authority
On receipt of a request from the member or new pension provider, supply a transfer value quotation	5 working days of receipt of all necessary information	Administering Authority
Calculate the estimated transfer value payable and inform the new pension provider of amount payable	10 working days of receipt of all necessary information	Administering Authority
On receipt of the member's decision to proceed with the transfer, calculate and pay the transfer value	10 working days of receipt of information	Administering Authority
Notify Scheme employer of scheme member's election to pay additional pension contributions, including all required information to enable deductions to commence	5(10) working days of receipt of election from Scheme member	Administering Authority

Calculate cost of additional pension contributions, and notify Scheme member	10 working days of receipt of request from Scheme member	Administering Authority
Determine additional pension to be credited to the member from additional pension contributions, following publication of revised Government Actuary's Department (GAD) guidance from time to time	10 working days of receipt of revised GAD guidance	Administering Authority
Notify Scheme employer of request from Scheme member to cease additional pension contribution, and notify scheme member of the amount of pension credited	5(10) working days of receipt of request from scheme member	Administering Authority
Process Scheme member request to pay/amend/cease AVC.	5(10) working days of receipt of request from Scheme member	Administering Authority
Provide requested estimates of benefits to employees / employers including any additional fund costs in relation to early payment of benefits from ill health, flexible retirement, redundancy or business efficiency	15 working days after receipt of all necessary information (from date of request)	Administering Authority
Notify leavers of deferred benefit entitlements	40 working days after the expiry of one month from date of leaving and receipt of all necessary information	Administering Authority
Notify retiring employees of benefits (enclosing HMRC disclosure forms)	20 working days of receipt of all necessary information	Administering Authority
Payment of retirement benefits (including any interest due as a result of the late payment of benefits)	Commence payment within the next pension payroll following commencement of pension entitlement. Thereafter make payment on the pension pay day of each month. Any lump sum payments to be paid into the member's account within 10 working days after last day of membership and receipt of all relevant information.	Administering Authority
Contact deferred members to notify pension benefits due and confirm personal details	3 months before pension benefits due	Administering Authority
Confirm in writing the deferred pension benefits due, when payments will be made, set up on payroll for pay period immediately following due date.	Within 20 working days of receipt of all necessary information	Administering Authority
Death notifications	Respond and commence action within 2 working days following notification of death	Administering Authority
Send confirmation of any amounts payable and payment dates	Within 20 working days of receipt of all relevant documents	Administering Authority
Process all stage 2 pension dispute applications	Within two months of receipt of the application, or such longer time as is required to process the application where further information or clarification is required.	Administering Authority
Publish and keep under review the London Borough of Croydon Pension Fund policy on the abatement of pension on re-employment under previous regulations	Notify Scheme members and Scheme employers within one month of any changes or revisions to the policy	Administering Authority
Confirm divorce settlement details in writing	Within 10 working days of receipt of written decision from the Scheme member	Administering Authority

Scheme Administration – Employer		
Function / Task	Performance Target	Responsibility
Make all necessary decisions in relation to new Scheme members (pensionable pay, appropriate contribution pay band, etc)	10 working days of Scheme member joining	Scheme Employer
Provide Administering Authority with Scheme Members' details	10 working days of Scheme member joining/from month end of joining	Scheme Employer
Arrange for the correct deduction of employee contributions from a Scheme member's pensionable pay on becoming a Scheme member	Immediately on joining the Scheme, opting in, auto enrolment or change in circumstances	Scheme Employer
Ensure correct employee contribution rate is applied	Immediately upon commencing Scheme membership and each April payroll thereafter	Scheme Employer
Ensure correct rate of employer contribution is applied	Immediately upon commencing Scheme membership, each April payroll thereafter and at any other time as determined by the Fund Actuary	Scheme Employer
Arrange for reassessment of employee contribution rate in line with employer's policy and notification of any change in rate to affected Scheme member(s)	Review as per policy and notification within 10 working days of change in contribution rate	Scheme Employer
Commence deduction of additional pension contributions or amend such deductions, as appropriate	Month following election to pay contributions or notification received from administering authority	Scheme Employer
Cease deduction of additional pension contributions	Immediately following receipt of election from Scheme member	Scheme Employer
Arrange for the deduction of AVC and payment over of contributions to AVC provider(s)	Commence deduction of AVC in month following the month of election. Pay over contributions to the AVC provider(s) by the 19 th of the month following the month of election	Scheme Employer
Refund any Scheme member contributions deducted in error	Month following month of deduction or error discovered	Scheme Employer
Cease deduction of employee contributions where a Scheme member opts to leave the scheme	Month following month of election, or such later date specified by the scheme member	Scheme Employer
Notify material changes in employee's circumstances (e.g. marital or civil partnership status)	Within 10 working days of receipt of notice	Scheme Employer
Notify details of leave of absence with permission (maternity / paternity / secondment / without pay etc. (communications with employee and confirmation to Fund)	Within 10 working days of notice from employee / HR / payroll	Scheme Employer
Determine reason for leaving and provide notification to administering authority of Scheme leavers.	10 working days of leaving/month end of leaving	Scheme Employer
Determine reason for retirement and provide notification to Administering Authority of retiree	Within 10 working days of retirement	Scheme Employer
Accurately assess final pay for each Scheme member who leaves/retire/dies and forward to Fund.	Within 10 working days following date of leaving/retirement/death	Scheme Employer

Notification to Fund of death of Scheme member	5 working days of date notified	Scheme Employer
Appoint an independent medical practitioner qualified in occupational health medicine, in order to consider all ill health retirement applications and agree appointment with the Fund	Within one month of commencing participation in the Fund or date of resignation of existing medical adviser	Scheme Employer
Appoint adjudicator for stage 1 of the pension internal dispute resolution process and provide full details to the Administering Authority	Within one month of commencing participation in the Fund or date of resignation of existing adjudicator	Scheme Employer

Appendix 3 - New entrants and current Scheme members

The Regulations require automatic membership of the Scheme for any person under age 75 who is appointed to work for your organisation where the contract of employment is 3 months or greater. This rule is the same for admission bodies, provided that the person falls within a description of employee specified as such within the Admission Agreement between the admission body and the Council.

More information on eligibility to the Local Government Pension Scheme can be found in the Employer Guides on <https://www.lgpsregs.org/employer-resources/guidesetc.php>

Any employee who is eligible to join the Scheme may elect to opt out of the Scheme at any time after his/her employment begins. Before making such an election employees will be made aware of the benefits they will be losing.

An employee's right to belong to the Scheme, and the right not to join or to leave the Scheme should be set out in his/her Contract of Employment.

The Pensions Team should be informed about new starters (including any new job roles if a member has multiple roles) within 1 month of the first time the member has pension contributions deducted in each post. A New Starter is anyone who enters the Pension scheme in a new role, for example: they elected to opt into the scheme or were opted in due to auto-enrolment. It is the Employers Responsibility to notify the scheme of all the required information within the statutory deadlines. Those who fail to comply may be failing the Disclosure 2013 Regulations. Please complete a *New Starter Information Form* to inform us of all new starters.

If you use i-connect, we will be automatically informed of the new starters the first month they are paid. This meets your requirements to inform the scheme. If you wish to look into using i-connect to provide data to the scheme please contact the Pensions Team to discuss.

A *Pensions Option Form* and an *Employee's Guide to the Local Government Pension Scheme* are issued to every new employee, both of which can be found at: <https://www.croydonpensionscheme.org/resources/>

It is a legal requirement that new employees are informed of their contribution rate and provided with information about the pension scheme in which they have been entered.

Opting out of the Scheme

If a Scheme member wishes to opt out of the Scheme, the election must be given in writing, and sent to his/her employer with the notification of cessation of membership form. A copy of the form must be sent to the Pensions Team along with confirmation that the employee has been removed from the Scheme by the payroll provider or employer. The Pensions Team will determine the member's Scheme benefit entitlement. **Opt out forms must be kept by the employer for at least 7 years.**

The forms for Scheme members to opt out of the Scheme are available from the Pension Website (<https://www.croydonpensionscheme.org/resources/opt-out-form/>)

If individuals do not have access to a computer a hard copy may be obtained from the Pensions Team.

Auto-Enrolment Employer Duties

The Pensions Act legislation introduced auto-enrolment to workplace pensions. This requires that all eligible employees are to be automatically enrolled into a scheme every 3 years on the auto-enrolment staging date for the employer and every time their job role changes, if they are not in the scheme. The Government publishes guidance on the auto-enrolment criteria, this is different from the criteria to be eligible for the Local Government Pensions Scheme eligible.

Employees will then have to opt out if they do not wish to contribute. An employer should not issue opt out forms and it is illegal to discourage people from joining a scheme. Employees should download the opt out form from our website or contact the Pension Team.

All employers should therefore familiarise themselves with their responsibilities.

All maintained schools must provide auto-enrolment figures obtained from their payroll provider when requested by the Pensions Team.

Academies, admitted bodies and voluntary aided schools have their own staging date and auto re-enrolment dates dependent on the size of their payroll. It is the employer's responsibility to know their auto-enrolment date and ensure auto-enrolment is properly carried out. Further information can be found on the Government website at <https://www.gov.uk/workplace-pensions/joining-a-workplace-pension>

Appendix 4 - Early leavers

Scheme members may leave employment and/or the Scheme before becoming entitled to immediate payment of retirement benefits for a number of reasons, which may or may not be known to their employer. Whenever possible, however, the reason for leaving should be ascertained as this may determine the administrative procedures to be followed and/or the information to be given to the Scheme member. If the member is leaving under ill-health retirement, please see Appendix 9.

It is important to remember that any Scheme member who leaves after having completed 2 or more years membership in the Scheme or who has transferred accrued rights from a previous pension scheme into the Scheme, is entitled to deferred benefits and cannot receive a refund of contributions. Scheme employers should always encourage Scheme members to contact the Pensions Team for information with regard to their pension entitlements and not make their own assumptions.

You are legally required to inform the Pensions Team of all employees who leave the scheme. Please complete the *Pensions Leaver form – Notice of Termination of Pensionable Employment* for all leavers. This should be sent to the Pensions Team along with any with any relevant documents. Please send Leaver Forms on separate emails to forms for new starters.

Appendix 5 – Retirements

Retirement or cessation of employment with entitlement to immediate payment of retirement benefits occurs if the following conditions are satisfied:

1. The Scheme member has been a member of the Scheme for a minimum of 2 years,

or

2. The Scheme member has been a member of the Scheme for fewer than 2 years but has transferred in pension rights from another scheme.

AND with a reason for leaving as follows:

- Compulsorily on attaining age 75.
- Voluntarily on or after attaining age 55 but before age 75.
- At any age by reason of permanent ill health
- On or after attaining age 55, by reason of redundancy or in the interests of the efficient exercise of the employer's functions.
- On or after attaining age 55, by reason of flexible retirement.

Note: the above conditions do not apply if a Scheme member attains age 75. Scheme benefits must be released at age 75 whatever the length of the member's Scheme membership. The Scheme member must be notified of his/her entitlement at least three months before attaining the age of 75.

A pension leaver form must be completed in respect of every retiring Scheme member and a copy forwarded to the Pension Team immediately before or as early as possible after, the date of retirement together with any relevant documents.

If retirement is because the Scheme employer has determined that the retirement is because of permanent ill health the notification should be accompanied by a copy of the Independent Registered Medical Practitioner's certification and the employer's decision confirming the IHR and the Tier. Please see Appendix 9 for further information.

Appendix 6 - Early retirement costs recharged to the Scheme employer

Early retirement costs may arise when an employee retires:

- On the grounds of permanent ill-health (at any age)
- On the grounds of redundancy (aged 55 or over)
- On the grounds of efficiency (aged 55 or over)
- On flexible retirement between age 55 and 60 (if the member meets the 85 year rule), or
- When preserved benefits are paid prematurely on ill-health or compassionate grounds.

The cost is the notional value lost by the Fund from the removal of contributions, the loss of investment on those contributions and from paying the pension benefits earlier than anticipated and over a longer term.

The costs will be recovered as follows:

- In cases of ill health – from the Scheme employer’s contribution rate or if ill health insurance has been taken out from the employer directly.
- In all other cases – immediately from the Scheme employer.

Employers should ensure they are aware of the costs and are able to meet the costs before confirming the early retirement. The Pension Administration team will seek confirmation before putting any pension benefits into payment.

Appendix 7 - Death in service

Death in service of an active member may give rise to entitlement to a Death Grant and, in appropriate circumstances, to dependants' pensions.

Dependants include –

A married spouse

A cohabiting partner (certain provisions apply)

A civil partner

Children (certain provisions apply)

The employer should notify the Pension Team as soon as possible upon the notification of the death of a Scheme member, together with details of the Next of Kin and a copy of the death certificate where one is available. You should not delay notification if death certificate is not available.

Appendix 8 - Additional Voluntary Contribution Scheme

The Fund facilitates an in-house Additional Voluntary Contribution (AVC) Scheme with Prudential, who provide a range of investment funds, as well as a facility for Scheme members to purchase additional death in service cover.

Scheme employers may provide Shared Cost AVC schemes and should notify The Pensions Team as soon as possible if they are to be provided.

It is essential that AVC deductions are invested as quickly as possible to maximise the return to each member.

Monthly AVC deductions should be paid directly to Prudential as soon as the payrolls are processed. A schedule must be sent with the payment, giving details of all contributions paid over to Prudential which must reach them by the 19th day of the month following the month they were deducted. Failure to do so is in breach of legislation and may be reported to TPR.

Weekly paid AVCs can be accumulated for 4-5 weeks and paid over at monthly intervals.

Appendix 9 - Ill health retirement

Active members

The Scheme provides ill health retirement cover for active Scheme members that are unable to work because of serious illness.

The member must have qualifying service of at least 2 years and be under normal pension age, which is linked to the state pension age.

A decision of entitlement and amount shall be made by the scheme employer after obtaining an ill health certificate from an Independent Registered Medical Practitioner (IRMP). Medigold is currently the administering authority's approved IRMP so a referral must be made to Medigold. Please contact Ritika.Singh@croydon.gov.uk, who will provide the consent forms and details of the cost for the referral. All costs should be met by the employer.

The employer must consider and decide two questions before entitlement to an ill health retirement benefit can be awarded. Firstly, they must be satisfied that the member is, as a result of ill-health or infirmity of mind or body, permanently incapable of discharging efficiently the duties of the employment the member was engaged in. Secondly, they must be satisfied the member is not immediately capable of undertaking gainful employment. They must then further decide which of the three tiers apply.

Tier 1: If a Scheme member has at least 2 years membership in the Scheme and the employer determines that they have no reasonable prospect of being capable of gainful employment before state pension age, ill health benefits are based on the membership built up to the date of leaving plus all the Scheme member's prospective membership from leaving to state pension age (SPA).

Tier 2: If a Scheme member has at least 2 years membership in the Scheme and the employer determines that they are unlikely to be capable of gainful employment within a reasonable period of leaving but may be capable of gainful employment at some date in the future before SPA, ill health benefits are based on membership built up to leaving plus 25% of prospective membership from leaving to SPA.

Tier 3: If the employer determines that it is likely a Scheme member will obtain gainful employment within 3 years; the benefits payable will be the benefits accrued as at the date of leaving. A member receiving benefits under the third tier shall:

- Inform his or her former Scheme employer if further gainful employment has started
- Answer any inquiries in relation to current employment status, pay and working hours.

Payment of Tier 3 benefits shall cease if the member starts gainful employment or fails to answer inquiries made by the employer about their employment status. If gainful employment has been secured the pension must cease and the employer may recover any overpayment.

A member in receipt of Tier 3 benefits who attains state pension age continues to be entitled to receive the pension from that date.

Special provision in respect of members receiving Tier 3 benefits

The scheme employer must review the Tier 3 benefits after they have been in payment for 18 months and must decide about the members continued entitlement after obtaining a further certificate from an IRMP if the member confirms gainful employment has not been secured. started. Gainful employment means paid employment for not less than 30 hours in each week for a period of not less than 12 months.

The decisions available are:

- Continue payment of the Tier 3 benefits for any period up to the maximum permitted of three years from the date the member left employment or
- To award Tier 2 benefits from the date of the review decision providing they are satisfied the member is permanently incapable of discharging efficiently the duties of the employment the member was engaged in, and either is unlikely to be capable of undertaking gainful employment before normal pension age or is unlikely to be capable of undertaking gainful employment within 3 years of leaving the employment, but is likely to be able to undertake gainful employment before reaching normal pension age or
- To cease payment of benefits to the member.

You must notify the administering authority if the Tier 3 benefits have ceased. That member will then become a deferred pension member and shall not be entitled to any Tier 3 benefits in future.

The employer may, following a request for a review from a member in receipt of Tier 3 benefits or within 3 years after payment of Tier 3 benefits to a member are ceased, make a decision to award Tier 2 benefits if the employer is satisfied after obtaining a further certificate from an IRMP, that the member is permanently incapable of discharging efficiently the duties of the employment the member was engaged in, and either is unlikely of undertaking gainful employment before normal pension age or is unlikely to be capable of undertaking any gainful employment within three years of leaving the employment, but is likely to be able to undertake gainful employment before reaching normal pension age.

Further resources of guidance <https://www.lgpslibrary.org/assets/othergov/201511POSIH.pdf>

Ill Health Retirement for former employees (deferred members)

A former employee may contact their former employer at any time to request their pension benefits be put into payment on the grounds of ill health.

Employers will need to obtain an Ill Health certificate from an IRMP (see above for details) before making the decision to award ill health retirement.

The employer must be satisfied the deferred member is permanently incapable of discharging efficiently the duties of the employment the member was engaged in because of ill health or infirmity of mind or body; and, if so

Is unlikely to be capable of undertaking gainful employment before normal pension age, or for at least three years, whichever is sooner.

Appendix 10 – Examples of instances where costs may be recharged

Regulation 70 of the LGPS Regulations 2013 provides that an administering authority may recover from a Scheme employer any additional costs associated with the administration of the Scheme incurred as a result of the poor level of performance of that Scheme employer. Where an administering authority wishes to recover any such additional costs they must give written notice stating:

- the reasons in their opinion that the Scheme employer's poor performance contributed to the additional cost;
- the amount of the additional cost incurred;
- the basis on how the additional cost was calculated; and
- the provisions of the Administration Strategy relevant to the decision to give notice.

It is the policy of the Fund to recover all additional costs incurred in the administration of the Scheme as a direct result of the poor performance of the Administering Authority or any Scheme employer or third-party service provider. The circumstances where such additional costs will be recovered are:

- persistent failure to provide relevant information to the Administering Authority, Scheme member or other interested party in accordance with specified performance targets (either as a result of timeliness of delivery or quality of information);
- failure to pass relevant information to the Scheme member or potential members, either due to poor quality or not meeting the agreed timescales outlined in the performance targets;
- because extra resources will be required to process missing data;
- failure to deduct and pay over correct Scheme member and employer contributions to the Fund within the stated timescales;
- where the performance of a Scheme employer results in fines being levied against the Administering Authority by The Pensions Regulator (TPR), Pensions Ombudsman or any other regulatory body.
- where there is a cost of any remedial action required to be taken by the Fund caused by the failure of a Scheme employer to meet their requirements as set out in regulation or the specified performance targets. Also, any breaches of the regulations such as delays in producing the annual benefit statements will be reported to TPR. The report will detail any delays experienced by the Pensions Team in receiving the data.
- where advice has been supplied from a third-party provider, with or without the consent of the Administering Authority. [Please ensure that your payroll provider is aware of the data requirements of the scheme and that they use i-connect to provide that information as soon as they are ready to be on boarded. Where there is no previous arrangement in place between Employer and third-party provider – the costs incurred will still be re-charged back to the Employer that originally requested work, information or raised queries].

The table below provides examples of situations when the Administering Authority may recharge employers for additional costs. It is not intended to be definitive and the Fund reserves the right to levy an additional charge in any circumstances of poor performance under Regulations 70 and 71 of the LGPS Regulations 2013 and in accordance with this Strategy. For the calculation of additional recharges for poor performance.

		Cost
1	Late notification of a new starter	£50
2	Late notification of changes to personal details	£50
3	Late notification of maternity leave, strike absence, jury service, unpaid leave	£50
4	Late notification of an early leaver	£50
5	Late notification of a member retiring	£50
6	Late notification of death in service	£50
7	Late notification of contribution banding changes	£50
8	Late payment of monthly contributions	£50
9	Late delivery of payroll details in support of monthly contributions	£50
10	Late notification of annual year end information	£250
11	Any fine imposed on the Fund by the Regulator, which is deemed to be the fault of the Employer, will be passed on to that Employer	Fine amount
12	Any fine imposed on the Fund due to failure to provided information for Auto enrolment process	Fine amount
13	Costs of FRS17 report preparation and submission to actuary, plus actuary time	Re-charge amount
14	Costs of FRS17 report preparation and submission to actuary, plus actuary time for Academies	£2,500+ pa
15	Costs arising from queries submitted to third party providers, without prior notification of cost to Employer, will be re-charged back to the Employer which raised the query.	Re-charge amount
16	All legal costs and any other third-party costs incurred from outsourcing, queries, disagreements and not an exhaustive list are to be re-charged back to the employer.	Re-charge amount
18	Costs incurred in querying incorrect information on returns.	£50
19	Any interest applicable under Regulation 71	Amount to be advised in individual cases

The full cost of any engagement with external providers e.g. Actuaries or Solicitors will be recharged back to the Scheme employer. This will include any outsourcing of contracts and FRS17 reports.

Appendix 11 – Co-habiting partners

The Scheme provides for a co-habiting partner, of either the opposite or same sex, to receive a survivor's pension, subject to meeting the relevant criteria laid down in the Scheme regulations i.e. that all of the following conditions have applied for a continuous period of at least 2 years on the date of death of the Scheme member:

- both the Scheme member and their co-habiting partner are, and have been, free to marry each other or enter a civil partnership with each other, and
- the Scheme member and their co-habiting partner have been living together as if they were husband and wife, or civil partners, and
- neither the Scheme member nor their co-habiting partner have been living with someone else as if they were husband and wife or civil partners, and
- either the co-habiting partner is financially dependent on the Scheme member or they are financially interdependent on each other.

An application for a co-habiting partner's pension may be declined if the administering authority is not satisfied the above condition have been met.

Appendix 12 – Payment of monthly contributions by Scheme employers

Under the Scheme Regulations 2013 (Regulations 67-71) employers are required to provide a schedule to the Fund, in a format specified by the Fund, of all employees who have had pension deductions taken from their salaries or who are on nil pay.

The Fund has produced its own template for employers to use which is revised annually. It includes employer notes and member bandings information.

An employer specific version will be issued to individual employers on entry to the Fund and annually thereafter by the Administering Authority. It must be used unless specific authorisation to use an alternative format is given by the Administering Authority and should include details of the employees who have had pension deductions taken or who are on nil pay.

The minimum information required to be shown on monthly schedules is as follows:

- Employer Name
- Month and year to which the schedule applies
- Member National Insurance Number
- Member first name and surname
- Member contribution band percentage rate
- Employer percentage rate
- Additional contribution percentage of APC rate (where applicable), member and employer contribution amount for the current month plus cumulative figures to date
- Pensionable pay including APP
- Monthly and cumulative Scheme member contributions
- Monthly and cumulative employer contributions
- Total monthly and cumulative Scheme member and employer contributions
- Total monthly and cumulative pensionable pay
- Date joined or left the Scheme (if in current year)
- Any lump sum deficit monthly and cumulative amounts and balance (if applicable)

A separate entry on the schedule is required for each employment. Therefore, if a member has multiple roles, they will have a corresponding number of entries on the schedule. It is therefore important to provide job titles for each role to enable data to be allocated to the correct record.

It should be noted that the Fund template requires additional information to be supplied which assists with the calculation and administration of member benefits and reconciling accounts.

Many employers outsource payroll and schedule administration to payroll providers. It should be noted that it is still the responsibility of the employer to ensure all information supplied is accurate, payments match the amounts on the schedules, payments are received by the deadline and that an explanation is provided in respect of any discrepancies. Any queries will need to be followed up by the Pensions Team, resulting in additional work. Persistent occurrences could result in additional charges to the employer being implemented (see payments section).

Schedules must be submitted to the Pension Team at pensionschedules@croydon.gov.uk as soon as the payroll has been run each month but no later than the 19th of the month following the relevant pay period. In order to ensure data is sent securely employers should use Egress to email schedules.

Where this is not possible schedules should be sent password protected and employers should inform the Pensions Team of the password via separate email.

The Fund also uses the I-Connect system. Monthly pension data can be uploaded on spreadsheets or via data entry onto a web form. Employers may apply to the Pensions Team should they wish to consider submitting returns in this way.

AVCs

Employers need to notify the Pensions Team of any AVC amounts applicable. A copy of the AVC Schedule should be forwarded to the Pensions Team along with any new applications to pay AVC or any notifications to cease. Payments for these amounts should be made directly to the AVC provider.

Employer Contributions

Employer contributions are expressed as a percentage of pensionable pay (or assumed pensionable pay APP if relevant) and are payable at such rate(s) as may be advised by the Fund following the completion of each triennial or other actuarial valuation of the Fund or in respect of the individual employer. There may be a secondary lump sum deficit applicable to some employers which is an annual lump sum figure (not a percentage of pensionable pay) that is payable in monthly instalments with the usual schedule payments. Further information on how these amounts are determined is contained in the Funding Strategy Statement which can be found on our website

<https://www.croydonpensionscheme.org/resources/>

Payment

Under the Scheme Regulations 2013, employers are required to make payment of sums due in respect of the schedule amount to the Fund. All sums detailed on the schedules shall be paid over no later than the 19th day of the month following the month of account (for example, the May payment must be made by 19 June). Contributions deducted from weekly wages should be accumulated for 4 or 5 weeks and paid over at the appropriate month end.

Payments should be made through BACS and account details will be provided to all employers of the fund.

Under Regulation 71 of the Scheme Regulations 2013, payment of interest may be charged by the Fund where contributions have been received late. Interest payable under this regulation is calculated at one per cent above base rate on a day-to-day basis from the due date to the date of payment and compounded with three-monthly rests.

The Regulations provide that an Administering Authority may recover from an employer any additional costs associated with the administration of the Fund incurred as a result of the unsatisfactory level of performance of that employer. Such circumstances include:

- persistent failure to provide relevant information to the Administering Authority in accordance with specified requirements in terms of either quality or format of information or timeliness of delivery.
- failure to deduct and pay over correct employee and employer contributions to the Fund within the stated timescales.
- instances where the performance of the employer results in fines being levied against the Administering Authority by TPR, Pensions Ombudsman or other regulatory body.

Late payment of pension contributions by Scheme employers is a serious offence and TPR or the Pensions Ombudsman has significant powers of sanction. TPR can impose fines of up to £50,000 for each instance of persistent offence. The Pensions Act allows the prosecution of employers for late payment of contributions.

Employer Information

The following links are available to provide guidance for employers and payroll providers with pension matters:

Employer Resources <https://lgpsregs.org/employer-resources/guidesetc.php>

HR Guide <https://www.lgpslibrary.org/assets/gas/ew/HRv4.1c.pdf>

Payroll Guide <https://www.lgpslibrary.org/assets/gas/ew/Pv4.1c.pdf>

Additionally, the governance team can be contacted at pensionschedules@croydon.gov.uk if needed.

Employer contributions are usually expressed as a percentage of pensionable pay and are payable at such rate(s) as may be advised by the Fund following the completion of each triennial or other actuarial valuation of the pension fund.

Employee contributions bandings are set nationally and revised annually.

Appendix 13 - Year end procedures

Under regulation 80 (3) of the Scheme Regulations 2013 within three months of the end of each Scheme year, each Scheme employer must provide a statement to the appropriate administering authority giving the following details in respect of each employee who has been an active member at any point during the Scheme year-

- The employee's name and gender
- The employee's date of birth and national insurance number
- A unique reference number relating to each employment in which the employee has been an active member.
- the dates of active membership;
- the pensionable pay received and employee contributions deducted while regulation 9 (contributions) applied;
- the pensionable pay received and employee contributions deducted while regulation 10 (temporary reduction in contributions) applied;
- any contributions by the employer in relation to the employee's pensionable pay;
- any contributions by employee or employer under regulation 16 (additional pension contributions);
- any contributions by employee or employer under regulation 17 (AVC).

Employers who are fully I-Connect will not need to submit a return.

Employers who are partial I-Connect users will be required to submit end of year data on the same form used for monthly submissions. Employers are required to complete the form and submit it to the Pensions Team by 30 April.

The Pensions Team will issue every employer who does not use I-Connect to submit monthly schedules with a standard end of year template in February each year. It covers the period from 1 April to 31 March. Employers are required to complete the form and submit it to the Pensions Team by 30 April. In order to ensure data is sent securely employers should use Egress to email returns. Where this is not possible returns should be sent password protected; employers should inform the Pensions Team of the password via separate email.

The template includes a 'Notes' tab which gives information about the data fields on the template. Further assistance is available by emailing pensionsEOY@croydon.gov.uk.

Once the Pensions Team receive the returns, they will validate them and contact employers with any queries and provide a timescale for employers to respond.

Employers should check the returns before submitting them to ensure the data is correct.

If employers anticipate any difficulties in submitting the return by the deadline or resolving any queries raised, then they must contact the Pensions Team by emailing them at pensionsEOY@croydon.gov.uk.

Why are the End of Year returns needed?

The end of year information is needed to update the pensions database. This data is used for all benefit calculations and annual benefit statement illustrations. It is also used for the triennial fund valuation.

What if the information is incomplete or inaccurate?

If information is not complete or accurate, any calculations based on it will also be incorrect. This means that requirements to inform members of their benefits within timescales stipulated in the disclosure regulations may not be met. This could result in a breach which in turn could result in a fine being levied by TPR.

This not only affects member benefit calculations but also the calculation of employer contribution rates. If the data is unreliable the Fund Actuary will take a cautious approach to rate setting and that could result in higher employer percentage contributions.

Many employers outsource payroll and end of year administration to payroll providers. It should be noted that it is still the responsibility of the Employer to ensure all information supplied is accurate, that it is received by the deadline and that an explanation is provided in respect of any discrepancies. Any queries will need to be followed up by the Pensions Team, resulting in additional work. Non-compliance could result in additional charges to the employer being implemented by the Administering Authority (see payments section) as well as fines being imposed by TPR.

Appendix 14 - Additional pension contributions (APCs)

Buying additional pension

Active scheme members may choose to buy extra annual pension, up to a statutory maximum, using an Additional Pension Contribution (APC) contract.

The pension purchased is linked to Normal Pension Age and is for the member only, there is no provision for a dependant's pension.

To buy extra pension, the Scheme member may choose to make a one-off contribution or regular additional contributions through the payroll, in order to buy a set amount of additional pension. The cost (a cash amount NOT a percentage of pay) is determined by the Scheme member's age and the amount they wish to purchase.

An employer may, if it wishes, agree to meet some or all of the cost of any additional pension purchased for an active member. An employer may also choose to purchase additional pension up to six months after an employee has left provided they have left employment on the ground of redundancy or efficiency. Employers should ensure they have a policy on this discretion.

Note that a Scheme member cannot commence an APC contract if they are in the 50/50 section.

Buying lost pension

If an active scheme member has been away from work with no pay, they can buy back the lost pension. This includes periods of unpaid maternity, paternity and adoption leave, parental bereavement leave and reserve forces service leave.

Where an application to buy back the lost pension is made within 30 days of returning to paid work then the employer must meet two thirds of the costs (unless the unpaid period was due to strike action). The employer may extend this period if they wish.

Employees in the 50/50 section of the scheme may purchase lost pension if they have had a period of unpaid absence.

Employers should provide employees with the amount of lost pensionable pay during the period of unpaid leave.

Buying pension 'lost' during a trade dispute.

An active member may take out an APC to buy back lost pension due to strike action. The employer is not required to pay two thirds of the costs where the unpaid leave was the result of strike action.

Appendix 15 - The 50/50 option

The 2014 Scheme contains two sections – the main section and the 50/50 section. The difference between the two sections is that in the 50/50 section the amount of contributions to be deducted from the Scheme member is half that due under the main section (and, therefore, the member accrues half the normal pension whilst in the 50/50 section).

Note that whilst an individual is in the 50/50 section the employer contribution is still the normal full contribution rate.

The Scheme member may elect to move between the main and 50/50 sections of the Scheme any number of times but each election only takes effect from the next available pay period.

An employer must give an employee who elects for the 50/50 section information on the effect on that person's likely benefits from the 2014 Scheme.

The employer will be required to notify both the payroll administrator and the Pensions Team of the date of the move to a different section and to maintain a record of elections.

At year end (or date of leaving if earlier), employers should confirm to the Administering Authority which section the member was in at that time.

Each employer will need to determine the most effective method of holding the above information. Employers will need to notify the Pensions Team that the employee has elected to move from the main section to the 50/50 section (or vice versa) from the beginning of the next available pay period following the election.

If an employee is in the 50/50 section and goes on to no pay due to sickness or injury, the employee must be moved back into the main section from the beginning of the next pay period if they are still on nil pay at that time. The person will, of course, have the right to make a further 50/50 election which, if made before the payroll is closed, would mean the member would have continuous 50/50 membership.

If the Scheme member is in the 50/50 section and goes on to no pay during ordinary maternity leave, ordinary adoption leave or paternity leave, the member must be moved back into the main section from the beginning of the next pay period if they are still on nil pay at that time.

If the employee is in the 50/50 section they must be moved back to the main section from the beginning of the pay period following the employers' "automatic re-enrolment date". This would happen irrespective of what category of worker they are for the purposes of the Pensions Act 2008.



Administration Strategy Statement

London Borough of Croydon Pension Fund

July 2017

CONTENTS

1	Introduction	3
2	Regulatory framework	4
3	Responsibilities and procedures	5
4	Review process	13
5	Consultation	13
	Appendix 1 - Summary of communication and liaison	14
	Appendix 2 - Performance standards	15
	Appendix 3 - New entrants and current Scheme members	22
	Appendix 4 - Early leavers	23
	Appendix 5 - Retirements	24
	Appendix 6 - Early retirement costs recharged to the Scheme employer	25
	Appendix 7 - Deaths in Service	26
	Appendix 8 - Additional Voluntary Contribution Scheme	27
	Appendix 9 - Ill health Retirement	28
	Appendix 10 – Examples of instances where costs may be recharged	29
	Appendix 11 - Cohabiting Partners	30
	Appendix 12 – Payment of monthly contributions by Scheme employers	31
	Appendix 13 - Year end procedures	33
	Appendix 14 - Additional pension contributions (APCs)	34
	Appendix 15 - The 50:50 Option	36

1 Introduction

The Local Government Pension Scheme (LGPS) represents a significant benefit to scheme members. Much of the success in promoting the scheme amongst scheme members and ensuring a high quality service delivery depends upon the relationship between the administering authority and scheme employers in the day to day administration of the scheme. Good quality administration is essential (can also help) in the overall promotion of the scheme and remind or alert employees to the value of the LGPS, thereby helping with recruitment, retention and motivation of employees.

Development of an administration strategy, as allowed for by the Local Government Pension Scheme (LGPS), is seen as one of the tools which can help in delivering a high quality administration service to the scheme member and other interested parties. Delivery of a high quality administration service is not the responsibility of one person or organisation, but is rather the joint working / partnership of a number of different parties.

This is the pension administration strategy statement of the London Borough of Croydon Pension Fund, administered by Croydon Council (the administering authority). It has been developed following consultation with employers in the London Borough of Croydon Pension Fund Pension Fund.

The aim of this strategy statement is to set out the quality and performance standards expected of Borough of Croydon Council in its role of administering authority and scheme employer, as well as all other scheme employers within the London Borough of Croydon Pension Fund. It seeks to promote good working relationships, improve efficiency and enforce quality amongst the scheme employers and the administering authority.

The Fund comprises of 99 scheme employers and approximately 25,500 members, this includes active, deferred, pensioner and dependant members (as at 31 March 2017) of the Local Government Pension Scheme. The efficient delivery of the benefits of the LGPS is dependent on good quality data and sound administrative procedures being in place between a number of interested parties, including the administering authority and scheme employers. This strategy statement sets out the expected levels of performance of both the administering authority and the scheme employers within the London Borough of Croydon Pension Fund, as well as details on how performance levels will be monitored and the action that might be taken where persistent failure occurs.

This pension administration strategy statement is effective from *1 July 2017*.

Any enquiries in relation to this pension administration strategy statement should be sent to:

The Pension Team
Resources Department
London Borough of Croydon
Floor 5 Zone A Bernard Weatherill House
8 Mint Walk
Croydon, CR0 1EA

Telephone: 0208 760 5768 x62892
Email: pensions@croydon.gov.uk
www.croydonpensionscheme.org

2 Regulatory framework

Regulation 59(1) of the Local Government Pension Scheme Regulations 2013 enables an LGPS administering authority to prepare a written statement ("the pension administration strategy") which contains such of the matters mentioned below as they consider appropriate:-

- Procedures for liaison and communication with Scheme employers.
- The establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions under the LGPS 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 consider appropriate;
- 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.
- Procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions.
- The circumstances in which the administering authority may consider giving written notice to any of its Scheme employers on account of that employer's unsatisfactory performance in carrying out its Scheme functions under these Regulations when measured against levels of performance.
- Such other matters as appear to the administering authority to be suitable for inclusion in that strategy.

In addition, regulation 59(6) of the LGPS Regulations also requires that, where a pension administration strategy is published, a copy is issued to each of their relevant employing authorities as well as to the Secretary of State. Similarly, when the strategy is revised at any future time the administering authority (after say a material change to any policies contained within the strategy) must notify all of its Scheme employers and also the Secretary of State.

It is a requirement that, in preparing or revising any pension administration strategy, the administering authority must consult its relevant employing authorities and such other persons as it considers appropriate.

Regard must be had by both the administering authority and its Scheme employers to the current version of any pension administration strategy when carrying out their functions under the LGPS Regulations.

In addition, regulation 70 of the LGPS Regulations allows an administering authority to recover additional costs from a Scheme employer where, in its opinion, they are directly related to the poor performance of that scheme employer. Where this situation arises the administering authority is required to give written notice to the Scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

The following strategy statement, therefore, sets out the information required in accordance with regulation 59(1) and forms the basis of the day to day relationship between Croydon Council as the administering authority and the Scheme employers of the London Borough of Croydon Pension Fund. It also sets out the circumstances under regulation 70 of the LGPS Regulations where additional costs are incurred as a result of the poor performance of a Scheme employer, together with the steps that would be taken before any such action were taken.

3 Responsibilities and procedures

PROCEDURES FOR LIAISON AND COMMUNICATION WITH EMPLOYERS

The delivery of a high quality administration service is not solely the responsibility of the administering authority, but depends on the joint working of the administering authority with a number of individuals in different organisations to ensure scheme members, and other interested parties, receive the appropriate level of service or ensure that statutory requirements are met.

This strategy statement has been developed following consultation with Scheme employers and other interested parties. It takes account of Scheme employers' current pension knowledge, perception of current administration standards and specific training needs to ensure the level of service can be delivered to the required standard.

Procedures have been agreed for the liaison and communication between London Borough of Croydon Pension Fund and its scheme employers. Full details are provided with the Fund's communication policy, which is available on the Fund's website at <http://www.croydonpensionscheme.org/about-us/forms-and-publications.aspx>

A brief summary is set out in Appendix 1.

ESTABLISHING LEVELS OF PERFORMANCE

Performance standards

The LGPS prescribes that certain decisions be taken by either the administering authority or the Scheme employer, in relation to the rights and entitlements of individual Scheme members. In order to meet these obligations in a timely and accurate manner, and also to comply with overriding disclosure requirements, the London Borough of Croydon Pension Fund has agreed levels of performance between itself and Scheme employers which are set out in Appendix 2:

Quality

Overriding legislation

In carrying out their roles and responsibilities in relation to the administration of the Local Government Pension Scheme the administering authority and Scheme employers will, as a minimum, comply with overriding legislation, including:

- Pensions Act 1995 and associated disclosure legislation;
- Freedom of Information Act 2000;
- The Equality Act 2010
- Data Protection Act 1998;
- Finance Act 2004; and
- Health and Safety legislation.

Where agreed, the administering authority and Scheme employers will comply with local standards which go beyond the minimum requirements set out in overriding legislation. Such best practice standards are outlined in the section on timeliness set out below.

Internal standards

The administering authority and Scheme employers will ensure that all functions/tasks are carried out to agreed quality standards. In this respect the standards to be met are:

- compliance with all requirements set out in the employer procedural guide;
- work to be completed in the required format and/or on the appropriate forms contained within the employer procedural guide;
- information to be legible and accurate;
- communications to be in a plain language style;
- information provided to be checked for accuracy by an appropriately qualified member of staff;
- information provided to be authorised by an agreed signatory; and
- actions carried out, or information provided, within the timescales set out in this strategy document.

TIMELINESS

Overriding legislation dictates minimum standards that pension schemes should meet in providing certain pieces of information to the various parties associated with the scheme. The scheme itself sets out a number of requirements for the administering authority or Scheme employers to provide information to each other, scheme members and prospective scheme members, dependants, other pension arrangements or other regulatory bodies. Locally agreed performance standards have been agreed which cover all aspects of the administration of the scheme, where appropriate going beyond the overriding legislative requirements. These locally agreed standards for the London Borough of Croydon Pension Fund are set out below.

External providers

The administering authority or its Scheme employers will ensure that any external service providers with responsibility for carrying out any functions relating to the administration of the Local Government Pension Scheme (such as external pension administration providers, payroll and HR providers) are aware of the standards to be met. They will also be responsible for ensuring that those standards are met.

Procedures for ensuring compliance with statutory requirements and levels of performance

Ensuring compliance is the responsibility of the administering authority and its Scheme employers. We will work closely with all Scheme employers to ensure compliance with all statutory requirements, whether they are specifically referenced in the LGPS Regulations, in overriding legislation or in this Administration Strategy. We will also work with employers to ensure that overall quality and timeliness standards are met as part of a service development plan. Various means will be employed, in order to ensure such compliance and service improvement, after first seeking views from as wide an audience as possible. These include:

Audit

The London Borough of Croydon Pension Fund will be subject to regular audits of its processes and internal controls. The London Borough of Croydon Pension Fund and its Scheme employers will be expected to fully comply with any requests for information from both internal and approved external auditors. Any subsequent recommendations made will be considered by the London Borough of Croydon Pension Fund and where appropriate duly implemented (following discussions with scheme employers where necessary).

Performance monitoring

The London Borough of Croydon Pension Fund will monitor performance against specific tasks from the event date (e.g. date of leaving/retirement, etc) to the date of the completion of the task (notwithstanding that service levels for benchmarking purposes are measured from the date that all necessary data has been received/is available). As part of this monitoring exercise we will include the monitoring of the performance of each Scheme employer in the provision of all necessary data required by the administering authority enabling completion of each task. We will also monitor the performance of the administering authority in carrying out its responsibilities in relation to the scheme.

The London Borough of Croydon Pension Fund as the administering authority will regularly monitor performance by benchmarking with other administering authorities by using benchmarking clubs and other comparators available. Quality and standards of performance will be included in performance monitoring and benchmarking.

Employer liaison meetings

An annual meeting will take place with representatives of the administering authority and the scheme employer to monitor and review performance against targets, the quality of information exchange and ensure compliance with statutory obligations.

Employer forums

Quarterly meetings will take place at a suitable venue to enable an exchange of experience between the London Borough of Croydon Pension Fund and its Scheme employers to promote and ensure statutory compliance.

Employer liaison officers

Each Scheme employer will designate a named individual to act as a scheme liaison officer; being the main contact with regard to any aspect of administering the LGPS. Similarly, the London Borough of Croydon Pension Fund will designate a named individual within the pensions services team for each scheme employer, to act as the pension liaison officer for each scheme employer.

The London Borough of Croydon Pension Fund pension liaison officer will meet with the Scheme employer representative at least annually to discuss any issues relating to the LGPS and/or raise any issues around the performance of the Scheme employer or services provided by the administering authority. More frequent meetings will be arranged if necessary (particularly if issues around the perceived poor performance of the scheme employer arise).

Communication policy statement

The London Borough of Croydon Pension Fund communication policy statement includes specific details on monitoring the compliance of the administering authority and its Scheme employers in communication with various parties associated with the Local Government Pension Scheme. This statement is included as an appendix to this strategy.

Procedures for improving communication between administering and employing authorities

Good communication reminds, or alerts, employees to the value of the LGPS which negates misleading media information and aids recruitment, retention and the motivation of the workforce. Effective communication between authorities reduces errors, improves efficiency and leads to good working relationships.

Where areas of improvement are identified from benchmarking or performance monitoring as indicated in the above section the London Borough of Croydon Pension Fund will be responsible for working closely with the Scheme employers in improving the identified weaknesses.

Where improvements are made they will be reported in the service improvement plan. As part of the review process any new procedures or practises introduced will be kept under review to monitor achievement.

Service improvement plan

The London Borough of Croydon Pension Fund will develop, in conjunction with its Scheme employers, a rolling three year service improvement plan for the provision of the pensions administration service. This plan will include development areas, aimed at improving business efficiency through increased use of technology, together with service improvements identified as part of the benchmarking and monitoring of the administering authority's and Scheme employers' performance. This plan will be monitored on an annual basis and reports provided to scheme employers/senior officer/the Pension Committee and the Local Pension Board.

The Pension Administration Strategy sets out the responsibilities of both the employers in the fund and the pension's team designed to ensure that scheme members have the best possible experience.

The key element in achieving this is the timely supply of accurate data from the employer to the pension fund. Without this information at the appropriate time, both internal performance targets and statutory disclosure requirements will not be met.

In order to help employers pass the data to the pension's team we are investing in new technology. This is a product produced by Aquila Heywood. They are the main provider of pension's administration software in the LGPS and as Croydon Council uses Altair, which is also produced by Aquila Heywood, the systems are compatible.

Employers have all been given the Iconnect specification. The idea is to roll out the product to all employers with more than 20 members throughout 2017/18.

We are currently using the product for the Council payroll. There is some initial work required by the employer to match the data, however, once done, using the systems will streamline the process for both employers and the pensions team and should improve the member experience.

The pension's team will provide support and training to the employer to help them to "on board" to the system. Employers with fewer members could still use Iconnect but as long as they provide all of the information required by the pensions team on a monthly basis they are not obliged to.

Our approach is very much to help, enable and support employers in providing the required information. We are happy to provide on-site training, telephone support as well as attendance at employer forums.

The use of I-Connect involves employers inputting data (including personal data) about Scheme members therefore the Data Protection Act 1998 (DPA) is engaged. From 25th May 2018 the Data Protection Act 1998 (DPA) will be replaced by the General Data Protection regulation (GDPR) and the GDPR will place various obligations on both the Administering Authority and Scheme Employers in their respective roles as Data Controller and Data Processors. The Council as the Administering Authority and Data Controller will ensure it complies with the DPA and the GDPR when it comes into force. The Council as Data Controller also recognises rights of its scheme members (data subjects) under both DPA and the GDPR and will ensure it has policies and processes in place to support these rights.

If appropriate the London Borough of Croydon Pension Fund will update the employer procedural guide to reflect changes to processes, forms and/or responsibilities highlighted as a result of the monitoring of quality and timeliness.

Newsletters

Newsletters which will be issued to all employees annually (or more frequently if necessary) dealing with changes to scheme rules and Scheme employer procedures or responsibilities associated with them.

Technical bulletins

Bulletins will be issued to Scheme employers at least half yearly (more frequently if necessary) updating them on recent and forthcoming changes to the scheme. These Bulletins will provide technical advice and guidance to Scheme employers on the changes along with any changes to, or additions to, the responsibilities of the Scheme employers.

Training sessions

The London Borough of Croydon Pension Fund will provide training to its Scheme employers as and when required in order to undertake training where significant performance issues are identified, or on request from the Scheme employer. It is mandatory for your named acting liaison officer to attend.

Employer forums

Regular meetings (at least quarterly) will take place with representatives of the London Borough of Croydon Pension Fund and its Scheme employers to discuss recent developments within the LGPS or pensions generally, as well as to monitor and review communication strategies. It is mandatory for your named acting liaison officer to attend.

Employer liaison meetings

The London Borough of Croydon Pension Fund pension liaison officer will meet with the Scheme employer representative at least annually to discuss any issues relating to the LGPS and/or raise any issues around the performance of the Scheme employer or services provided by the administering authority. At these meetings the service improvement plan will be reviewed, to discuss progress against targets. More frequent meetings will be arranged if necessary (particularly if specific issues around the perceived poor performance of the Scheme employer arise). It is mandatory for your named acting liaison officer to attend.

Continual review

The London Borough of Croydon Pension Fund will continually review the performance of the administering authority and Scheme employers against the targets and standards set out in this strategy and address with Scheme employers any issues that might be highlighted. The London Borough of Croydon Pension Fund will also monitor success against the targets set out in the three year rolling service improvement plan, and take all necessary action where this is found not to be the case.

Circumstances where the administering authority may levy costs associated with the employing authority's poor performance

Regulation 70 of the Local Government Pension Scheme Regulations 2013 provides that an administering authority may recover from a Scheme employer any additional costs associated with the administration of the scheme incurred as a result of the poor level of performance of that Scheme employer. Where an administering authority wishes to recover any such additional costs they must give written notice stating:-

- The reasons in their opinion that the scheme employer's poor performance contributed to the additional cost;
- The amount of the additional cost incurred;
- The basis on how the additional cost was calculated; and
- The provisions of the pension administration strategy relevant to the decision to give notice.

Circumstances where costs might be recovered

It is the policy of the London Borough of Croydon Pension Fund to recover all additional costs incurred in the administration of the LGPS as a direct result of the poor performance of the administering authority, any Scheme employer or third party service provider. The circumstances where such additional costs will be recovered are:

- persistent failure to provide relevant information to the administering authority, scheme member or other interested party in accordance with specified performance targets (either as a result of timeliness of delivery or quality of information);
- failure to pass relevant information to the Scheme member or potential members, either due to poor quality or not meeting the agreed timescales outlined in the performance targets;
- Or because extra resources will be required to process the missing data. This cost will have to be met directly by the employer.
- failure to deduct and pay over correct scheme member and employer contributions to the London Borough of Croydon Fund within the stated timescales;
- Instances where the performance of the scheme employer results in fines being levied against the administering authority by the Pension Regulator, Pensions Ombudsman or any other regulatory body.
- The cost of any remedial action required to be taken by the London Borough of Croydon and caused by the failure of a Scheme employer to meet their requirements as set out in regulation or the specified performance targets. Also, any breaches of the regulations such as delays in producing the annual benefit statements will be reported to the Pension Regulator (TPR). The report will detail any delays experienced by the pensions team in receiving the data.
- Advice supplied from a third party provider, with or without the consent from the administering authority. So please ensure that your payroll provider is aware of the data requirements of the scheme and that they use Iconnect to provide that information as soon as they are ready to be on boarded. Where there is no previous arrangement in place between Employer and third party provider – the costs incurred will still be re-charged back to the Employer that originally requested work, information or raised queries.

- Our hope that no such penalties or breach reporting will be required. We want to support all stakeholders in ensuring that all regulations and requirements are met and thereby guaranteeing the scheme member of the Croydon pension fund enjoys the best member experience possible.

Approach taken by administering authority

The London Borough of Croydon Pension Fund will seek, at the earliest opportunity, to work closely with Scheme employers in identifying any areas of poor performance, provide the necessary training and development and put in place appropriate processes to improve the level of service delivery in future. Consideration for seeking additional administration costs where persistent failure occurs and no improvement is demonstrated by a Scheme employer would be seen as a failure and should only be taken once all opportunities to resolve any issues identified are exhausted. The following sets out the steps we will take in dealing with poor performance by a Scheme employer:

- write to the Scheme employer, setting out area(s) of poor performance;
- meet with the Scheme employer, to discuss area(s) of poor performance and how these can be addressed;
- issue formal written notice, where no improvement is demonstrated by the Scheme employer or there is a failure by the Scheme employer to take agreed action, setting out the area(s) of poor performance that have been identified, the steps taken to resolve those area(s) and notice that the additional costs will now be reclaimed;
- clearly set out the calculations of any loss resulting to the London Borough of Croydon Pension Fund or administering authority, or additional cost, taking account of time and resources in resolving the specific area of poor performance; and
- make claim against the Scheme employer, setting out reasons for doing so, in accordance with the LGPS Regulations;
- set out clearly the date or dates by which payments must be made.

4 Review process

The London Borough of Croydon will review this Administration Strategy to ensure it remains up to date and meets the necessary regulatory requirements at least every three years. A current version of the administration strategy statement will always be available on our website at www.croydonpensionscheme.org and paper copies will be available on request.

5 Consultation

In preparing this pension administration strategy we have consulted with the relevant Scheme employers and other persons considered appropriate. Where it is necessary to revise this pension administration strategy the relevant Scheme employers will be notified in writing of the changes and where a copy of the revised strategy may be obtained.

Appendix 1 - Summary of communication and liaison

Employer's forums will be held on a quarterly basis in the Town Hall or Bernard Wetherill House, this is a forum for Employers to meet and discuss pension issues, speak to the pension team and be kept informed of changes to the Scheme and Pension Fund Investment. It is mandatory for your named acting liaison officer to attend.

An annual Employee **Newsletter** will be sent out to Scheme employers, to forward on to staff. The newsletter will cover major Scheme changes and contact information.

Regular updates on **Pension Scheme changes** will be sent to you, keeping you fully informed when changes occur.

Regular updates on **Pension Scheme changes** will be sent to Scheme employers, to forward on to staff as and when required.

Annual Benefits Statements will be available to Scheme members on Member Self-Service, any queries which may arise from the statements which result from information employers have provided will be referred directly back to the employer to investigate.

Workshops/roadshows the Pension Team will come out to Scheme employers to speak to staff at various times of the year, to help explain the sometime complex pension issues. These must be arranged with the Pensions Administration Manager well in advance to assure availability and content.

Consulting with Scheme employers - in preparing or reviewing the Fund's policies and discretions, this will also include results of the tri- annual valuation, as the administering authority we will continue to consult with our Scheme employers.

Pension Fund Report - this annual report includes various Pension Fund Investment information and statistics of the Scheme membership profile. It also includes the Pension Team and the Fund performance levels.

Appendix 2 - Performance standards

By the administering authority

Function / Task	Performance target
LIAISON AND COMMUNICATION	
Confirm nominated employer liaison officer	30 working days of employer joining fund or change to nominated officer
Publish and keep under review the London Borough of Croydon Pension Fund administration strategy	Within three months of decision to develop an administration strategy or one month of any changes being agreed with scheme employers
Issue and keep up to date employer procedural guide to employer	30 working days from admission of new employer or date of change/amendment
Issue and keep up to date pension website, scheme guide and all other literature for issue to scheme members	30 working days from admission of new employer or date of change/amendment
Issue and keep up to date all forms required for completion by either scheme members, prospective scheme members or scheme employers	30 working days from admission of new employer or date of change/amendment
Formulate and publish policies in relation to all areas where the administering authority may exercise a discretion within the scheme	Within 30 working days of policy being agreed by the London Borough of Croydon Committee
Host employer forum	Annually
Attend employer liaison meetings with scheme employers	To be agreed with individual Scheme employers
Organise training sessions for Scheme employers	Upon request from Scheme employers, or as required
Notify scheme employers and Scheme members of changes to LGPS scheme rules or relevant legislation	Within one month of the change(s) coming into effect
Notify Scheme employer (including London Borough of Croydon in its role as a Scheme employer) of issues relating to Scheme employer's poor performance (including arranging a meeting if required)	Within 5 working days of performance issue becoming apparent
Notify Scheme employer (including London Borough of Croydon in its role as a Scheme employer) of a decision to recover additional costs associated with the Scheme employer's poor performance (including any interest that may be due)	Within 10 working days of scheme employer failure to improve performance, as agreed
Issue annual benefit statements to active members, deferred members and pension credit members as at 31 March each year	Within 5 months of the end of the scheme year to which it relates
Full response to written enquiries	Within 10 working days of receipt of enquiry. Acknowledgement of receipt to be given within 3 working days

Function / Task	Performance target
Response to email enquiries	Within 7 working days of receipt of enquiry
Response to telephone enquiries	Within 5 seconds. If response to enquiry cannot be given immediately the caller will be given an expected call back date and time

Function / Task	Performance Target
FUND ADMINISTRATION	
Issue formal valuation results (including individual employer details)	10 working days from receipt of results from fund actuary (but in any event no later than 31 March following the valuation date)
Carry out interim valuation exercise on cessation of admission agreements or scheme employer ceasing participation in the London Borough of Croydon Pension Fund	Upon each cessation or occasion where a scheme employer ceases participation in the London Borough of Croydon Pension Fund
Publish, and keep under review, the Fund's governance policy statement	Within 30 working days of policy being agreed by the London Borough of Croydon Pension Committee
Publish and keep under review the London Borough of Croydon Pension Fund funding strategy statement	To be reviewed at each triennial valuation, following consultation with Scheme employers and the fund's actuary. Revised statement to be issued with the final valuation report
Publish the Pension Fund annual report and any report from the auditor	By 30 September following the year end to which it relates

Function / Task	Performance Target
SCHEME ADMINISTRATION	
Scheme member to be set up on to pension administration software system	7 working days of receipt of all necessary information
Make all necessary decisions in relation to a scheme member and issue combined statutory notification to new scheme member (including aggregation of previous LGPS membership)	7 working days of receipt of all necessary information
Provide responses to scheme members/scheme employers/personal representatives/dependents and other authorised persons	10 working days from receipt of enquiry
Contact previous pension schemes to request estimate of any available transfers	10 working days from receipt of enquiry
Provide transfer-in quote to scheme member	10 working days of receipt of all necessary information from previous scheme) (request from scheme member)
Confirm transfer-in payment and additional benefit (membership change) to scheme member	10 working days of receipt of payment of transfer of value
Arrange for the transfer of scheme member free standing additional voluntary contributions into in-house arrangement	10 working days of all the necessary information from FSAVC provider (receipt of request from scheme member)
Respond to enquiries to purchase additional pension	5 working days
Prepare and send quotation details to member	10 working days
Function / Task	Performance Target
On receipt of a request from the member or new pension provider, supply a transfer value quotation	5 working days of receipt of all necessary information
Calculate the estimated transfer value payable and inform the new pension provider of amount payable	10 working days of receipt of all necessary information
On receipt of the member's decision to proceed with the transfer, calculate and pay the transfer value	10 working days of receipt of information
Notify scheme employer of scheme member's election to pay additional pension contributions, including all required information to enable deductions to commence	5(10) working days of receipt of election from scheme member
Calculate cost of additional pension contributions, and notify scheme member	10 working days of receipt of request from scheme member
Determine additional pension to be credited to the member from additional pension contributions, following publication of revised GAD guidance from time to time	10 working days of receipt of revised GAD guidance
Notify Scheme employer of request from scheme member to cease additional pension contribution, and notify scheme member of the amount of pension credited	5(10) working days of receipt of request from scheme member

Function / Task	Performance Target
Process scheme member request to pay/amend/cease additional voluntary contributions	5(10) working days of receipt of request from scheme member
Provide requested estimates of benefits to employees / employers including any additional fund costs in relation to early payment of benefits from ill health, flexible retirement, redundancy or business efficiency	7 working days after receipt of all necessary information (from date of request)
Notify leavers of deferred benefit entitlements	10 working days after the expiry of one month from date of leaving and receipt of all necessary information
Notify retiring employees of benefits (enclosing HMRC disclosure forms)	10 working days of receipt of all necessary information
Payment of retirement benefits (including any interest due as a result of the late payment of benefits)	Commence payment within the next pension payroll following commencement of pension entitlement Thereafter make payment on the pension pay day of each month Any lump sum payments to be paid into the member's account within 5 working days after last day of membership and receipt of----- all relevant information.
Contact deferred members to notify pension benefits due and confirm personal details	3 months before pension benefits due
Confirm in writing the deferred pension benefits due, when payments will be made, set up on payroll for pay period immediately following due date.	Within 10 working days of receipt of all necessary information
Function / Task	Performance Target
Death notifications	Respond and commence action within 2 working days following notification of death
Send confirmation of any amounts payable and payment dates	Within 5 working days of receipt of all relevant documents
Process all stage 2 pension dispute applications	Within two months of receipt of the application, or such longer time as is required to process the application where further information or clarification is required.

Publish and keep under review the London Borough of Croydon Pension Fund policy on the abatement of pension on re-employment under previous regulations	Notify scheme members and scheme employers within one month of any changes or revisions to the policy
Confirm divorce settlement details in writing	Within 10 working days of receipt of written decision from the scheme member

By the Scheme employer

Function / Task	Performance Target
LIAISON AND COMMUNICATION	
Confirm nominated representative	30 working days of employer joining fund or change to nominated representative
Formulate and publish policies in relation to all areas where the Scheme employer may exercise a discretion within the scheme (including providing a copy of the policy decision(s) to the London Borough of Croydon Pension Fund	Within 30 working days of policy being agreed by the Scheme employer
Remit and provide schedule and make payment of employer/employee contributions	By the 19 th calendar day of month after deduction
Respond to enquiries from administering authority	5 working days from receipt of enquiry
Provide year end information required by the London Borough of Croydon Pension Fund, in a format agreed with the London Borough of Croydon Pension Fund	By 30 April following the year end
Ensure payment of additional costs to the London Borough of Croydon Pension Fund associated with the poor performance of the Scheme employer	Within 30 working days of receipt of invoice from the London Borough of Croydon Pension Fund
Distribute any information provided by the London Borough of Croydon Pension Fund to scheme members/potential scheme members	Within 15 days of its receipt
Notification to the London Borough of Croydon Pension Fund (so they can liaise with actuary) of material changes to workforce/assumption related areas (e.g. restructurings/pay reviews/employer going to cease/contracting out of services).	No later than 5 working days after notice has been given to individuals or the total workforce
Provide new/prospective scheme members with scheme information and new joiner forms	5 working days of commencement of employment, change in contractual conditions or as a result of auto enrolment staging

Function / Task	Performance Target
FUND ADMINISTRATION	
All new prospective admission bodies to undertake, to the satisfaction of the London Borough of Croydon Pension Fund, a risk assessment of the level of bond required in order to protect other scheme employers participating in the pension fund	To be completed before the body can be admitted to the London Borough of Croydon Pension Fund
All admission bodies to undertake a review of the level of bond or indemnity required to protect the other scheme employers participating in the fund	Annually, or such other period as may be agreed with the London Borough of Croydon Pension Fund
Payment of additional fund payments in relation to early payment of benefits from ill health, flexible retirement, redundancy or business efficiency retirement	Within 30 working days of receipt of invoice from the London Borough of Croydon Pension Fund or within timescales specified in each case

Function / Task	Performance Target
SCHEME ADMINISTRATION	
Make all necessary decisions in relation to new scheme members in the LGPS (pensionable pay, appropriate contribution pay band, etc)	10 working days of scheme member joining
Provide administering authority with scheme members' details	10 working days of scheme member joining/from month end of joining
Arrange for the correct deduction of employee contributions from a scheme member's pensionable pay on becoming a scheme member	Immediately on joining the scheme, opting in, auto enrolment or change in circumstances
Ensure correct employee contribution rate is applied	Immediately upon commencing scheme membership and each April payroll thereafter
Ensure correct rate of employer contribution is applied	Immediately upon commencing scheme membership and each April payroll thereafter
Arrange for reassessment of employee contribution rate in line with employer's policy and notification of any change in rate to affected scheme member(s)	Review as per policy and notification within 10 working days of change in contribution rate
Commence deduction of additional pension contributions or amend such deductions, as appropriate	Month following election to pay contributions or notification received from administering authority
Cease deduction of additional pension contributions	Immediately following receipt of election from scheme member
Arrange for the deduction of AVCs and payment over of contributions to AVC provider(s)	Commence deduction of AVCs in month following the month of election Pay over contributions to the AVC provider(s) by the 19 th of the month following the month of election

Function / Task	Performance Target
Refund any Scheme member contributions deducted in error	Month following month of deduction or error discovered
Cease deduction of employee contributions where a scheme member opts to leave the scheme	Month following month of election, or such later date specified by the scheme member
Notify material changes in employee's circumstances (e.g. marital or civil partnership status)	Within 10 working days of receipt of notice
Leave of absence with permission (maternity / paternity / secondment / without pay etc. (communications with employee and confirmation to pension fund)	Within 10 working days of notice from employee / HR / payroll
Determine reason for leaving and provide notification to administering authority of Scheme leavers.	10 working days of leaving/month end of leaving
Determine reason for retirement and provide notification to administering authority of retiree	Within 10 working days of retirement
Accurately assess final pay for each Scheme member who leaves/retire/dies and forward to London Borough of Croydon Pension Fund.	Within 10 working days following date of leaving/retirement/death
Notification to London Borough of Croydon Pension Fund of death of Scheme member	5 working days of date notified
Appoint an independent medical practitioner qualified in occupational health medicine, in order to consider all ill health retirement applications and agree appointment with London Borough of Croydon Pension Fund	Within one month of commencing participation in the London Borough of Croydon Pension fund or date of resignation of existing medical adviser
Appoint adjudicator for stage 1 of the pension internal dispute resolution process and provide full details to the administering authority	Within one month of commencing participation in the London Borough of Croydon Pension fund or date of resignation of existing adjudicator

Appendix 3 - New entrants and current Scheme members

The Regulations require automatic membership of the Scheme for any person under age 75 who is appointed to work for your organisation where the contract of employment is 3 months or greater. This rule is the same for admission bodies, provided that he/she falls within a description of employee specified as such within the Admission Agreement between the admission body and the Council.

Any employee who is eligible to join the LGPS may elect to be excluded from the scheme before or at any time after appointment. Before making such an election employees will be made aware of the benefits they will be losing out on.

An employee's right to belong to the scheme, and the right not to join or to leave the scheme should be set out in his/her Contract of Employment.

It is important that the issue, completion and recording of elections to join or to be excluded from the scheme, is closely monitored.

The following documents are currently in use in relation to the transmission of information between a new employee, the Scheme employer and the Council.

A **Pensions Option Form** and an **Employee's Guide to the Local Government Pension Scheme** are issued to every new employee.

5.1 Opting out of the pension Scheme over 3 months membership

If a scheme member wishes to opt out of the pension scheme, the election must be given in writing, and sent to the Pension team with the notification of cessation of membership form. The Pension team will determine the Member's Scheme benefit entitlement.

LGPS Opt Out Forms

The LGPS opt out forms for Scheme members to opt out of the Pension Scheme are now only available from the Pension Website (<http://www.croydonpensionscheme.org/about-us/forms-and-publications.aspx>). If individuals do not have access to a computer a hard copy may be obtained from the Pensions Team.

5.2 Auto-Enrolment Employer Duties

The Government through legislation in the Pension Act 2011 have put in place auto- enrolment to workplace pensions.

This major change requires that employees are to be automatically enrolled into a scheme and will then have to opt out if they do not wish to contribute and means it is illegal to discourage people from joining a scheme.

All employers should therefore familiarise themselves with their responsibilities

5.3 Academies

Academies had their own staging date and auto re-enrolment dates dependent on the size of their payroll.

Appendix 4 - Early leavers

Scheme members may leave employment and/or the pension scheme - before becoming entitled to immediate payment of retirement benefits - for a number of reasons, which may or may not be known to their employer. Whenever possible, however, the reason for leaving should be ascertained as this may determine the administrative procedures to be followed and/or the information to be given to the Scheme member.

It is important to remember that any Scheme member who leaves after having completed 2 or more years' membership in the LGPS, or who has transferred accrued rights from a previous pension scheme into the LGPS, is entitled to deferred benefits and cannot receive a refund of pension contributions. Scheme employers should always encourage Scheme members to contact the Pension Team for information with regard to their pension entitlements and not make their own assumptions.

The following documents are currently in use in relation to the transmission of information between Scheme employers and the Pension Team.

Notification of Cessation of Membership/Employment

To be completed in respect of every early leaver to whom the following circumstances apply.
(Please retain a copy for your records)

- On leaving the scheme before attaining the age of 60 years.
- In the event of the Scheme employer determining cessation of employment is by reason of permanent ill health.

After completion, the notification should be forwarded to the Pension Team, together with any relevant documents.

Please Note: No retirement benefits will be paid out to members who have retired if the relevant documents are not completed.

Appendix 5 - Retirements

Retirement or cessation of employment with entitlement to immediate payment of retirement benefits occurs if the following conditions are satisfied:

1 The Scheme member has been a member of the scheme for a minimum of 2 years,

OR

2 The Scheme member has been a member of the scheme for less than 2 years but has transferred in pension rights from another scheme.

Note: the above conditions do not apply if a Scheme member attains age 75. Scheme benefits must be released at age 75 whatever their length of Scheme membership. The Scheme member must be notified of his entitlement at least three months before attaining the age of 75

Pension entitlement will be determined by the Pension Team where membership ceases for any of the following reasons

- Compulsorily on attaining age 75.
- Voluntarily on or after attaining age 60, if there is an entitlement to immediate payment of benefits without reduction but before age 75.
- At any age by reason of permanent ill health
- On or after attaining age 55, by reason of redundancy or in the interests of the efficient exercise of the employer's functions.
- On or after age 55, for any reason, and application is made by the Scheme member for early payment.

A "Notification of Scheme Member Retiring on Pension" is to be completed in respect of every retiring employee and a copy forwarded to the Pension Team immediately before or as early as possible after, the date of retirement together with any relevant documents. Please retain a copy for your records.

If retirement is because the Scheme employer has determined the retirement is because of permanent ill health the notification should be accompanied by a copy of the Independent Registered Medical Practitioner's certification.

Appendix 6 - Early retirement costs recharged to the Scheme employer

When do they arise?

Early retirement costs arise when an employee retires –

- On the grounds of permanent ill-health
- On the grounds of redundancy
- On the grounds of efficiency
- With the consent of the employer before age 60
- On Flexible Retirement before age 60
- Or when preserved benefits are paid prematurely on ill-health or compassionate grounds.

The cost is the notional value lost by the pension fund from the removal of contributions to the pension fund, the loss of investment on those contributions and from paying the pension benefits earlier than anticipated and over a longer term.

The costs will be recovered as follows:

- In cases of ill health – from the Scheme employer
- In all other cases - immediately from the Scheme employer.

Appendix 7 - Deaths in Service

Death in service of an active member gives rise to entitlement to a Death Grant and, in appropriate circumstances, to dependants' pensions.

Dependents includes –

Married Spouse

Cohabitees (certain provisions apply)

Civil Partners

Children (certain provisions apply)

A Notification of Death in Service Form should be completed immediately upon the notification of the death in service of a Scheme member and forwarded to The Pension Team, together with the death certificate. Submission of this form should not be delayed if the death certificate is not available.

Please retain a copy for your records.

Appendix 8 - Additional Voluntary Contribution Scheme

London Borough of Croydon Pension Fund Croydon has provides its in-house AVC Scheme with Prudential, who provide a range of investment fund funds, as well as a facility for Scheme members to provide additional death in service cover.

It is essential that AVC deductions are invested as quickly as possible in order to maximise the return to each member.

Monthly AVC deductions should be paid directly to the AVC provider (Prudential) as soon as the payrolls are processed. A schedule must be sent with the payment, giving details of all contributions paid over to Prudential which must reach Prudential by the 19th day of the month following the month they were deducted. Failure to do so is in breach of legislation and may be reported to the Pensions Regulator

Weekly paid AVCs can be accumulated for 4-5 weeks and paid over at monthly intervals.

Appendix 9 - Ill health Retirement

The LGPS provides ill health retirement cover for Scheme members that are unable to work because of serious illness. There is a 3 tier benefit policy in place.

Tier 1: If a Scheme member has at least 2 years in the pension scheme and the employer determines he or she has no reasonable prospect of being capable of gainful employment before age 65, ill health benefits are based on the membership built up to the date of leaving **plus all** the Scheme member's prospective membership from leaving to age 65

Tier 2: If a Scheme member has at least 2 years in the pension scheme and the employer determines he or she is unlikely to be capable of gainful employment within a reasonable period of leaving, but may be capable of gainful employment at some date in the future before age 65, ill health benefits are based on membership built up to leaving **plus 25%** of prospective membership from leaving to age 65.

Tier 3: If the employer determines that it is likely a Scheme member will obtain gainful employment within 3 years; the benefits payable will be the benefits accrued as at the date of leaving. A member receiving benefits under the third tier shall:

- Inform his or her former Scheme employer if further employment is obtained
- Answer any queries in relation to current employment status, pay and working hours.

Any members retiring under this tier must have their employment status monitored by the former Scheme employer after 18 months.

If gainful employment has been secured the pension must cease and any overpayment recovered.

If gainful employment has not been secured, the former Scheme employer must obtain a further certificate from an Independent registered practitioner.

In any event, benefits payable under this tier will cease after they have been in payment for 3 years and the former Scheme member will become a pensioner with deferred benefits.

'Gainful employment' means paid employment for not less than 30 hours in each week for a period of not less than 12 months.

Please note to all Employers the Council will only accept ill health retirement application supported and approved by the Council Occupational Health (O H) doctor.

If you choose to use your own O H doctor, their report will be sent to the Council O H for verification and approval. All costs associated to this process are charged to the Employer. If you wish to use the services of Councils O H doctor please contact the Governance & Compliance team in the first instances.

Appendix 10 – Examples of instances where costs may be recharged

The table below provides of examples of situations when the London Borough of Croydon Pension Fund may recharge employers for additional costs. It is not intended to be definitive and the Fund reserves the right to levy an additional charge in any circumstances of poor performance under Regulation 70 of the Local Government Pension Scheme Regulations 2013 and in accordance with this strategy. For the calculation of additional recharges for poor performance please see Section 3.

	Item in relation to the LGPS	Cost
1	Late notification of a New Starter	£50
2	Late notification of changes personal details-name and address	£50
3	Late notification of Maternity leave, strike, jury service, unpaid leave	£50
4	Late notification of an early leaver	£50
5	Late notification of member retiring	£50
6	Late notification of death in service	£50
7	Late notification of contribution banding changes	£50
8	Late payment of monthly contributions	£50
9	Late delivery of payroll details in support of monthly contributions (due at the same time as the monthly contributions payments).	£50
10	Late notification annual year end information	£250
11	Any fines imposed on the Fund by the Regulator, which is deemed to be the fault of the Employer, will be passed on to that Employer	Re-charge amount
12	Any fines imposed on the Fund due to failure to provided information for Auto enrolment process	Re-charge amount
13	FRS17 report preparation and submission to actuary, plus actuary time	Re-charge amount
14	FRS17 report preparation and submission to actuary, plus actuary time for Academies	£2,500+ pa
15	Queries to 3rd party providers, without prior notification of cost to Employer, will be re-charged back to the Employer which raised the query	Re-charge amount
16	All legal costs and any other third party costs incurred from outsourcing, queries, disagreements and not an exhaustive list are to be re-charged	Re-charge amount
17	Due to extra work load generated from Retirement Estimates, 10 a year will be free. Above that will be charged at £20 each person. Payment should be arranged prior to the release of the information	£20 each (after 10 free per annum)

Please note any engagement with external providers e.g. Actuaries, Solicitors the full cost will be recharged back to the Scheme employer. This will include any outsourcing of contracts and FRS17 reports.

To try and keep the cost down when engaging with these 3rd party companies please make sure your data is as clean as possible.

Appendix 11 - Cohabiting Partners

The LGPS provides for a cohabiting partner, of either the opposite or same sex, to receive a survivor's pension, subject to meeting the relevant criteria laid down in the scheme i.e. that all of the following conditions have applied for a continuous period of at least 2 years on the date both the scheme member and their nominated cohabiting partner sign the nomination form:

- both the scheme member and their co-habiting partner are, and have been, free to marry each other or enter into a civil partnership with each other, and
- the scheme member and their co-habiting partner have been living together as if they were husband and wife, or civil partners, and
- neither the scheme member or their co-habiting partner have been living with someone else as if they were husband and wife or civil partners, and
- either the co-habiting partner is financially dependent on the scheme member or they are financially interdependent on each other.

Appendix 12 – Payment of monthly contributions by Scheme employers

The following documents and processes are in use in relation to current administrative procedures.

LGP31B - Remittance advice for payments to the Fund

Payment by BACS

The completed form LGP31B should be emailed to the Pension address as shown on the form at the time the BACS payment is made.

A schedule of the Scheme members who have had deductions taken should include:

- National Insurance Number
- Name
- Contribution band percentage rate
- Additional contribution percentage rate (where applicable) and contribution amount
- Pensionable pay
- Monthly Scheme member contribution
- Monthly employer contribution
- Total Scheme member and employer's contribution to date
- Total pensionable pay to date
- Date joined or left LGPS (if in current year)

This information should be emailed to the Pensions Team or posted to The Pension Team at the Croydon address as soon as the payroll has been run monthly.

Note:

Employer contributions are expressed as a percentage of pensionable pay and are payable at such rate(s) as may be advised by London Borough of Croydon Pension Fund following the completion of each triennial actuarial valuation of the pension fund

All sums to which form LGP31B relates shall be paid over no later than the **19th day of the month following the month of account. Payment of Interest will be charged by the Council where contributions have been received late.** Contributions deducted from weekly wages should be accumulated for 4 or 5 weeks and paid over at the appropriate month end.

Late payment of pension contributions by Scheme employers is a serious offence and the Pensions Regulator or the Pensions Ombudsman has significant powers of sanction. The Pensions Regulator can impose fines of up to £50,000 for each instance of persistent offence. Recent changes to the Pensions Act have made it easier to prosecute employers for late payment of contributions.

Note: AVC payments should not be included on the LGPS31B and should be paid direct to the AVC provider.

A copy of the AVC Schedule should be forwarded to the Pensions Team along with any new applications to pay AVC's or any notifications to cease.

Appendix 13 - Year end procedures

Financial Returns

Immediately after the end of each financial year, each Scheme employer must submit to the Pension Team by 15 May of that year an interface file / schedule or report detailing the relevant financial information to allow the end of year process / updating of member records and when relevant the tri-annual valuation. A template/ interface layout will be provided 2 months prior to the relevant 31 March.

The prompt and accurate notification of this information is vital to ensure the Pension Scheme complies with Regulatory requirements, e.g. disclosure regulations that stipulate that members must be informed within certain deadlines of their scheme membership details when they join, and of their benefits when they leave. These deadlines are missed if year-end is the source of the information.

The schedule / interface file/reports should be completed and emailed to the Pensions office by 15 May of the year end to which the information relates

Once the pension's database has been updated, if there are any queries, we will email/write to you. It is important that all enquiries are resolved before the end of year process, which will update the member self-service site and facilitate the production of the Annual Benefit Statements.

Every 3 years the fund's actuary carries out the valuation. In order for this to happen, membership data has to be passed to the actuary within strict deadlines. The quality of this data has a direct impact on the actuary's ability to determine the correct employer contribution rates. If the data is unreliable, the actuary will always take a cautious approach which could result in a higher contribution rate.

Appendix 14 - Additional pension contributions (APCs)

Benefits purchased

Employee only APCs and employee/employer shared cost APCs

Scheme members may choose to buy extra annual pension, up to a set maximum, using an Additional Pension Contribution (APC) contract (with or without a contribution from the employer – known as a shared cost APC (SCAPC) where there is a contribution from the employer). The maximum at April 2014 was £6,500 and represented an increase from the 2008 Scheme maximum of £5,000. The maximum of £6,500 is increased each April (starting April 2015) by Pensions Increase (assuming a PI date of 1 April 2013). The April 2015 maximum is £6,675.

To buy extra pension. The Scheme member may choose to make a one off contribution or regular additional contributions, with or without a contribution from the employer, in order to buy a set amount of additional pension. The cost (a cash amount NOT a percentage of pay) is determined by the Scheme member's age and the amount they wish to purchase. An employer may, if they wish, agree to meet some or all of the cost of any additional pension purchased. Note that a Scheme member cannot commence an APC in this circumstance if they are in the 50/50 section.

To buy 'lost' pension for authorised unpaid leave of absence (including any period of unpaid additional maternity, paternity or adoption leave or unpaid shared parental leave following a period of relevant child related leave i.e. following ordinary maternity, paternity or adoption leave or paid shared parental leave and any paid additional maternity or adoption leave). Where an employee elects to pay an APC to purchase any or all of the amount of pension 'lost' during the period of absence and makes the election within 30 days of returning to work (or such longer period as the employer may allow) the employer shall, for any individual period of absence up to 36 months, but not any period beyond that, pay 2/3rds of the cost of the APC (a shared cost APC). The amount of 'lost' pension shall be calculated as 1/49th of the 'lost' pensionable pay for the period of unpaid leave if the person was in the main section during that period, or 1/98th of the 'lost' pensionable pay for the period of unpaid leave if they were in the 50/50 section during that period. A Scheme member can commence an APC or shared cost APC in this circumstance even if they are in the 50/50 section.

To buy pension 'lost' during a trade dispute. Where an employee is absent due to a trade dispute they may choose to buy extra pension to replace the amount of pension 'lost' during the period of the trade dispute. The amount of 'lost' pension shall be calculated as 1/49th of the pensionable pay 'lost' during the period of the trade dispute. If the Scheme member wishes to go ahead with a purchase of extra pension in any of the above circumstances they will need to sign a contract to do so and both the payroll and Pension Fund administering authority must be notified of the amount to be purchased, the cash contribution, the period over which it is to be paid, the reason for the purchase and, if the member has more than one pensionable employment, the employment to which the APC contract is to be attached.

Employer only APCs

Employers can award additional annual pension to active Scheme members of up to a set maximum (less any amount of additional annual pension the employer has already contributed towards or is contributing towards under a shared cost APC). The maximum at April 2014 was £6,500. The maximum of £6,500 is increased each April (starting April 2015) by Pensions Increase (assuming a PI date of 1 April 2013). The April 2015 maximum is £6,675. Such an award may also be made within six months of leaving to those persons who have left on the grounds of redundancy or business efficiency.

The employer would make a one off contribution in order to buy a set amount of additional pension for the member. The cost is determined by the employee's age and the amount purchased.

Appendix 15 - The 50:50 Option

The LGPS 2014 contains two sections – the MAIN section and the 50/50 section. The difference between the two sections is that in the 50/50 section the amount of contributions to be deducted from the Scheme member is half that due under the main section (and, therefore, the member accrues half the normal pension whilst in the 50/50 section).

Note that whilst an individual is in the 50/50 section the employer contribution is still the normal full contribution rate (not half).

The Scheme member may elect to move between the main and 50/50 sections of the Scheme any number of times but each election only takes effect from the next available pay period.

An employer must give an employee who elects for the 50/50 section information on the effect on that person's likely benefits from the 2014 Scheme.

The employer will be required to notify both the payroll administrator and the Pension Team of the date of the move to a different section and to maintain a record of elections.

At year end (or date of leaving if earlier), employers should confirm to the administering authority which section the member was in at that time.

Each employer will need to determine the most effective method of holding the above information which may or may not involve the payroll system holding the relevant data. Notification that the employee has elected to move from the main section to the 50/50 section (or vice versa) from the beginning of the next available pay period following the election.

If the employee is in the 50/50 section and goes on to no pay due to sickness or injury, the employee must be moved back into the main section from the beginning of the next pay period if they are still on nil pay at that time. The person will, of course, have the right to make a further 50/50 election which, if made before the payroll is closed, would mean the member would have continuous 50/50 membership.

If the Scheme member is in the 50/50 section and goes on to no pay during ordinary maternity leave, ordinary adoption leave or paternity leave, the member must be moved back into the main section from the beginning of the next pay period if they are still on nil pay at that time.

If the employee is in the 50/50 section they must be moved back to the main section from the beginning of the pay period following the employers' "automatic re-enrolment date". This would happen irrespective of what category of worker they are for the purposes of the Pensions Act 2008.

Croydon Council

REPORT TO:	Pension Committee 20 June 2023
SUBJECT:	Croydon Pensions Administration Team Key Performance Indicators for the Period from February 2023 to April 2023
LEAD OFFICER:	Matthew Hallett - Acting Head of Pensions and Treasury
CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON: Sound Financial Management: The Pension Committee is responsible for the effective administration of the Local Government Pension Scheme. These Key Performance indicators provide a measure of how well that administration functions.	
FINANCIAL IMPACT Poor administration may ultimately lead to incorrect calculation or payment of benefits or indeed financial penalties.	

1.	RECOMMENDATION The Committee is asked to:
1.1	Note the Key Performance Indicators and the performance against these indicators set out in Appendix A to this report.

2. EXECUTIVE SUMMARY

- 2.1 This report sets out Key Performance Indicators for the administration of the Local Government Pension Scheme for the three-month period up to the end of April 2023.

3. DETAIL

- 3.1 Good governance suggests that the performance of the administration of the Local Government Pension Scheme should be monitored. This report has been developed using the guidance published by CIPFA (Administration in the LGPS: A Guide for Pension Authorities) and is reporting to the Committee on the LGPS administration performance for the period February 2023 to April 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.
- 3.2 The team continue to perform well on life event cases such deaths and retirements. Average days to process are well below our targeted KPIs.
- 3.3 Communications were issued to all employers in February and March explaining their responsibilities for end of year data submission (EOY files).

- 3.4 All 29 employers using i-connect have submitted their files and these have been successfully loaded. We continue to see the benefit of i-connect with leavers and starters being identified throughout the year instead of employers only informing us at the end of year.
- 3.5 We have received non-i-Connect EOY files for 59 employers. 23 have been successfully loaded and completed with the team working on the remaining 36 files.
- 3.6 Unfortunately, we have still not received EOY files from 7 employers. Several reminders and offers of assistance have been sent. Where the payroll provider is not engaging with us, we have escalated the matter with the employer.
- 3.7 On the 30 March 2023 HM Treasury issued a [written ministerial statement](#) confirming the SCAPE discount rate has been adjusted from CPI plus 2.4% to CPI plus 1.7%. The SCAPE discount rate is used in actuarial factors across all public sector pension funds. The Government Actuaries Department (GAD) will be issuing revised transfer factors in due course. Until then, some non-club transfers and interfund adjustments have been put on hold while we await the new factors.
- 3.8 Some leaver calculations will be impacted by the delay while we wait for transfers to be finalised before processing deferred benefit calculations.
- 3.9 Following DLUHC's consultation on changes to the revaluation date in the LGPS from the 01 April to the 06 April the LGPS regulations have now been amended.
- 3.10 Our software provider anticipates the changes will be made to the system later in the summer. A few flexible retirement calculations required manual adjustments during April to ensure correct benefits were paid.
- 3.11 The Pension Increase of 10.1% was successfully applied to all pension and dependent pensions in payment. Newsletters were sent to all pensioners and dependents informing them of the increase.
- 3.12 Work has continued to develop procedures to use the bulk leaver calculations within the Altair system. Extensive testing has been carried out and we have agreed parameters to use. Testing continues and we hope to be using the bulk processes within the next few months.

4. CONSULTATION

- 4.1 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.

5. FINANCIAL IMPLICATIONS

- 5.1 There are no significant direct financial implications arising from this report.

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

6. LEGAL CONSIDERATIONS

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

7. HUMAN RESOURCES IMPACT

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

Should any impacts arise these will be managed under the Council's policies and procedures.

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

8. EQUALITIES IMPACT

- 8.1 The Council has a statutory duty to comply with the provisions set out in the Equality Act 2010. In summary, the Council must in the exercise of all its functions, "have due regard to" the need to comply with the three aims of the general equality duty. These are to:

- Eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act
- Advance equality of opportunity between people who share a protected characteristic and people who do not share it; and
- Foster good relations between people who share a protected characteristic and people who do not share it.

- 8.2 Having due regard means to consider the three aims of the Equality Duty as part of the process of decision-making. This means that decision makers must be able to evidence that they have taken into account any impact of the proposals under consideration on people who share the protected characteristics before decisions are taken.

Approved by: John Mukungunugwa, Interim Senior Equalities Officer on behalf of Denise McCausland Equality Programme Manager. Date: 09/06/2023

9. OTHER IMPLICATIONS

- 9.1 None.

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

PEN 20.06.2023

BACKGROUND DOCUMENTS:

None.

APPENDIX

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









Croydon Pensions Admin Team Performance Report

June 2023



Contents

Reference Key Table.....3
Legal Deadlines.....4
Team Performance Targets7
Case levels.....9
Member self-service9

Reference Key Table

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

Legal Deadlines

Process	Legal Requirement	Total Number Completed	% Achieved in legal deadline	Total Number Completed	% Achieved in legal deadline	Total Number Completed	% Achieved in legal deadline	Direction of Travel	Comments
		February 2023		March 2023		April 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	147	100%	222	100%	86	97.67%		2 cases missed target in April 2023
Inform a scheme member of their calculated benefits (refund or deferred)	As soon as practicable and no more than two months from the date of notification (from employer or scheme member)	58	67.24%	50	78%	45	75.56%		<p>19 cases missed target in February 2023. 11 cases missed target in March 2023. 11 cases missed target in April 2023.</p> <p>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. Interfund transfers have been put on hold whild we await new factrs from GAD.</p>






Process	Legal Requirement	Total Number Completed	% Achieved in legal deadline	Total Number Completed	% Achieved in legal deadline	Total Number Completed	% Achieved in legal deadline	Direction of Travel	Comments
		February 2022		March 2023		April 2023			
To process and pay a refund	Two months from the date of request	9	100%	18	100%	10	100%	➡	
Obtain transfer details for transfer in, calculate and provide quotation to member	Two months from the date of request	3	100%	4	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	52	100%	53	100%	45	100%	➡	
Provide a retirement quotation on request	As soon as practicable but no more than two months from the date of request unless there has already been a request in the last 12 months	74	98.65%	84	100%	73	100%	⬇	2 cases missed target in February 2023. One case was delayed while the deferred benefit was calculated. The other case was a completed case that was incorrectly reopened and task comments added. Training has been provided to the team to prevent this in the future.

Process	Legal Requirement	Total Number Completed	% Achieved in legal deadline	Total Number Completed	% Achieved in legal deadline	Total Number Completed	% Achieved in legal deadline	Direction of Travel	Comments
		February 2023		March 2023		April 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)	23	100%	36	100%	22	100%	↑	
Provide all active and deferred members with annual benefit statements each year	By 31 st August								

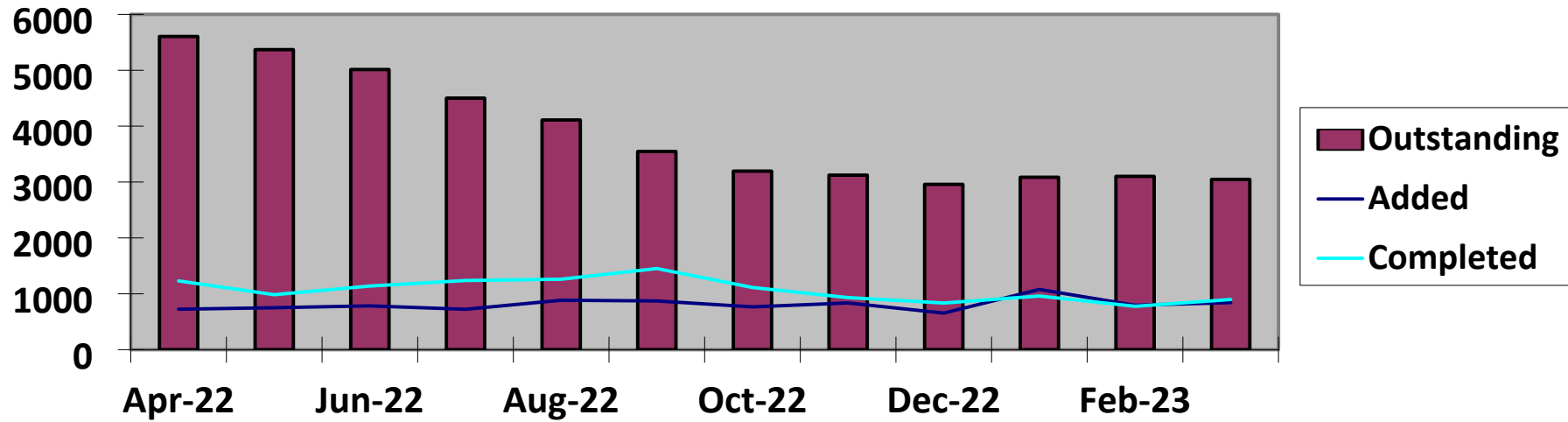
Team Performance Targets

Process	Team Target	Total Number Completed	% Achieved against target	Average days to process	Total Number Completed	% Achieved against target	Average days to process	Total Number Completed	% Achieved against target	Average days to process	Direction of Travel	Comments
		February 2023			March 2023			April 2023				
		Send a notification of joining the LGPS to a scheme member	30 days from date of notification of joining member	147	100%	1	222	100	2	86		
Inform a scheme member of their calculated benefits (refund or deferred)	40 working days from date of notification (from employer or scheme member)	58	67.24%	249	50	78%	96	45	75.56%	249	→	

Page 157

Process	Team Target	Total Number Completed	% Achieved against target	Average days to process	Total Number Completed	% Achieved against target	Average days to process	Total Number Completed	% Achieved against target	Average days to process	Direction of Travel	Comments
		February 2023			March 2023			April 2023				
To process and pay a refund	40 working days from the date of request	9	100%	1	18	100%	1	10	100%	3		
Obtain transfer details for transfer in, calculate and provide quotation to member	40 working days from the date of request	3	100%	1	4	100%	1	1	100%	2		
Notify the amount of retirement benefits	20 working days from date of retirement	52	100%	3	53	100%	2	45	100%	2		
Provide a retirement quotation on request	15 working days from date of request	74	97.30%	19	84	100%	3	73	98.63%	3		Two cases missed target in February 2023. One case was delayed while the deferred benefit was calculated. The other case was a completed case that was incorrectly reopened and task comments added. Training has been provided to the team to prevent this in the future. One case missed target in April.
Calculate and notify (dependent(s) of amount of death benefits	20 working days from receipt of all information	23	100%	2	36	100%	2	22	100%	2		

Case levels



Number of outstanding cases

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

Member self-service

Total Scheme members registered	5849 (22.74%)
Number scheme members who accessed annual benefit statement in Q1 2022/23	498
Breakdown by member status	
• Actives	29.69%
• Deferred	19.80%
• Pensioners & Dependents	17.03%

Croydon Council

REPORT TO:	Pension Committee 20 June 2023
SUBJECT:	Contract for the Provision of Actuarial Services for the Pension Fund
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

This report advises the Committee of the progress to date in respect the procurement of Actuarial Services for the Fund for a period of six years from 1 August 2023.

3. DETAIL

Introduction

- 3.1 At their meeting on 6 December 2022 the Committee were advised of the process being adopted for the Fund to enter into a new contract for Actuarial Services. They were advised that it was proposed to seek a supplier through the “National LGPS Framework” procurement process.
- 3.2 The current contract with Hymans Robertson LLP was originally approved under delegated powers by the Head of Pensions and Treasury for four years from 1 April 2017 to 31 March 2021. It has subsequently been extended to 31 July 2023 to cover the period of the current valuation.
- 3.3 The outline of the framework arrangements as stated on the “National LGPS Framework” website is:

The Actuarial, Benefits and Governance Consultancy Services Framework went live in July 2021 and will be available for Further Competition and Direct Award until 30th June 2025. Contracts awarded under the Framework may be let up for a maximum contract length of ten years and up to 30th June 2035 at the latest.

The Framework is split across four Lots including:

Lot 1 - Actuarial Services including but not limited to: actuarial advice in relation to outsourcing / reshaping service delivery (Including staff transfers and changes in workforce profile); advice on admission agreements; actuarial advice to new or existing participating employers; attendance at meetings as required by stakeholders; support for and supply of scheme communication, advice and training for all associated stakeholders as required including but not limited to scheme members, pension boards, section 101 committees and employers; completion of the triennial Actuarial Valuation exercise in accordance with the LGPS governing regulations (to include preparation of individual valuation positions for each participating employer); Funding Strategy Statement preparation and advice; providing responses to auditors of administering authorities and participating employer bodies in respect of the financial reporting of pensions and any other matters arising; undertaking asset liability studies (every three years or more frequently if required); completion of actuarial valuation at the date of cessation of a scheduled body or an admission body to assess any termination liabilities arising; annual accounting valuations of pension liabilities (in accordance with FRS17 (FRS102) / IAS19 requirements or any such standard as is in force) – including the calculation of opening positions for new employers; preparation of pensions information on behalf of participating employers for inclusion in tender documentation when letting services that includes the transfer of staff who are members of the LGPS; calculation of opening positions (level of assets and liabilities) for new participating employers and the calculation of the appropriate employer contribution rate at commencement; calculation and actuarial advice relating to the consideration of an appropriate bond or other guarantee either where an authority is entering into a transferee admission agreement with a contracting party or other circumstance; provision of appropriate actuarial factors as prescribed by the LGPS governing regulations e.g. strain costs on early retirement; provision of modelling and projections in respect of underlying assumptions and strategy at a fund or employer level; provision of funding and contribution strategy advice; supporting unitisation and segregation (in support of employer specific funding strategy); to act as expert witness (in case of arbitration, regulatory or other); covenant analysis and baseline risk management; and cashflow modelling.

Providers on the Framework are:

- Aon Solutions UK Limited*
- Barnett Waddingham LLP*
- Hymans Robertson LLP*
- Mercer Limited*

3.6 In accordance with the Council's procurement procedures, at the end of April the Cabinet Member for Finance agreed that the tender process could go ahead through the "National LGPS Framework" process as recommended.

3.5 On 10 May tenders were invited from each of the Providers included in the Framework in accordance with the following timetable:

ACTIVITY	DATE
Issue Further competition ITT via www.londontenders.org	10 May 2023
Clarification deadline	25 May 2023
Tender Return deadline	01 June 2023 @ 12 noon
Tender Evaluation	From 02 June 2023
Internal governance, outcome, and notification to bidders	From 20 June 2023
Contract award	From 30 June 2023
Standstill Period (10 days)	From 30 June 2023
Service go live	From 01 August 2023

3.6 Evaluation of tenders received will be in accordance with the following criteria:

Quality (50% of overall total score)	%
Organisation and Resources	15
Triennial valuation - Actuarial Methodology and Funding Strategies	10
Application of Technology	15
Supporting the Croydon Pension Fund and its Stakeholders	5
Transition	5
Total Quality Criterion	50

Social Value (10% of overall total score)	10
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Pricing (40% of overall total score)	%
Activity pricing cost	
Actuarial Services cost	
Total Pricing Criterion	40

The Quality and Social Value criteria will be evaluated by the Pensions Team, chaired by the Acting Head of Pensions and Treasury and supported by Procurement Officers and the Pricing criterion will be evaluated by the Procurement Commercial Team.

3.7 By the tender return deadline tenders had been received from two of Providers on the Framework.

3.8 At the Committee's meeting they will be advised of progress to date and will be asked to note the contents of this report.

4. CONSULTATION

4.1 Finance Officers are in constant contact with Procurement Officers to progress the contract considered in this report.

5. FINANCIAL IMPLICATIONS

5.1 The cost of the Actuarial Services contract will be funded by the Pension Fund.

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

6. LEGAL CONSIDERATIONS

6.1 Burges Salmon LLP (a legal advisor appointed to the Pension Fund) comments that there are no direct legal implications arising from the content of this report although it is important to follow applicable procurement procedures in liaison with the Procurement Officers. It also notes that the appointment of an actuary to the Fund is a key appointment as the actuary has a number of important roles pursuant to the Local Government Pension Scheme Regulations 2013

7. HUMAN RESOURCES IMPACT

7.1 There are no immediate workforce impacts arising from the content of this report.

Approved by: Gillian Bevan, Head of HR, Resources and Assistant Chief Executives on behalf of the Chief People Officer.

8. EQUALITIES IMPACT

8.1 The Council has a statutory duty to comply with the provisions set out in Sec 149 of the Equality Act 2010. The Council must therefore have due regard to:

(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act.

(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.

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(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

8.2 When a service is contracted out both the contractor and the public authority that commissioned the service must give due regard to the three principles of the General Duty as set out above. Any supplier that is exercising public functions also has an obligation to fulfil the general duty.

The Contract Management Framework is required to work within the framework of the Equality Strategy 2020- 2024. The deliverables in the Equalities Strategy should be incorporated into the Contract Management Framework and policy documents as detailed below:

“Outline how the proposed contract(s) will comply with the Public Sector Equality Duty outlined in Section 4 of the EQIA; and meet the outcomes of the Council’s equality strategy, particularly:

- i. All Council contracts contribute towards delivering our equality objectives.
- ii. Council contractors are inclusive and supportive of vulnerable groups.
- iii. Ensure that every strategy, delivery plan, council contract and staff appraisal have an equality objective linked to it.
- iv. That contractors be requested to adopt Croydon’s Equality and George Floyd Race Matters Pledges”.

The Equalities Strategy including the Pledges named above, are provided to all bidders during the tendering stage of the procurement process. Social Value objectives also mirror the Council’s commitments to equalities and diversity.

Approved by: Denise McCausland – Equality Programme Manager 07/06/23

9. OTHER IMPLICATIONS

9.1 None.

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.

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REPORT TO:	Pension Committee 20 June 2023
SUBJECT:	Review of Breaches Log
LEAD OFFICER:	Matthew Hallett - Acting Head of Pensions and Treasury
CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management: This report forms an important component of the governance arrangements for the stewardship of the Pension Fund.	
FINANCIAL SUMMARY: Financial risks relating to the Pension Fund are substantial and can impact on the General Fund of the Council.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1. RECOMMENDATIONS

The Committee is asked to:

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

2. EXECUTIVE SUMMARY

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

3. DETAIL

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

70 Duty to report breaches of the law

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

- (a) a trustee or manager of an occupational or personal pension scheme;

- (aa) a member of the pension board of a public service pension scheme;

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

- (c) the employer in relation to an occupational pension scheme;

- (d) a professional adviser in relation to such a scheme;

- (e) a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme.

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

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

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

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

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

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

In line with this legislation and the Pensions Regulator’s Code of Practice a Breaches Log is maintained by the Fund. In their Governance Review Aon Hewitt recommended that the log was reviewed regularly by the Pension Committee. It was last reviewed on 25 May 2021. The current log is attached (Appendix A).

3.2 In this context a breach of the law occurs when a duty which is relevant to the administration of the Fund, and is imposed by or by virtue of legislation or rule of law, has not been or is not being complied with. In the context of the LGPS this can encompass many aspects of the management and administration of the LGPS, including failure:

- to do anything required under the regulations which govern the LGPS (including in particular the requirements of the Local Government Pension Scheme Regulations 2013);
- 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 Code of Practice No. 14 (Governance and administration of public service pension schemes).

3.3 Since the Committee last reviewed the Log 4 entries have been amended and 3 entries have been added:

- Breach 5 concerning the minutes – at their meeting on 14 March 2023 the Committee agreed to change the rating to green.
- Breach numbers 6, 7 and 8, concerning failure to publish audited accounts in respect of years 2019/20, 2020/21 and 2021/22 due to issues with the Council accounts not being signed off were reported in a letter sent on behalf of the Chairs of the Board and Committee and Officers, by the Head of Pensions & Treasury on 16 March 2023. TPR asked for a timetable of completion, which the Head of Pensions & Treasury has provided, and to be updated on progress against the timetable.
- Breaches 9,10 and 11 have been added. These are all in respect of failure to pay refunds within the specified period as required under the Local Government Pension Scheme Regulations 2013 (as amended). The refunds couldn't be paid until the appropriate claim forms had been received from the members who did not return them within the deadline period.

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

The updated Breaches of the Law Log is in Appendix A.

4. CONSULTATION

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

5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 5.1 There are no significant direct financial implications arising from this report.

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

6. LEGAL CONSIDERATIONS

- 6.1 Burges Salmon LLP (a legal advisor appointed to the Pension Fund) comments that the Pension Committees role is to ensure the Fund is properly operated in accordance with the Local Government Pensions Scheme Regulations 2013 (“the Regulations”) all other relevant legislation and best practice as advised by TPR, including relevant financial, governance and administrative matters.
- 6.2 Section 70 of the Pensions Act 2004 (‘the Act’) imposes a requirement on the following persons (‘reporters’) to report breaches of the law (where such breach is likely to be of material significance to TPR (as below)) as it applies to the management and administration of the Fund:
- 6.3 The duty is to report the matter to TPR in writing as soon as is reasonably practicable where that person has reasonable cause to believe that:
- (a) a legal duty relating to the administration of the scheme has not been or is not being complied with, and
 - (b) the failure to comply is likely to be of material significance to TPR
- 6.4 Under the Act a person can be subject to a civil penalty if they fail to comply with this requirement without a reasonable excuse. The duty to report breaches under the Act overrides any other duties the relevant individuals may have. However, the duty to report does not override ‘legal privilege’. This means that, generally, communications between a professional legal adviser and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.
- 6.5 TPR has published guidance in the Code of Practice no 14 (Governance and administration of public service pension scheme (‘the Code’). Paragraphs 241 to

275 of the Code deal with reporting breaches of the law. It should be noted that TPR is expected to publish a new code, the General Code, shortly and the Committee should have regard to the requirements of the General Code when this is published and in force.

7. HUMAN RESOURCES IMPACT

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

Any implications arising from this report for Council employees or staff will be dealt with as appropriate under the Council's HR Policies and Procedures.

Approved by: Gillian Bevan, Head of HR, Resources and Assistant Chief Executives on behalf of Dean Shoesmith, Chief People Officer

8. EQUALITIES IMPACT

- 8.1 The Council has a statutory duty to comply with the provisions set out in the Equality Act 2010. In summary, the Council must in the exercise of all its functions, "have due regard to" the need to comply with the three arms or aims of the general equality duty. These are to:

- eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act;
- advance equality of opportunity between people who share a protected characteristic and people who do not share it; and
- foster good relations between people who share a protected characteristic and people who do not share it.

- 8.2 The breach which is related to the backlog of work which impacts on staff from all equality characteristics in particular sex and age has now been resolved and is rated as green.

Approved by: Denise McCausland Equality Programme Manager

9. OTHER IMPLICATIONS

- 9.1 None.

Approved by: Allister Bannin on behalf of Jane West, Corporate Director of

CONTACT OFFICER:

Matthew Hallett, Acting Head of Pensions and Treasury

APPENDIX:

Appendix A: Breaches Log

BACKGROUND DOCUMENTS:

None.

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

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

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

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

No	Date	Category	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to the breach	Reported/Not reported (with justification if not reported) and dates	Colour Rating	Outcome of report and/or investigations	Outstanding actions	Comments
5	Oct-21	Administration Minutes	Failure to publish Committee and Board meeting Minutes	Without minutes any decisions made are not recorded and so have no legal basis. Any actions taken as a result of those decisions have no legal authority. There is no public access to decisions taken, preventing openness and challenge.	The matter was discussed at the meeting on 14 September 2021. Democratic Services have been experiencing resourcing issues and backlogs of all Council Committee meeting minutes have arisen. The team are now fully resourced and will be trying to catch up on the backlog and produce future minutes in a more timely fashion moving forward. Members requested that officers look into sourcing external minuting provision in respect of Pension Meetings to safeguard Fund business	Officers have designated the breach as amber in line with TPR guidance. Whilst there is an impact on the administration of the Fund, action has been taken to resolve the issue. The Monitoring Officer has advised that the matter should be reported to the TPR which has been done by the Chairs of the Board and Committee		Democratic Services are now adequately resourced and are producing the minutes themselves. All outstanding draft Committee minutes have been published and will be included on the agenda for the 11 October 2022 meeting for consideration and approval. The three outstanding draft Board minutes have been published and approved by the Board		Feedback has been received following referral of the matter to the TPR. They expect processes to be put into place to produce minutes in a timely manner and for them to be reviewed and approved promptly. These matters have been addressed.

										<p>There is a named clerk who produces and circulates draft minutes shortly after each meeting. These are then entered onto the agenda for the next meeting. The Governance Team have created a log to record when each set of minutes has been approved. At their meeting on 14 March the Committee agreed to change the rating of this Breach to Green.</p>
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No	Date	Category	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to the breach	Reported/Not reported (with justification if not reported) and dates	Colour Rating	Outcome of report and/or investigations	Outstanding actions	Comments
6	Sep-21	Finance Accounts	Failure of the Fund to publish audited Fund Accounts for year 2019/20 by 30 September 2020	Lack of accurate data available on which to base funding requirements. This could result in insufficient funds to pay all benefit liabilities.	The Fund report and accounts were prepared but had not been signed off by the Auditors. The Fund accounts form part of the Council accounts. External auditors would not sign off on the Council accounts as there was an issue around the accounting treatment involving Croydon Affordable Homes LLP. However, this is being resolved and it is expected that the paperwork will be in place shortly to allow sign off to be completed. The draft Annual Report and Accounts were presented to Pension Committee on 3 December 2021.	The matter has not been reported to the Pension Regulator. Progress had initially been delayed due to the issuing of the Section 114 notice applicable to Croydon and, more widely, to the impact of the Covid 19 pandemic. Many other LGPS Funds had been unable to finalise their accounts due to the impact of the pandemic. The continued delay in signing the accounts is as a result of the issues caused with Council's accounts around the accounting treatment of Croydon Affordable Homes LLP. The failure to sign off the accounts does not relate to a failure on the part of the Fund. The audit of the accounts is substantially complete and it is expected that the paperwork will be in place shortly to allow sign off to be finalised. The draft Annual Report and Accounts have been published on the website.			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.	

No	Date	Category	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to the breach	Reported/Not reported (with justification if not reported) and dates	Colour Rating	Outcome of report and/or investigations	Outstanding actions	Comments
7	Sep-22	Finance Accounts	Failure to publish the audited Fund Accounts for year 20/21 by 30 September 2021	Lack of accurate data available on which to base funding requirements. This could result in insufficient funds to pay all benefit liabilities.	The report and accounts were prepared but the accounts had not been signed off by the auditors due to issues with the Council's accounts for 2019/20 around the accounting treatment of Croydon Affordable Homes LLP. The draft Annual Report and Accounts were presented to Pension Committee on 3 December 2021	The matter has not been reported to the Regulator. Due to the passage of time, in July 2022 the Head of Pensions and Treasury reconsidered whether to report the breach, the main consideration being whether it would affect the valuation. Having consulted the Actuary and deemed that the valuation could still be signed off, it was decided that the breach still did not need reporting.			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.	

No	Date	Category	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to the breach	Reported/Not reported (with justification if not reported) and dates	Colour Rating	Outcome of report and/or investigations	Outstanding actions	Comments
8	Sep-22	Finance Accounts	Failure to publish the audited Fund Accounts for year 21/22 by 30 September 2022	Lack of accurate data available on which to base funding requirements. This could result in insufficient funds to pay all benefit liabilities.	The report and accounts are being prepared. The audit of the accounts cannot be started until completion of the 19/20 and 20/21 accounts.	The matter has not been reported to the Regulator. The cause of the breach was due to the failure of the Council rather than failure in the administration of the scheme. The Actuary has confirmed that the valuation can still be completed, so the scheme can still comply with its legal requirements on funding. The breach has not resulted in any detrimental effects to members benefits.			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.	

No	Date	Category	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to the breach	Reported/Not reported (with justification if not reported) and dates	Colour Rating	Outcome of report and/or investigations	Outstanding actions	Comments
9	Mar 2023	Administration Refunds	<p>A refund to which a member was entitled was paid after the deadline stated in the LGPS Regulations 2013 (as amended).</p> <p>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.</p>	<p>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.</p>	<p>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.</p>	<p>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.</p>		<p>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.</p>		<p>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.</p>

No	Date	Category	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to the breach	Reported/Not reported (with justification if not reported) and dates	Colour Rating	Outcome of report and/or investigations	Outstanding actions	Comments
10	Mar 2023	Administration Refunds	<p>A refund to which a member was entitled was paid after the deadline stated in the LGPS Regulations 2013 (as amended).</p> <p>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.</p>	<p>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.</p>	<p>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.</p>	<p>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.</p>		<p>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.</p>		<p>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.</p>

No	Date	Category	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to the breach	Reported/Not reported (with justification if not reported) and dates	Colour Rating	Outcome of report and/or investigations	Outstanding actions	Comments
11	Apr 2023	Administration Refunds	<p>A refund to which a member was entitled was paid after the deadline stated in the LGPS Regulations 2013 (as amended).</p> <p>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.</p>	<p>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.</p>	<p>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.</p>	<p>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.</p>		<p>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.</p>		<p>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.</p>

REPORT TO:	Pension Committee 20 June 2023
SUBJECT:	Review of Risk Register
LEAD OFFICER:	Matthew Hallett, Acting Head of Pensions and Treasury
CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management: This report forms an important component of the governance arrangements for the stewardship of the Pension Fund.	
FINANCIAL SUMMARY: Financial risks relating to the Pension Fund are substantial and can impact on the General Fund of the Council.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1. RECOMMENDATION

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

2. EXECUTIVE SUMMARY

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

3. DETAIL

- 3.1 Best practice recommends that a risk register is maintained by the Pension Committee recording relevant risk scenarios, together with an assessment of their likelihood and impact and appropriate mitigations. This report discusses the most significant risks relating to governance, funding, assets and liabilities and operational matters. Appendix A details these risks.
- 3.2 The Committee is invited to comment on whether it considers this list sufficiently exhaustive and whether the assessment of each risk matches its perception on the adequacy of existing and future controls.

- 3.3 In accordance with the Risk Management Policy, the Risk Register is reviewed periodically and reported to the Committee on a quarterly basis.
- 3.4 Risks are rated on a scale of 1 to 5 on the likelihood of the risk occurring and its impact if it does. This allows a range of potential scores of between 1 and 25. The register shows that there are 19 risks on the main register with 15 being significant risks for the Fund (i.e. scored 10 or higher). With all of the planned future controls in place, the significant risks could be reduced to 4.
- 3.5 Since the Committee last reviewed the Register there have been no amendments to the risks log.

The risk register is attached as Appendix A.

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

4. CONSULTATION

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

5. FINANCIAL IMPLICATIONS

- 5.1 There are no significant direct financial implications arising from this noting report.

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

6. LEGAL CONSIDERATIONS

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

7. HUMAN RESOURCES IMPACT

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

Approved by: Gillian Bevan, Head of HR, Resources and Assistant Chief Executives on behalf of the Chief People Officer.

8. EQUALITIES IMPACT

- 8.1 There are no equality implications arising from this report.

Approved by: Denise McCausland – Equality Programme Manager

9. OTHER IMPLICATIONS

9.1 None.

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

APPENDIX:

Appendix A: Risk Register

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	Pensions Risk Register									
	Risk Scenario			Current Risk Rating			Future controls		Future Risk Rating	
	Risk	Type	Existing Controls	Impact	Likelihood	Risk factor		Impact	Likelihood	Risk Factor
1	If other scheme employers cease trading or operating for any reason the Scheme Actuary will calculate a cessation valuation of their liabilities. If that employer cannot meet that liability the Council has to make good the shortfall.	Governance Risks	Employers contributions are monitored on a monthly basis. Council officers rely on good communications to identify any problems at the earliest stage. The range of remedies includes reporting to The Pensions Regulator, involving other statutory bodies, such as the Education	3	4	12	Admission, Cessation and Bulk Transfers Policies were agreed by the Committee at their meeting of 3 December 2021 which will mitigate the risk. The Fund puts measures in place such as bonds and parent company guarantees or reduces the funding time horizon to reduce the impact resulting from employer	2	3	6

			Funding Agency, up to court enforcement action.				failures. These areas will be reviewed as part of the triennial valuation.			
2	The Fund's invested assets are not sufficient to meet its current or future liabilities.	Funding - Assets and Liabilities Risks	A formal actuarial valuation is carried out every three years, although the Government have consulted on changing this to every 4 years. This results in a Funding Strategy Statement which is regularly reviewed to ensure contribution rates and the investment strategy are set to meet the	4	3	12	Officers are looking at ways of monitoring the funding level on a more frequent basis rather than waiting for a full valuation every three years, although this needs to be done efficiently and in a cost effective manner. Officers will work with the Actuary to seek a cost efficient way of estimating changes to the funding level.	4	2	8

			<p>long term solvency of the Fund. The Scheme Actuary's view is that there is a 75% chance that the funding target will be achieved. The current Strategy was agreed by the Committee on 17 March 2020 with updates being agreed at the Committee meeting on 25 May 2021. The Fund is current carrying out the March 22 valuation which has indicated an improvement in the funding level.</p>							
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3	Liquidity risk - A third of the Fund is held in illiquid investments. This means there is a risk that the authority might find itself with insufficient cash to meet short term and medium term liabilities without having to disinvest and thus damage the prospects of generating adequate investment returns.	Funding - Assets and Liabilities Risks	The Fund's contribution income is currently enough to cover the short term liabilities. This is kept under constant review. The amount of cash held by the fund has increased to 2.9% of the Fund to mitigate this risk.	3	2	6	The illiquid assets are reaching a point where distributions are higher than calls, so are generating cash. Further commitments to investments will be put on hold until a medium term cash projection has been completed.	3	2	6
4	There is a possible risk of scheduled or admitted bodies not paying over contributions, which involves the administering authority in incurring unnecessary costs.	Funding - Assets and Liabilities Risks	The authority has retained legal advisors to mitigate this risk, possibly through legal channels.	3	5	15	A structured process has been introduced to monitor receipts of contributions. Contributions and schedules are chased promptly and reconciled. Improved team communications is aiding in this	3	2	6

							process. which is monitored by the Pensions Board. These measures are improving outcomes. However, they require more time to administer and resources across the governance and accounts teams are impacted. Additional staffing is in the process of being secured.			
6	There is a risk that, under any set of circumstances, an assets will will underperform. The Fund has a significant allocation to several single asset categories - for example, equities, fixed interest, property or	Investment Risks	The investment allocation mix is in a variety of uncorrelated investments designed to give a diverse portfolio, meaning any one investment class should not unduly impact	3	3	9	Officers with the help of the Fund's Investment Adviser will continue to assess the asset mix of the Fund to ensure it continues to meet the required returns.	3	2	6

	alternatives - which potentially leaves the Fund exposed to the possibility that a particular class of assets will underperform relative to expectation.		on the performance of the overall portfolio if it underperforms relative to expectation.							
7	The London CIV has been experiencing problems recruiting to key roles, including to the Chief Investment Officer vacancy. This raises a number of concerns, including: fund launches; progress on the ESG project; and expanded permissions from the FCA. This latter point relates to their ability to transition funds.	Investment Risks	Recruitment has inevitably been impacted by the lockdown but the CIV has now filled a number of key roles. This provides a degree of reassurance that fund launches and key projects should be able to proceed according to plan.	4	2	8	As the CIV becomes more established recruitment issues should become less significant.	4	2	8

8	Specific macro-economic risks are addressed below but there is a more general, underlying risk of a global collapse in investment markets. The markets have experienced a continuous sequence of such events: Latin American sovereign debt; Black Friday crash; the Dot.com bubble; sub-prime, credit crunch and the Coronavirus pandemic. Other crises are inevitable.	Global Macro-economic Risks	The discount rate assumption is reviewed at every valuation to ensure it gives appropriate views on future return expectations. The Fund is also well-diversified which provides a degree of protection. The diversified nature of the Fund meant that the Fund was well protected during the Coronavirus pandemic.	4	3	12	The asset allocation strategy will be revised during 2023/2024. Consultations with the Fund's Investment Adviser are ongoing to ensure that, so far as possible, the Fund remains conscious of these risks and is taking reasonable precautions.	4	3	12
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12	<p>Cyber Security – Risk to systems including by system failure, ineffective business continuity plan and lack of adequate monitoring arrangements for third party suppliers. If adequate protections are not in place to prevent system failure working time could be affected impacting workloads and delivery of key performance indicators. If an effective business continuity plan is not in place and communicated to staff the impact of any system failure will be increased. If adequate monitor arrangements for suppliers are not</p>	<p>Operational Risks</p>	<p>Heywoods is a hosted system. They have processes in place for backing up files, storing data safely and preventing system failure. This is included in the contract we have with them. The technical team keep logs of issues and responses to monitor this. We have a business continuity plan in place should issues arise. Key suppliers, Aquila Heywood and Hymans Robertson both have ISO:270001 which is the</p>	4	3	12	<p>We are currently working with Aon to strengthen our Cyber Security arrangements. We will be producing and implementing policies and processes focusing on this area.</p>	4	2	8
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	implemented and reviewed service delivery may be adversely affected.		international standard for information security management systems (ISMS).							
13	Cyber Security - risk of unauthorised access to personal and other data including by unsafe home working practices, data access protection and levels and safe storage of data. If safe working practices are not followed devices could be lost or stolen or data could be viewed or tampered with. If data access levels are not kept up to date and set at a level appropriate	Operational Risks	Mandatory GDPR and Cyber Security training has been provided to all new and existing staff. There is a remote working protocol available on the staff intranet which includes guidance on working securely, in addition to a good practice guide on information management.	4	3	12	We are currently working with Aon to strengthen our Cyber Security arrangements. We will be producing and implementing policies and processes focusing on this area.	4	2	8

	<p>for the performance of the duties of the role only, any possible misuse or error will have a more severe effect. If data held on the pension system is not backed up there is a risk of data being lost in the event of a system failure.</p>		<p>When working from home devices are encrypted and accessed via a VPN. Bit locker and passwords are required to access systems. No physical papers are taken home and staff are advised of the need to keep computers in a secure place, never to leave devices unattended and not to access systems in public locations. Appropriate data access levels to the pensions administration system are assigned by the Technical Support Team</p>							
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			on appointment or change of role, according to the requirements of the role.							
14	McCloud Judgement. There is a risk affecting our ability to implement the requirements of the McCloud judgement post resolution. Issues include lack of historic data, appropriate resource, capacity or budget to undertake the work. This could result in legal	Operational Risks	Keeping up to date with information from the Scheme Advisory Board, Local Government Association, and the Government actuary's Department. The Technical Team are ensuring that part time hours	4	4	16	Decide how gathering of data from employers will be resourced. Once regulations issued and remedies understood, ensure pension service is appropriately resourced to deal with additional workload	4	3	12

	breaches reportable to the Pensions Regulator, incorrect pension entitlements being calculated for pensioners and loss of confidence in the service by scheme members and employers.		are being recorded on Altair.							
15	Cyber Security – The heightened security threat level due to the Russian invasion of Ukraine could potentially result in added risks to the pension administration system.	Operational Risks	In response to the heightened threat, Heywoods have conducted focused threat simulations based upon potentially malicious email traffic, reinforced organisational awareness of the threat landscape and raised vigilance through additional staff	4	3	12	Heywoods will continue to closely monitor the cyber threat landscape, particularly threats connected with events in Ukraine. When necessary, they will take immediate action to mitigate against new threats as they emerge.	4	2	8

			training and blocked access/internet traffic from specific countries.							
16	Russia has invaded Ukraine. There are global economic repercussions relating to oil and gas prices; energy markets; stock markets; and currencies. The Pension Fund will be impacted by these developments because it has exposure to these markets and geographies.	Global Macro-economic Risks	The Fund's direct exposure to assets held in Russia and the Urianes has been assessed and impact was immaterial. The diversified nature of the portfolio helps protect the Fund against the wider implications to Global markets.	3	5	15	If the conflict ends markets should recover; otherwise the financial markets will adapt. The Funds asset allocation is being reiewed to make sure it is still appropriate to keep the fund on track.	3	4	12
17	In February 2022 DLUHC issued the Levelling Up white paper requiring Funds to deploy at least an additional 5% of their capital to relevant	Investment Risks	It is unlikely that the Fund will be forced into a position which would mean an unacceptable imbalance in	4	2	8	If the risk materialises the Fund will seek to follow the direction over a period of time inorder to mange any	4	2	8

	investment opportunities in the UK. The additional requirement could be problematic for funds such as Croydon which already allocate a significant proportion of their capital to the UK in illiquid assets.		the asset allocation of the Fund. The Fund is not currently committing any further investments to its illiquid portfolio.				imbalance in the portfolio.			
18	Changes in legislation affect the level of performance of the Pensions Admin Team. Scheme members experiencing delays in receipt of their pension entitlement. Statutory deadlines are not met leading to breaches of legislation and pension regulator requirements. Scheme member dissatisfaction.	Operational Risks	A third party administrate contract with Hymans Robertson to provide additional resources. Key Performance Monitoring Report completed each month against legal deadlines and team targets reported to Pensions Committee and	4	4	16	A review of the effectiveness of 3rd party arrangement on activity levels. Continue detailed planning in respect of legislative changes. Development of IT and automation. Increase to Employer engagement. Regular Performance Reporting	4	2	8

	Reputational damage. Financial penalties. Legal action / challenge.		Board each meeting. Maintaining awareness of latest legislative requirements. Robust checking procedures at all stages. Staff knowledge - Recruitment of staff of suitable experience Continuous training of existing staff. Currently fully resourced administrative function.				(activity rates & service KPI's) to Pensions Committee			
19	System malfunction or interruption of our banking systems.The FCA disclosed that in the last 9 months of 2018 there were more than 300 IT failures impacting on bank customers	Operational Risks	Actively review/assure in relation to bank controls. Automatic compensation paid for major interruptions	4	3	12	No future controls planned	4	3	12

	<p>ability to access their funds. The 6 largest banks on average experience one IT failure every 2 weeks. The risk is that one of these failures is for a sustained period of time impacting on BACS and CHAPS payments both into and out of the council. This could prevent members of the public and businesses from accessing funds, result in financial loss and /or service interruption.</p>									
20	<p>Risk of losing or being unable to recruit suitably experienced staff. The Head of Pensions and Treasury has retired and other positions within the Pension Team have been vacant</p>	Operational Risks	<p>The Pension Team have recruited temporary resources in the Treasury Team for the immediate future and are in the process of</p>	3	4	12	<p>Developing in-house knowledge and capacity will mitigate the risk of skills drain if staff leave. A review of the pensions function will assist in further</p>	3	3	9

	for a while. Lack of resourcing and knowledge will have a detrimental impact on the performance of the fund.		creating two new posts in the governance team. We are working with our advisors more widely to make greater use of their resources.				developing effective service delivery.			
21	Liquidity risk - Inflation is currently running at 10% which will feed into pension increases and lead to pressures on cashflow. This means there is a risk that the authority might find itself with insufficient cash to meet short term and medium term liabilities without having to disinvest and thus damage the prospects of generating adequate	Funding - Assets and Liabilities Risks	The Fund has increased the amount of cash it holds in order to cover any potential net outflow from the Fund	3	5	15	A medium term cashflow projection will be carried out after the valuation in order to gain assurance that the fund has sufficient liquidity.	3	2	6

	investment returns.									
22	Conflicts of interest – This could lead to a lack of clarity around when it is necessary for Committee and Board members to declare / disclose interests that could impact on decisions they are taking. When acting in their capacity as Committee members their priority should be the interests of the Fund. Without appropriate scrutiny and transparency, the interests of the Fund could be compromised.	Governance Risks	There is an existing Board Conflicts of Interest Policy in place and elected members are required to disclose interests in their capacity as Councillors. A standing agenda item is included in every meeting asking if any member has an interest that they need to disclose. A member of Democratic Services attends every meeting and can provide advice on	4	3	12	A new Fund specific Conflicts of Interest Policy has been drafted and has been referred to the Monitoring Officer to take forward in line with proposed changes to the constitution. This will provide greater clarity on disclosable items and potential areas where a conflict might arise.	4	2	8

			whether a disclosure is needed. The Board Chair regularly attends Committee meetings and will highlight potential items where a disclosure may be appropriate. Democratic Services keep a log of Member Interests.							
23	Climate Change-Pension funds invest over the long-term so are particularly susceptible to the impacts associated with climate change.	Investment Risks	When setting the funding strategy the Fund included climate scenario stress testing in the contribution modelling exercise for the Council at the 2022 valuation. The results provided some	3	5	15	The investment strategy is currently being reviewed with the particular focus on climate change risks and is setting a framework to firstly establish the Fund's current carbon footprint and secondly to	1	5	5

			assurance that the funding strategy is resilient to climate risks.				enable to future reporting and monitoring of the Fund's exposure to climate change risks.			
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Risk Matrix

LIKELIHOOD

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

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

Below 10 is considered a Green Risk.
 A score between 10 and 19 is an Amber Risk.
 A score of 20 or above is a Red Risk.

19	Number of Risks on Register
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	Current Ratings	
4	Number of Green Risks	
15	Number of Amber Risks	
0	Number of Red Risks	

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

Croydon Council

REPORT TO:	Pension Committee 20 June 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 Committee are asked to note the contents of this report.

2. EXECUTIVE SUMMARY

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

'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.

PC 20062023

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

Climate risk reporting

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 gauge the preparedness of pension funds for the changes being considered by Government as follows:

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

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

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

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

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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.

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
PC 20062023

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 closed 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 confirmed that it would be proceeding with the change. [Regulations had been published](#) and the Local Government Pension Scheme (Amendment) Regulations 2023 took effect on 31 March 2023.

"Edinburgh Reforms"

On 9 December 2022, the Chancellor of the Exchequer announced a set of reforms to drive growth and competitiveness in the financial services sector. It has been confirmed that the Government will be consulting in early 2023 on issuing new guidance on Local Government Pension Scheme asset pooling. The government will also consult on requiring LGPS funds to ensure they are considering investment opportunities in illiquid assets such as venture and growth capital, as part of a diversified investment strategy.

Statement on employer contributions

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

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

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

Age discrimination in LGPS benefits

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

3.2 The Pensions Regulator (TPR)

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

Pensions Dashboards compliance and enforcement policy

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

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

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

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

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

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

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

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

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

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

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

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

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

4. CONSULTATION

4.1 No consultation is required for this report however Fund advisors are consulted as appropriate on matters arising from it.

5. FINANCIAL IMPLICATIONS

5.1 There are no significant direct financial implications arising from this report.

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

6. LEGAL CONSIDERATIONS

6.1 (Burgess Salmon LLP (a legal advisor appointed to the Pension Fund) comments that there are no direct legal implications arising from the content of this report although it is important to be aware that a number of changes to the regulations governing the LGPS are likely to be announced or implemented in the next few months (for example dealing with McCloud remedies, climate change reporting

and updated statutory guidance on investment matters (including pooling)).

7. HUMAN RESOURCES IMPACT

7.1 There are no immediate workforce implications arising from the content of this report.

Approved by: Gillian Bevan, Head of HR, Resources and Assistant Chief Executives on behalf of the Chief People Officer

8. EQUALITIES IMPACT

8.1 The Council has a statutory duty to comply with the provisions set out in Sec 149 of the Equality Act 2010. The Council must therefore have due regard to:

(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act.

(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.

(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

8.2 Any risks arising from pension payments in relation to the scheme would be likely to have an adverse impact on older workers along with women who make up the majority of the workforce. This may have an intersectional impact on older women.

Approved by: Denise McCausland Equality Programme Manager – 8/06/23

9. OTHER IMPLICATIONS

9.1 None.

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.

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APPENDICES:

None.

Croydon Council

REPORT TO:	PENSION COMMITTEE 20 June 2023
SUBJECT:	Part A -Progress Report for Quarter Ended 31 March 2023
LEAD OFFICER:	Matthew Hallett Head of Pensions and Treasury
CORPORATE PRIORITY/POLICY CONTEXT:	
<p>Sound Financial Management: Reviewing and ensuring that the performance of the Council's Pension Fund (the Fund) investments are in line with their benchmark and in line with the assumptions made by the Actuary.</p>	
FINANCIAL SUMMARY:	
<p>This report shows that the market value of the Fund investments as at 31 March 2023 was £1,674.2m compared to £1,620.9m at 31 December 2022, an increase of £53.3m and a return of 3.54% over the quarter. The performance figures, independent information and analysis on the fund managers and markets have been provided by the Fund's independent investment advisor Mercer and are included in the part B report.</p>	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1	RECOMMENDATIONS
1.1	The Committee is asked to note the performance of the Fund for the quarter ended 31 March 2023.

2 EXECUTIVE SUMMARY

- 2.1 This report provides an update on the Fund's performance for the quarter to 31 March 2023. The report falls into four parts. Section 1 addresses performance against strategic goals. The second section considers the asset allocation strategy and how that is being applied, specifically current and planned investments. The third section deals with risk management and the fourth and final section summarises the recent investment manager site visit.

3 DETAIL

Section 1: Performance

- 3.1 At the 2022 Triennial Actuarial Valuation funding position for the Fund was 97% using a future investment return assumption (otherwise described as the discount rate) of 4.0% p.a. The Fund would be 100% funded if an assumed investment return of 4.2% p.a. was used and the likelihood of achieving this investment return was deemed to be 73%. In setting the Pension Fund's investment strategy, performance is measured against a benchmark return of CPI + 4% for the whole fund. Achieving this benchmark return will ensure the investments achieve a higher return than as calculated in the valuation and on the basis that other assumptions remain constant, the funding gap will close.
- 3.2 At the 2019 valuation date the Fund was 88% funded with assets totalling £1,258m. From the 2019 valuation to the 2022 valuation the funding position improved to 97%. The main reason for this improvement was due to investment returns being 23.9% (or £299m) higher than expected. The assets at the valuation date of 31 March 2022 were £1,731m.
- 3.3 Since the valuation date the assets have returned -2.44% compared to the investment return assumption of 4.0%. In isolation the investment returns have had a negative impact on the funding level, however it should be noted that this would be outweighed by a positive impact due to a decrease in liabilities under current market conditions.

Section 2: Asset Allocation Strategy

- 3.4 Following the results of the triennial valuation at 31 March 2022, the Fund's investment advisers are in the process of conducting an asset allocation review in consultation with the Pension Committee. The current target allocations will be amended when this review has been completed.
- 3.5 The current target portfolio can be broken down as follows:

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

- 3.6 **Monitoring of asset allocation**
- 3.6.1 **Global Equity** – Global equities rallied in the first part of the quarter as investors decided that inflation concerns were easing enough to allow central banks to moderate the pace of tightening. This was short lived as the failures of Silicon Valley Bank and Signature Bank brought the risk of contagion, although this was muted by the action of central banks. This all led to a positive return of 6.12% for the LGIM

Developed World (ex-Tobacco) Equity fund which follows that of the major indices. The LCIV RBC fund again suffered due to its stock selection and returned -0.34% for the quarter. The LCIV RBC fund has performed slightly below its benchmark (12.75% compared to 14.62%) since its inception on 16/04/2020.

Global equities are now at 44.7% compared to the target allocation of 42%.

3.6.2 Fixed Interest – During the quarter fixed interest investments continued to recover with a positive return of 1.83%, with Aberdeen Standard 0.85%, Wellington 2.21% and the LCIV Global Bond 3.06%. Positive returns for the quarter were down to expectations of easing inflation and stabilization interest rates at the start of the quarter and also due to being underweight in long term duration.

The overall allocation was 15.7% of the portfolio, remaining outside the target allocation of 23% allowing for a 5% tolerance. This is largely due to the poor performance of bonds when compared to the other asset classes. Given the continued uncertainty Officers have continued in not rebalancing the Fund with the view to waiting for the outcome of the strategic asset allocation review which is being conducted over the coming months.

3.6.3 Infrastructure – Due to the nature of these assets, performance of Infrastructure investments and indeed Private Equity, discussed in more detail below, is better measured over a period of time, rather than quarter by quarter. All the Fund's Infrastructure investments continue to perform well largely due to their link to inflation. The renewable investments have performed particularly well recently due to increased inflation expectations and increases in power prices, both of which have a positive impact on the returns. There was an uplift of £20.5m to the Temporis investments which was due to the valuations being conducted as part of their accounts at 31 December 2022. The allocation currently stands at 14.8% compared to a target of 10%.

3.5.4 Private Equity – Our Private Equity managers continue to perform extremely well and have been the main contributor to positive returns over the last few years. During the last quarter the valuations have come down as they tend to follow the direction of global equities, however the performance of the underlying companies remains strong and so there is currently no cause for concern. The majority of the Fund's private equity investments are priced in foreign currency so as Sterling strengthened over the quarter relative to the US dollar and Euro this compounded the negative returns. Over the quarter the allocation moved from 11.0% to 10.0%. This is above the target allocation of 8%.

3.5.5 Property – During the quarter the Schroders property portfolio returned 0.48% and the M&G UK Residential Property Fund returned -0.73%. UK commercial real estate has seen a sharp correction in prices over the last nine months as a result of high inflation and increasing interest rates. Negative capital returns have principally been driven by an outward yield shift as low yields in the sector have become expensive relative to 10year gilts. The quarter saw the first signs of stabilization. Although negative, on a relative basis, the performance of the Fund's property portfolios has been good. The MSCI/AREF UK Quarterly Property Fund Index returned -0.2% for the quarter. The property allocation now makes up 12.0% of the Fund. The outlook for 2023 is that the property sector will remain challenging. The Fund's property portfolio is positioned defensively being underweight to retail and office sectors.

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

London Borough of Croydon Pension Fund
Fund valuation and asset allocation for the quarter ending 31 March 2023

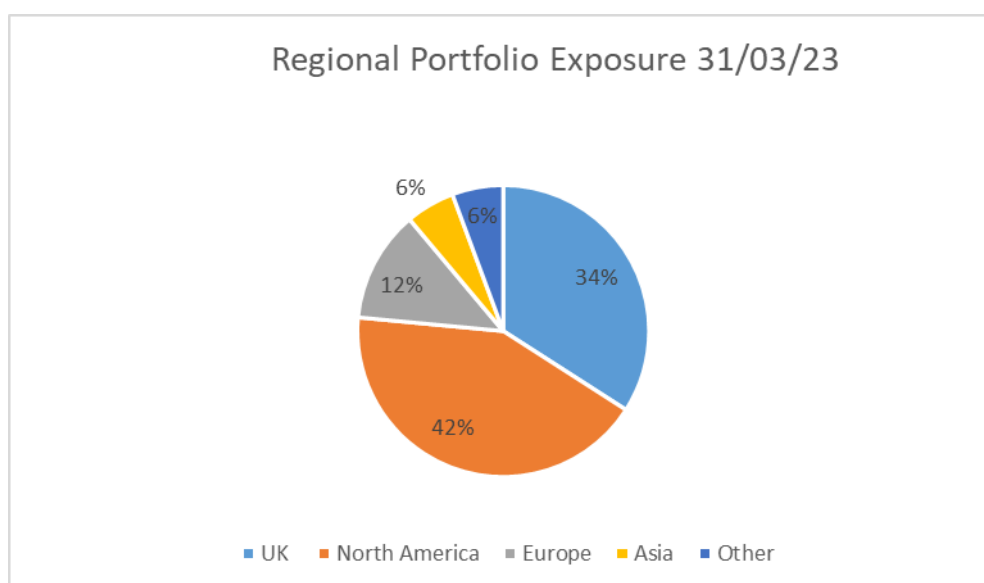
	Valuation at 31/12/2022 £'000	Net cashflow £'000	Gain/Loss £'000	Valuation at 31/03/2023 £'000	Asset allocation Fund percentage	Asset allocation target percentage
Equities					44.7%	42%
Legal & General FTSE World (Ex Tobacco)	632,159	-	38,704	670,863		
LCIV RBC	78,230	-	267	77,964		
LCIV	150			150		
Fixed Interest					15.7%	23%
Standard Life	122,030	-	1,036	123,066		
Wellington	56,097	-	1,239	57,336		
LCIV Global Bond	79,372	-	2,432	81,804		
Infrastructure					14.8%	10%
Access	35,635	948	17	36,566		
Temporis	58,114		20,508	78,622		
Equitix	79,026	1,674	1,278	78,630		
Macquarie GIG Renewable Energy	24,212	944	-	23,268		
I Squared	29,251	-	1,061	30,312		
Private Equity					10.0%	8%
Knightsbridge	67,704	541	6,488	60,676		
Pantheon	73,867	927	2,173	70,767		
Access	15,730	1,075	209	14,864		
North Sea	21,110	-	644	20,465		
Property					12.0%	16%
Schroders	137,192	-	653	137,845		
M&G	64,365	318	471	63,576		
Cash					2.8%	1%
Legal & General FTSE4Good Cash	736	-	219	955		
Cash	45,882	542	-	46,424		
Fund Total	1,620,864	- 3,988	57,278	1,674,154	100%	100%

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

3.7 Regional Exposure

3.7.1 The Committee asked for an indication of the geographical dispersion of the underlying assets comprising the portfolio. This is set out graphically in the chart below. This information is for illustrative purposes only. It should be noted that there are differences in the period represented as some data is updated far more frequently than others.

Graph 2: Geographic dispersion of funds.



3.6.2 The descriptor Asia includes Japan, Korea and Australia. The descriptor Other includes the continent of Africa and Latin America.

3.6.3 It should be noted that of the 34% invested in the UK 12.0% is allocated to Property and 10.4% to Infrastructure. The majority of the Private Equity and Global Equity investments are in the US and Canada.

3.7 Section 3: Risk Management

3.7.1 The main risk addressed by the Funding Strategy is that returns on investment will fall below the target asset outperformance assumption to ensure that the Pension Fund matches the value of liabilities in the future. Dependent upon that are of course a number of issues.

3.7.2 The global economy will always represent a specific risk and opportunity for the Fund and will effectively be impossible to quantify or evaluate. The Fund takes a long-term view and manages risk by investing in a portfolio of assets which is sufficiently diversified. Having a sufficiently diversified portfolio should ensure the Fund continues to meet its performance objectives over the long term while reducing the impact of short term volatility in caused by uncertainty in global markets.

3.7.3 Mercer, the Fund's investment adviser, have drafted a Fund Monitoring Report, for the 3 months to 31 March 2023. These reports are included in Part B of this Committee agenda.

3.8 Section 4: Investment Manager Visits

3.8.1 Officers attended an update meeting with Access Capital Partners. The performance of the underlying companies within the portfolios managed by this manager remain strong and there were no concerns raised. This was encouraging and we are expecting the performance of this manager to remain strong. Officers attended the AGM for one of the Temporis portfolios. After an initial slow start due to COVID, the portfolio is now doing extremely well along with the other Temporis investments. This

is reflected in the uplift to the valuations on completion of the accounts at 31 December 2022. Officer also met Dean Bowden who is the new Chief Executive Officer for the London CIV.

4 CONSULTATION

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

5 FINANCIAL CONSIDERATIONS

- 5.1 This report provides an update on the investment of the Council's Pension Fund, including the value of investments to fund future liabilities and the allocations between different asset classes to diversify risk, maximise return and ensure necessary liquidity. The report notes that at the 2022 Triennial Actuarial Valuation, the funding position for the Pension Fund was 97% using a future investment return assumption (otherwise described as the discount rate) of 4.0% p.a.

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

6. LEGAL CONSIDERATIONS

- 6.1 Burges Salmon LLP (a legal advisor appointed to the Pension Fund) comments that there are no direct legal implications arising from the recommendations within this report.
- 6.2 The Committee must, however, be mindful of their fiduciary duty to make investment decisions including in the best long-term interests of Fund beneficiaries and taxpayers within the investment strategy framework.

7. HUMAN RESOURCES IMPACT

- 7.1 There are no direct workforce implications arising from the recommendations within this report. If any should arise these will be managed under the Council's policies and procedures.

Approved by: Gillian Bevan, Head of HR, Resources and Assistant Chief Executives on behalf of the Chief People Officer

8. EQUALITIES IMPACT

- 8.1 The Council has a statutory duty to comply with the provisions set out in the Sec 149 Equality Act 2010. The Council must therefore have due regard to:
- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act.
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it

(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

8.2 Any risks to the investment fund are likely to impact on the age characteristic in relation to older workers. The council is 67.73% female and 32.27% male so therefore women are more likely to be impacted by any investment risks.

Approved by: Denise McCausland Equality Programme Manager

9. ENVIRONMENTAL IMPACT

9.1 There are no environmental impacts arising from this report.

10. CRIME AND DISORDER REDUCTION IMPACT

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

11. FREEDOM OF INFORMATION/DATA PROTECTION CONSIDERATIONS

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

CONTACT OFFICER:

Matthew Hallett, Acting Head of Pensions and Treasury,

BACKGROUND DOCUMENTS:

Included in Part B of the agenda.

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

Appendices:

There are no part A appendices.

Part B appendices:

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

Appendix A: London Borough of Croydon Returns to 31 March 2023, Mercer

Appendix B: Market Background and Market View Q1 2023, Mercer

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

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