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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, 12 December 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
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www.croydon.gov.uk/meetings
Monday, 4 December 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

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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 - 26)

   To approve the minutes of the meeting held on Tuesday, 20 June 2023 and Tuesday, 19 September 2023 as accurate records.

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. **Review of the Admission Policy, Academies Policy and Funding Strategy Statement** (Pages 27 - 88)

   This report presents proposed revisions to the Admissions Policy, Academies Policy and the Funding Strategy Statement as marked up on the appendices to this report.

   When considering the proposed revisions the Committee needs to be aware of the two substantial changes to the Fund's approach, these being:

   1. To make passthrough the default option when admitting a new contractor to the Fund detailed in sections 3.6 to 3.8.
   2. To allow passthrough to any contracts let by academies which satisfy certain conditions as detailed in sections 3.9 and 3.10.

6. **Croydon Pensions Administration Team Key Performance Indicators for the Period from August 2023 to October 2023** (Pages 89 - 94)

   This report sets out Key Performance Indicators for the administration of the Local Government Pension Scheme for the three-month period up to 31 October 2023.

7. **Review of Risk Register** (Pages 95 - 118)

   This report presents the current Risk Register (in Appendix A) for the

Pension Fund and highlights any changes made since the last review carried out at the Pension Committee meeting held on 19 September 2023.

8. **Review of Breaches of the Law Log** (Pages 119 - 148)

This report presents the current Breaches of the Law log (in Appendix A) for the Pension Fund and highlights any changes made since the last review carried out at the Pension Committee meeting held on 19 September 2023.

9. **Committee Training Update** (Pages 149 - 154)

This report advises the Committee of training undertaken by the Pension Committee members in Year 2023/24 to 30 November 2023 and asks them note the contents of the Log attached to this report as Appendix A and the Hymans online training Log to 31 October 2023 attached to this report as Appendix B.

10. **Local Government Pension Scheme Advisory Board / The Pensions Regulator Update** (Pages 155 - 168)

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.

11. **Part A Progress Report for Quarter Ended 30 September 2023** (Pages 169 - 176)

This report shows that the market value of the Fund investments at 30 September 2023 was £1,698.3m compared to £1,701.7m at 30 June 2023 a decrease of £3.4m during the period. The Fund returned 0.1% over the quarter, but the value decreased due to negative cashflow of £4.7m.

This report provides an update on the Fund’s performance for the quarter to 30 September 2023. The report falls into four parts. Section 1 addresses performance against strategic goals. Section 2 considers the asset allocation strategy and how that is being applied, specifically current and planned investments. Section 3 deals with risk management and section 4 summarises updates from any recent investment manager site visits.

12. **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.”

13. LCIV Sustainable Equity Exclusion Fund (Pages 177 - 208)

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.

14. Cyber Security Strategy (Pages 209 - 224)

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.

15. Part B - Progress Report for Quarter Ended 30 September 2023 (Pages 225 - 326)

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, 20 June 2023 at 10.00 am in Council Chamber, Town Hall, Katharine Street, Croydon CR0 1NX

MINUTES

Present: Councillor Callton Young OBE (Chair);

Councillor Clive Fraser (Vice-Chair);

Councillors Simon Brew, Patricia Hay-Justice, Yvette Hopley, Karen Jewitt and Aladair Stewart and Robert Ward

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

Also Present: Councillor Stuart Collins, Councillor Alisa Flemming, Matthew Hallett (Acting Head of Pensions and Treasury), Gillian Phillip (Pensions Manager), Mike Ellsmore (Chair of Pension Board), Robbie Sinnott (Mercer), Jane West (Corporate Director of Resources & S151 Officer), Ian Talbot.

Apologies: Councillor Endri Llabuti; Patricia Hay Justice (For lateness); Charles Quaye

PART A

68/23 Minutes of the Previous Meeting

The minutes of the meeting held on Tuesday, 14th March, 2023 were agreed as an accurate record subject to the following amendment:

- The reason for holding large amounts of cash was to ensure there was sufficient liquidity in the Fund as higher inflation leads to increased benefit payments. 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 Fund was currently receiving a better return on the cash than any asset they could have invested in.

Councillor Hay Justice entered the meeting at 10.08am.

69/23 Disclosure of Interests

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

70/23 Urgent Business (if any)

There were no items of urgent business.

71/23 Conflicts of Interest Policy

The Acting Head of Pensions and Treasury introduced the item and explained that the Scheme Advisory Board good governance review recommended the Fund had a conflicts of interest policy. The pensions regulator and AON also recommend that the Fund should adopt a conflict of interest policy and as part of the governance review action plan the Committee agreed to adopt a fund wide conflict of interest policy.

The Acting Head of Pensions and Treasury stated that Members of the Committee and officers had two roles, working for on the behalf of the Council and working on behalf of the administering authority as the scheme manager. The Acting Head of Pensions and Treasury did not feel as though the Councils constitution addressed this issue sufficiently, which is why the Fund needed a conflict of interest policy which covered the Pensions Board, the Committee advisors and officers.

An example of a potential conflict of interest for the Committee would be setting the contribution rates for the Council. In this case the council would prefer to keep the contribution rate as low as possible and the fund would seek to generate enough contributions and investment returns to pay benefits for members. As Members and officers worked on behalf of the council and the Fund there was a clear conflict of interest.

The Acting Head of Pensions and Treasury explained that in order to manage this conflict of interest, officers would set a funding strategy statement based on advice from the Actuary.

Members of the committee expressed concerns with the wording and the length of the conflict of interest policy which had been drafted by officers.

Councillor Robert Ward stated that the wording in the conflict of interest policy did not clearly state whether the policy covered reserve Members of the Pension Committee.

Councillor Alasdair Stuart expressed that he felt that the document that been drafted was too long and that the background information on why the policy was required should not have been included in the document. Councillor Alasdair Stuart explained that there were several which belonged in the wider governance policy rather than the conflict of interest document.

Mike Ellsmore was content with the report and suggested a 45-minute training session for Members of the Committee to further explain the conflict of interest policy.

Councillor Alasdair Stuart stated that he had reservations about adopting the conflict of interest policy as it did not provide Members with enough clarity in its current form. before the suggested changes had been implemented.

The Corporate Director of Resources & S151 Officer suggested that officers should hold an engagement session rather than a training session on the conflict of interest policy. This would enable Members to provide feedback to officers on the conflict of interest policy before it was presented to the Committee again at future meeting.

Resolved to:

1.1 Note the draft conflict of interest policy as a work in progress.

72/23 Governance Policy

The Acting Head of Pensions and Treasury introduced the item and explained that the governance policy had been updated for the first time since September 2019. The purpose of the policy was to set out the governance structure of the Fund and determine how the Fund operated. This was a requirement as part of regulation 55 of the Local Government Pension Scheme Regulations.

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

- The purpose of the document was to set out all the policies which the fund required. The Acting Head of Pensions and Treasury asked the Committee to agree the governance policy subject to the pending constitution changes being implemented.
- Although trustees could delegate, they were ultimately responsible for the operation of the fund.
- The Local Government Pension Scheme (LGPS) was not a separate body from the Council which meant that the Members of the committee were not actually trustees but were acting as ‘quasi-trustees’ of the Fund.

Councillor Stuart stated that Members could hold a meeting in future without pension fund advisors which focussed on the funds governance documentation.

Resolved:

1.1 To note the report.

73/23 Governance Best Practice Compliance Statement

The Acting Head of Pensions and Treasury introduced the item and explained that every year the fund had to produce a Governance Compliance Statement to state that they were compliant with guidelines set out by the secretary of state.

The Acting Head of Pensions and Treasury stated that the last Governance Compliance Statement was produced in October 2022.

The Acting Head of Pensions and Treasury informed the Committed that under section A part B of the Governance Compliance Statement stated that the Council were partially compliant, it was taken into account that the Committee had given a vote to a trade union representative and that they were looking to appoint an employer representative to fund also as a voting member.

Principle B part a stated that the Fund was 'Partially Compliant' as there was currently no employer representative, however the Committee had agreed to the appointment of an employer representative once the constitution had been amended.

Principle B part b stated that the Fund was 'Fully Compliant' as the issue where Members were unable to access papers had been resolved.

Principle D stated that the Fund was 'Fully Compliant' as the constitution covered the Committees voting rights which now included voting rights for trade union members and an employer representative.

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

- Since the implementation of the Council Tax increase, the Council were no longer under a section 114 notice. The Council still operated spend control panels which checked expenditure, and a report had been published on the Councils website which set out new spend control criteria.
- There was provision to pay for Members to attend courses.

Councillor Stewart asked for future governance compliance statements to be presented with tracked changes in the agenda pack, so that Members could fully consider the changes to the previous statement rather than relying on verbal clarification.

Resolved to:

1.1 agreed the draft Governance Best Practice Compliance Statement attached as Appendix A subject to the proposed changes.

74/23 Pension Administration Strategy

The Pensions Manager introduced the item and explained that an administration strategy sets out a clear explanation to employers and the administering authority on what was required to ensure the Fund was well run and would achieve the best outcome for its members.

The revised Pension Administration Strategy would be shared with employers, and they would be encouraged to provide feedback by the 31 July. Once the employers had provided their feedback and agreed to the changes, officers would bring the final report back to the Committee.

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

- The Pension Administration Strategy was seen as a high-level document, officers wanted to re-establish employer forums to provide employers with clear guidance on the strategy.
- The scheme regulations stated that it was not possible to be a member of the scheme beyond the age of 75. This was a policy shared across all public sector pension funds.
- There was a requirement in the regulations that all the conditions set out in appendix 11 of the report had to be met for a continuous period of two years prior to the date of death for a co-habiting partner to receive a survivor's pension.

Resolved to:

1.1 Agreed the draft Pension Administration Strategy Statement attached as Appendix A.

75/23 Croydon Pensions Administration Team Key Performance Indicators for the Period from February 2023 to April 2023

The Pension Manager stated that the team had been focused on the end of year processes and there was only one employer who was yet to return their end of year schedule. The Pension Manager explained that the Pension Administration team had processed the pension increase which was 10.1% this year.

The Pension Administration team had been slightly delayed on some of their transfer and interfund cases because of the change to the Superannuation Contributions Adjusted for Past Experience (SCAPE) discount rate, this has had an impact on their leaver calculations as they were unable to process them until the transfer cases had been dealt with.

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

- They were experiencing member registration issues due to problems with the software so officers had arranged for a system update in the autumn. Officers had decided to postpone a drive to increase member self-service numbers until the issue was resolved.

Resolved to:

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

76/23 Contract for the Provision of Actuarial Services for the Pension Fund

The Acting Head of Pensions and Treasury introduced the item and explained that the current actuarial services contract would end on the 31 July 2023. The contract had been out to tender and there had been two responses from providers on the framework, officers were currently evaluating the responses. This process should be completed by the end of June and provisions should be in place to begin the new contract from the 1st August.

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

- Officers had notified the Committee of the strategy that they were adopting however the actual appointment of the actuarial advisors was conducted by the Council, therefore officers had to follow the council procurement rules. Officers took the strategy through contracts and conditions commissioning board before taking the strategy to the cabinet member for finance for approval. The evaluation process was conducted by officers on the pension fund and the assessment of the price was conducted by procurement officers.
- Officers had used the framework agreement which had already evaluated the providers prior to them joining the framework. Once the providers had been added to the framework they would then compete for the contract.
- Officers would check the framework rules with the procurement team to see whether the Committee could have more involvement in the procurement process in future.

Resolved to:

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

77/23 Review of Breaches Log

The Acting Head of Pensions and Treasury introduced the item and explained that following the last Pension Committee meeting, Members and officers decided to report the failure to produce the 2019/20, 2020/21 and 2021/22 accounts within the statutory deadline to the pension regulator. The pension regulator had asked for a timetable for completion and the Acting Head of Pensions and Treasury would update the regulator on the progress being made.

The Acting Head of Pensions and Treasury stated that there were further breaches in terms of paying refunds, the regulation required the fund to pay refunds within five years of a scheme member leaving. The regulator planned to update the regulation to remove this as a requirement as it was largely dependent on members of the scheme contacting officers to provide them with details on their membership, which did not always occur in a timely manner.

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

- The 2019/20 accounts would be published at the end of June 2023. The audit would then need to be conducted and it was more difficult to provide an estimated date for completion. There were two issues across local government which made it difficult for accounts to be signed off, these were infrastructure assets and the new actuarial valuations. The new actuarial valuations was an issue because anything before the date of the new valuation was being queried by the auditors.
- There had been statutory recommendations made by Grant Thornton earlier in the year which included the task of getting all of the accounts up to date by June 2024.
- There was several ways to trace members of the scheme, however each method was dependent on the individual engaging with officer. Quite often members of the scheme do not respond to officers requests for information including their bank details, which caused a delay in issuing refunds.
- The breaches log included in the agenda papers was incorrect and officers had in fact reported the 2019/20, 2020/21 and 2021/22 accounts as being out of date.
- The Annual Benefits statements in the breaches log had been set as ‘green’ as there was a plan in place to rectify the errors, most of which related to aggregation, which were found during the backlog project.
- Officer would include a definition on what ‘green’, ‘amber’ and ‘red’ represented in future reports.

Resolved to:

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

78/23 Review of Risk Register

The Acting Head of Pensions and Treasury introduced the item and explained that the main concern on the risk register was cyber security. Officers were working with AON and the Councils cyber security specialists following the recent cyber-attack on Capita.

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

- Officers were looking at mapping processes with AON whilst working with the Councils cyber security specialist and they would be able to provide a follow up report to the Committee once this had concluded.

- They would review the risk register as a whole for the pension fund and any proposed changes would be reported at the next Pension Committee meeting.

Resolved to:

1.1 Note the contents of the Pension Fund Risk Register and to comment as appropriate.

79/23 Local Government Pension Scheme Advisory Board/ The Pensions Regulator Update

The Acting Head of Pensions and Treasury introduced the item and explained that the Mc Cloud remedy, which were the Draught regulations which had been published and were out for consultation which should conclude by the end of June 2023. The Mc Cloud remedy had to be in place for the 1st October 2023. The Acting Head of Pensions and Treasury concluded by stating that the pensions dashboard had been delayed until October 2026.

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

- The Mc Cloud judgement would not have an impact on the funding of the fund as most members would not be affected. The only issue was that there was a large number of members who would need to be checked which would take a long time.
- Officers would be capturing climate change data as the fund was part of the task force for climate change.

Resolved to:

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

80/23 Part A -Progress Report for Quarter Ended 31 March 2023

The Acting Head of Pensions and Treasury introduced the item and explained that the fund had performed well over the quarter, there was a return of 3.54% and an increase in value of £53 million.

The Acting Head of Pensions and Treasury informed the Committee that over the past year the fund had returned -2.44% and the invest return assumption was 4%. The funds returns had given a negative contribution to the return assumption.

The Acting Head of Pensions and Treasury asked the Committee to bear in mind that liabilities would come down because of interest rates, so the future expectation of returns increased because the risk-free rate of return had increased.

Resolved to:

1.1 Note the performance of the Fund for the quarter ended 31 March 2023.

81/23 **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.

82/23 **Part B -Progress Report for Quarter Ended 31 March 2023**

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.

83/23 **Investment Strategy Review**

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 12.55 pm

Signed: ....

Date: ....

Pension Committee

Meeting held on Tuesday, 19 September 2023 at 10.00 am in Council Chamber, Town Hall, Katharine Street, Croydon CR0 1NX

MINUTES

Present: Councillor Callton Young OBE (Chair);
Councillor Clive Fraser (Vice-Chair);

Councillors Simon Brew, Stuart Collins, Patricia Hay-Justice, Yvette Hopley, Endri Llabuti and Alasdair Stewart

Co-opted Members: Mr Peter Howard

Also Present: Councillor Appu Srinivasan, Matthew Hallett (Acting Head of Pensions and Treasury), Gillian Phillip (Pensions Manager), Mike Ellsmore (Chair of Pension Board), Robbie Sinnott (Mercer), Jane West (Corporate Director of Resources & S151 Officer), Ian Talbot (Pension Fund Investment Manager)

Apologies: Councillor Karen Jewitt and Ms Gilli Driver

PART A

84/23 Disclosure of Interests

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

85/23 Urgent Business (if any)

There were no items of urgent business.

86/23 Conflicts of Interest Policy

The Acting Head of Pensions and Treasury introduced the item and explained that the council was required to draft its own conflict of interest policy. Following feedback from members, officers reviewed the conflict-of-interest policy and the legislation section of the report had been moved to an appendix so that the report could be more concise.

The Acting Head of Pensions and Treasury stated that the policy had been sent to the Committee for consideration in august and officers had not received any feedback on the revised report.

The report explained why the conflict of interest policy was needed, who the conflict of interest applied to, what was considered a conflict and how conflicts are managed and the operational procedures behind it.

Members believed that it would be beneficial for Members of the Pensions Committee and the Pensions Board to receive training on the conflicts of interest policy and that this training session should be conducted by a third party.

Resolved:

1.1 To agree to the recommended Conflicts of Interest Policy.

87/23 Strategies and Policies required for the Fund

The Acting Head of Pensions and Treasury introduced the item and explained that there were three sets of regulations which underpinned the reason why policies were required for the fund. The regulations were the Public Service Pensions Act (2013), the Local Government Pension Scheme Regulations (2013) and the Local Government Investment Regulations (2016).

The good governance review was conducted by the Scheme Advisory Board (SAB) and it was thought that this would come into regulation so policies had been devised in advance of this occurring.

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

- Officers would re-assess the governance review conducted by AON.
- Officers were still working on the constitutional changes that had been agreed at a meeting in October 2022. There would be a constitution working group meeting in the evening where the changes would be considered, the changes would then be recommended to go to Audit Committee and then to Full Council before the changes could be implemented.
- Hymans conducted the good governance review on behalf of the SAB, officers felt as though they were ahead of schedule as the good governance review was yet to be put into legislation.

The Pensions Administration Strategy was agreed by the Committee in June 2023 subject to consultation. The Pension Administration Strategy had been out for consultation and there had been no feedback therefore officers had not presented the report to the Committee at the current meeting. Committee were asked to confirm agreement to the Pension Administration Strategy as presented at the June 2023 meeting.

Resolved:

1.1 To note the contents of the report.
1.2 To agree the Pension Administration Strategy.

88/23 Fund Representation Policy

The Acting Head of Pensions and Treasury introduced the item and explained that the Fund Representation Policy was one of the policies that would come out of the SAB good governance review.

The Fund Representation Policy lists the Members of the Pensions Committee and the Pensions Board, their voting rights and the reasons behind the structure of representation.

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

- The Board did not have any significant comments on the Fund Representation Policy when it was presented to them at a meeting in July. The changes to the voting procedures would still need to go through the Council's governance structure before implementation.
- The employer representative was agreed at Pensions Committee meeting in October 2022, however the constitution had not been updated to reflect the changes.
- There was no confirmed date on when the EDI policy would be brought to the Committee.
- The SAB advised DLUC on the scheme policy for the Local Government Pension Scheme (LGPS). The Pensions Regulator (TPR) was concerned with the administration and governance issues within the LGPS.
- The SAB recommended fair representation on the Pension Committee and Board.
- The staff side representative was nominated by the trade union, and they are unable to vote until the changes had been ratified by the constitutional working group.
- The policy would need to be reviewed annually from the date that the Committee agreed to the Policy.

Resolved:

1.1 To agree the Representation Policy.

89/23 Risk Management Policy Review

The Acting Head of Pensions and Treasury introduced the item and explained that the Risk Management Policy was agreed by the Committee in March 2020. In their Governance Review Aon believed that the current Risk Management Policy was fit for purpose, therefore the policy had not been amended since it had been previously agreed.

Resolved:

1.1 To agree the reviewed Risk Management Policy to be adopted by the Fund.

90/23 Review of Risk register

The Acting Head of Pensions and Treasury introduced the item and explained that following a comprehensive review of the risk register three of the risks had been removed. The risks that had been removed were the London CIV recruitment difficulties as this was now considered a stable structure; the Russian invasion of Ukraine as this had now become part of the normal geopolitical environment and a liquidity risk in relation to inflation.

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

- The risk regarding the dispute concerning contributions had been on the risk register since 2014, officers believed there would be a resolution made in December 2023. Officers would have to bring this topic back to the Committee before it could be considered resolved.
- The 2019/20 accounts had been updated with the necessary adjustments and the accounts were being reviewed by the auditors. Officers has a timetable for when these accounts would be signed off. The other accounts were still outstanding, and this was still a risk as there were four years of accounts yet to be signed off.
- The target was for the first three years of outstanding accounts to be signed off by June 2024. Officers were optimistic that the 2019/20 accounts would be signed off after the October Audit and Governance Committee meeting.
- The belief was that once the 2019/20 accounts were signed off it should become easier to get the other years accounts signed off.
- There was a 50/50 contribution option available to the members of the Pension Fund. In terms of cash flow, if significant number of members opted out of the pension scheme, then this would have a detrimental effect on the amount of cash coming into the scheme. The scheme had enough cash available at the moment, which was still being invested on a short-term basis and the Fund was currently receiving over a 5% return these investments.
- Officers had not seen a significant number of members who had opted out of the pension scheme.
- Members could always choose to opt back into the pension scheme if they chose to opt out. Officers had to operate auto enrolment every three years which would pick up any members who had opted out and they would be automatically brought back into the scheme.
- Officers were comfortable that the Fund’s banking arrangements were secure amidst the risk of cyber fraud. All of the pension payments were made through the BACS system which had up to date cyber security.

Resolved:

1.1 To note the contents of the Pension Fund Risk Register.

91/23 Administration Report

The Pensions Manager introduced the item and explained that the report detailed the pension administration from May to July 2023 and the Pensions team had mostly been working on their end of year processes. The team had updated all pension contributions and pay, up front CARE evaluation and annual benefit statements and there was one employer who had failed to submit the information on time.

The Pensions Manager stated that the pensions team had been investing a lot of time in developing bulk processes to run multiple leaver calculations at once. This enabled the pension team to successfully carry out in excess of 500 leaver calculations throughout August just through bulk processes.

The Pensions Manager informed the Committee that the team had been working with the fraud team to introduce monthly mortality screening. The system had been tested recently and had produced some positive results, notifying officers of deaths that they had not been aware of for members who had passed several years ago.

The Pensions Manager stated that there was work being carried out to streamline the mortality screening process.

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

- It was highly unusual that officers would not be informed of a death of a member of the scheme. Usually the bank would return money which had been contributed by a member of the scheme who had passed away however in the case of significant over payment then the fraud team would be involved in resolving the issue.
- The cases which contributed to the pensions teams KPI's were the more complex cases where employers did not meet deadlines for the submission of information.
- There was a change in the GAD factors which impacted interfund adjustments between pension funds. This required officers to put their leavers on hold while they waited for interfund adjustments to come through which created a backlog. There had been some discussion with team leaders to improve the structure in which the work that was carried out to improve the KPI percentages in future.
- There was some internal approval required in order to spend the money to improve the members self-service tool. The software provider (Heywoods) intended to implement the improvements in phases, and officers had to wait for confirmation on a date for the work to commence.

- There had been one or two occasions where the wrong information had been provided but it had been simple to resolve and generally the system worked quite well.

Resolved:

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

92/23 Breaches of the Law Log

The Acting Head of Pensions and Treasury introduced the item and explained that there were three items on the benefits statements which had been there for several years. The outstanding accounts were another issue on the log and there was a new item relating to the employer's mandatory discretions policy. The Council had been using the Administering Authority's policy in its place but they were not quite the same, so this had been reported as a breach and officers had been instructed to draft a policy for the Council.

Resolved:

1.1 To note the contents of the Pension Fund Breaches Log, Appendix A.

93/23 Update of training

The Acting Head of Pensions and Treasury introduced the item and explained that Members should check that officers had accurately recorded the training they had completed.

The Acting Head of Pensions and Treasury stated that all members were signed up to the Hymans portal where they could complete online training modules in their own time.

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

- Officers would speak to the London CIV for training on the multi asset credit fund investment strategy.

Resolved:

1.1 To note the contents of the Pension Committee Training Log.
1.2 To note the mandatory training items.

94/23 London CIV Savings Report

The Acting Head of Pensions and Treasury introduced the item and explained that the LCIV provided the Council with a savings report every year. The report stated that the London CIV had saved the Fund £564,000 in 2022/23. These savings were in relation to the standard rate charges that investment managers would charge and officers would normally be able to negotiate a discount so the figures quoted in the report were treated with some scepticism.

The Acting Head of Pensions and Treasury informed the Committee that around 50% of the funds assets were invested with the London CIV and over the coming years officers would seek to move more of their listed assets into the London CIV.

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

- For the assets that officer had proposed to move into the CIV, officers could provide Members with the fees that are currently being paid to the fund managers and the fees that will be saved by investing with the CIV. Any comparison would be difficult however as transfers would not normally be exactly like-for-like.
- In the Chancellors Mansion House speech in July, he championed the pooling of assets, and they were looking to mandate funds to pool more of their assets by March 2025.
- There was a consultation being conducted and the CIV was planning to issue a reply to the statement. The CIV's response explained that believed it was not appropriate to force Funds and set deadlines.
- The Fund was aligned with the proposals already as it had invested 10% into private equity and 5% into levelling up assets but officers were not comfortable with this being mandatory.
- Mercer had released a briefing note online which detailed their response to the speech. Mercer's response did not state whether pooling was right but rather what factors would need to be considered if there was more pooling introduced.
- There was a range in the amount that other boroughs had invested with the CIV. Croydon Council was roughly in the middle in terms of the amount invested in the CIV.
- Officers would have to conduct Task Force on Climate-Related Financial Disclosures (TFCD), the CIV would provide a service in which they would analyse the funds listed assets and provide the fund with a starting position.
- TFCD reporting will probably be implemented in 2025 for LGPS Funds.
- There were 86 LGPS funds in England & Wales and the size of the pools was proposed to be around £50 billion, but there was no consensus on what the optimum size a pool should be. If investment returns were not met from the pooled investments, then it was down to employers within the fund to make up the difference. If the investment returns fell, then the contributions would need to be increased. This

was a potential issue with mandatory pooling as the Council would have to come up with a solution if investment returns were short.

- If the other employers in the Fund experienced serious financial difficulty and ceased, then their liabilities fall on the other employers Fund of which the Council is by far the largest. If there is a shortfall to the Fund then it could mean increased contributions from employers.
- The way the questions are phrased in the consultation document made it difficult for officers to provide their opinion clearly.

The Committee asked the Acting Head of Pensions and Treasury to decide whether or not to reply to the Consultation on their behalf and to express their concerns with the proposals being too prescriptive regarding pooling. The response to the Consultation would have to be issued by the 2nd October.

Resolved:

1.1 To note the contents of the report.
1.2 To ask the Acting Head of Pensions and Treasury to look at the question's in the consultation and to decide whether it was in the Councils best interest to issue a response.

95/23 Scheme Advisory Board and The Pensions Regulator Updates

The Acting Head of Pensions and Treasury introduced the item and explained that the SAB mentioned that the average funding level had risen from 98% to 107% over the course of the year which demonstrated that all LGPS funds have moved to a better funded position.

The Acting Head of Pensions and Treasury informed the Committee that funds used different discount rates and assumptions, so it was difficult to directly compare funds. Hymans produced a report on comparison of funds and the Council was deemed to be 107% funded in on a more like-for-like comparison with other LGPS's however the Council's actual reported position was 97% funded.

Resolved:

1.1 To note the contents of the report.

96/23 Investment Strategy Statement Review

The Acting Head of Pensions and Treasury introduced the item and explained that the investment strategy statement was part of the LGPS Investment Regulations 2016. The regulations dictates that a fund, after taking advice must provide an Investment Strategy Statement which must be reviewed at least every three years.

The Acting Head of Pensions and Treasury stated that the Fund's last Investment Strategy Statement had been updated in 2021.

Robbie Sinnott from Mercers explained that the Investment Strategy Statement had been updated from the strategy which had been agreed last year. In the new Investment Strategy Statement the strategic asset allocation and the ranges had changed, there was also mention of multi asset credit which had also been agreed.

Robbie Sinnott stated that the new Investment Strategy Statement provided more clarity on the tobacco exclusion, there was also an explanation that there were areas where it was not possible to invest consistently with that policy.

Robbie Sinnott informed the Committee that the Investment Strategy Statement mentioned that climate change presented a financial risk to the fund. The investment strategy statement also made reference to Myners principles following a recommendation from Aon's governance review.

Resolved:

1.1 To review and agree the draft Investment Strategy Statement attached as Appendix A.

97/23 Responsible Investment Policy

Robbie Sinnott introduced the item and explained that this was a first draft of the policy, and the expectation was that this would be an ongoing piece of work that would come back to future Committee meetings in order to strengthen the policy over time.

Robbie Sinnott stated that a Responsible Investment policy was beneficial because the Investment Strategy Statement covered several areas and so having a responsible investment policy provided a document which went into a lot more detail regarding responsible investment.

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

- It would be beneficial to inform members about the responsible investment policy via a newsletter.

Resolved:

1.1 To review and agree the draft Responsible Investment Policy attached as Appendix A.

98/23 Officers' Investment Progress Report to 30 June 2023

The Acting Head of Pensions and Treasury introduced the item and explained that the investment increased by £27.5 million over the quarter back up to over £1.7 billion. The main contributors to the increase over the quarter was the rise in the LGIM global equity fund, bonds had been flat over the quarter and the sterling had strengthened during this period which had a slight negative impact on the private equity valuations as the funds private equities were priced in foreign currencies. Property investments increased over the quarter however the outlook remained challenging.

Resolved:

1.1 To note the performance of the Fund for the quarter ended 30 June 2023.

99/23 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.

100/23 Advisors' investment Progress Report and Market Update Report 30 June 2023

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 12.00 pm

Signed: ....

Date: ....

Pension Committee Action Log 2023-24

Date of meeting	**Action**	**Agenda ref.**	**Deadline**	**Progress**
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	December 2023	The General Purposes Committee agreed for the amendments to be presented in a report to Full Council for agreement on the 13 December 2023.
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	The General Purposes Committee agreed for the amendments to be presented in a report to Full Council for agreement on the 13 December 2023.
20 June 2023	Officers to arrange a training session for Members on Multi asset Credit.	-	-	Training session has been arranged for Members.
19 September 2023	The Committee asked the Acting Head of Pensions and Treasury to review the fees that the fund was paying for investment managers and to compare against their peers.	-	-	Mercers have produced a report on this benchmarking exercise and will present to the Committee at the 12 December 2023 meeting.
19 September 2023	Officers to invite representatives from the LCIV to present a report to the committee on the LCIV sustainable equity fund.	-	12 December 2023	Officers have invited representatives from the LCIV to the Pensions Committee meeting on the 12 December 2023.

Completed Actions

Date of meeting	Action	Deadline	Progress	
20 June 2023	Conflicts of interest policy	71/23	-	A conflict of interest policy was agreed at the Pension Committee meeting on the 19 September 2023.

LONDON BOROUGH OF CROYDON

REPORT:	Pension Committee	
DATE OF DECISION	12 December 2023	
REPORT TITLE:	Pension Fund Governance: Review of the Admission Policy, Academies Policy and Funding Strategy Statement	
CORPORATE DIRECTOR	Jane West, Corporate Director of Resources (Section 151 Officer)	
LEAD OFFICER:	Matthew Hallett, Acting Head of Pensions & Treasury	
CONTAINS EXEMPT INFORMATION?	No	Public

1 SUMMARY OF REPORT

1.1 This report presents proposed revisions to the Admissions Policy, Academies Policy and the Funding Strategy Statement as marked up on the appendices to this report.

1.2 When considering the proposed revisions the Committee needs to be aware of the two substantial changes to the Fund's approach, these being:

1. To make passthrough the default option when admitting a new contractor to the Fund detailed in sections 3.6 to 3.8.

2. To allow passthrough to any contracts let by academies which satisfy certain conditions as detailed in sections 3.9 and 3.10.

2 RECOMMENDATIONS

The Committee is recommended:

1.3 To agree the revisions to the Admissions Policy, Academies Policy and the Funding Strategy Statement attached as appendices A, B and C.

3 BACKGROUND AND DETAILS

1.4 In accordance with Schedule 2 of the Local Government Pension Scheme Regulations 2013 (as amended) membership of the Scheme as administered by the Council is allowed for three types of employer – "Designated Bodies", "Scheme Employers" and "Admission Bodies".

1.5 “Designated Bodies”. These employers are listed under Part 2 of Schedule 2 and include bodies under the control of scheduled bodies, or employers such as Transport for London. Employers may designate which employees may participate in the LGPS and those employees must automatically join the LGPS upon appointment (unless the employment contract is under 3 months), although an employee may then opt out.

1.6 “Scheme Employers,” such as the Council and academy trusts, must provide automatic admission into the Scheme for all their eligible employees.

1.7 “Admission Bodies” which, subject to strict conditions, provide services or assets to a Scheme employer, can provide access to the Scheme through an admission agreement.

1.8 New employers can choose not to seek membership of the Scheme (and not become an Admission Body), but further to the Best Value Authorities Staff Transfers (Pensions) Direction 2007 and New Fair Deal (applicable to Academies) they need to offer employees transferred from local government, membership of a certified “broadly comparable” pension scheme. Currently there are no such registered schemes.

1.9 In December 2021 the Fund adopted an ‘Admission Policy’ for new employers, the purpose of the policy being to ensure only appropriate bodies are admitted to the Fund and that the financial risk to the Fund and to other employers in the Fund is identified, minimised, and managed accordingly. The policy also sets out the Fund’s default position in relation to the admission of new employers to enable consistency of requirement across all employers.

1.10 There are two options in terms of the way a contractor can be admitted to the Fund.

a) The employer is allocated an individual contribution rate. All responsibility passes to the admission body and they will be liable for any deficit on cessation. A valuation will be required at admission and cessation which will be charged to the admission body. Either a guarantee or a bond will be required.

b) The employer is admitted on a passthrough basis. This means that all liabilities on exit will pass back to the Letting Authority. Usually, the admission body will use the same employer contribution rate as the Letting Authority. This means that a valuation will not be required at admission and no bond will be required. At the end of the admission, the cessation valuation will record nil assets and liabilities for the ceasing employer and therefore no exit credit or cessation debt is payable to or from the Fund.

1.11 As a result of recent outsourcing exercises, it has become apparent that there are many benefits to making passthrough our default required admission basis, these are:

- It allows more certainty around employer contribution rates, so making it easier for the Letting Authority to tender contracts
- It saves the costs of valuations to the contractors

- It means that the contractor does not have to obtain a bond; this can be costly and lengthy.
- It is less time consuming to administer
- It provides protection for the Fund as all liabilities are guaranteed by the Letting Authority.

1.12 It is proposed that the Admissions Policy be revised, so that passthrough is the default option when admitting a new contractor to the Fund.

1.13 As a result of recent updates to the Education and Skills Funding Agency Policy (17 May 2023), the DFE has extended their Academies Funding Guarantee to any contracts let by academies which satisfy the following conditions:

1. Staff currently working for an academy transfer to an outsourced contractor under TUPE.

2. Staff who transfer to an outsourced contractor under TUPE before the academy converted (ie when it was still a maintained school) and the outsourcing contract passes to the academy following conversion.

3. Staff who currently work for the local authority which is providing services to the academy under a contract, but the contract is then awarded to another third-party contractor and the staff transfer to the contractor under TUPE.

1.14 It is proposed that where admissions satisfy the conditions in 3.9, then they be made on a passthrough basis. If the contract let by the academy does not satisfy these conditions then admission will be on basis 1 under 3.6 above.

1.15 The revised Admission policy now highlights the requirement for contracts to contain the right to membership of the LGPS and the right to enforce this on TUPE transfer to an admission body. This responsibility rests with the Letting Authority further to the Best Value Authority Staff Transfers (Pensions) Direction 2007 (primarily in the case of best value authorities) and New Fair Deal (primarily in the case of Academies).

1.16 The Academies Policy has been updated to reflect the conditions in 3.9 above. It also states that the Fund's default position is not to allow pooling for Multi Academy Trusts (MAT).

1.17 Pooling is an arrangement where all schools with the MAT pay the same employer contribution rate and are effectively treated as a single employer. However, this can cause problems when schools join or leave MATS in terms of transferring liabilities. It has been the Fund's preference to value academies in MATS individually but the policy now reinforces this by making it the Fund's default position.

1.18 The FSS has been updated to reflect the revisions to the admission policy and the academies policy.

4 CONSULTATION

2.1 Officers consulted with the Fund's Actuary, Hymans Robertson when revising these policies.

5 IMPLICATIONS

2.2 FINANCIAL IMPLICATIONS

2.2.1 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) (Date 29/11/2023)

2.3 LEGAL IMPLICATIONS

2.3.1 Burges Salmon LLP (a legal advisor to the Fund) comments that the Local Government Pension Scheme Regulations 2013/2356 ("the Regulations") govern such matters as admission to the Local Government Pension Scheme (LGPS), transfers and the circumstances where an employer leaves an LGPS fund.

2.3.2 In seeking to establish polices governing the above referenced areas, the Council must ensure that it complies with the relevant provisions within the Regulations and shall have regard to statutory guidance. Non-statutory guidance has also been published with covers these areas and regard ought also to be had to such non-statutory guidance.

2.3.3 Regulations 3 to 8 of the Regulations set out the rules for eligibility for membership and the different categories of member. Part 2 of the Regulations sets out provisions relating to the administration of the Scheme. Regulations 96 to 103 set out provisions relating to transfers between funds. Schedule 2 to the Regulations sets out who can be Scheme employers and makes provision relating to admission agreements between employers who are not listed within the Schedule and administering authorities and Schedule 3 to the Regulations sets out who must maintain a fund for the Scheme, and is thus an administering authority and contains provision identifying who is the appropriate administering authority for the employees of any particular Scheme employer.

2.3.4 Regulation 64 makes provision in relation to requirements on employers who leave the LGPS and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014/525, under regulation 25A gives the Fund the ability to levy a cessation debt on employers who have ceased participation in the Fund (under the previous regulations) but for whom a cessation valuation was not carried out at the time.

2.3.5 Under provisions in the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) [SI 2006/246], the pay, and terms and conditions of employment for transferred employees are protected, preventing these entitlements from being changed without agreement. However, TUPE does not generally protect pension entitlements under an occupational pension scheme such as the LGPS. The Transfer of Employment (Pension Protection) Regulations 2005 [SI 2005/649] covers the pension and contribution arrangements for employees to which a TUPE transfer applies but does not provide for full protection for transferring employees who are members of the LGPS.

2.3.6 Section 101 and 102 of the Local Government Act 2003 makes provision for staff transfer matters generally and in relation to pensions in particular (section 102) and provides that Directions may be made by the Secretary of State in this regard with which the Council needs to comply. Best Value Authorities Staff Transfer (Pensions) Direction 2007 has been made by the Secretary of State under this authority and provides that a Best Value authority must secure pension protection for each TUPE transferring employee, which must be the same as, broadly comparable to, or better than, those they had a right to acquire prior to the transfer.

2.3.7 Where relevant, regard should also be had to the non-statutory New Fair Deal guidance issued by the Government Actuaries Department in October 2013 which applies to applies to central government departments, agencies, the NHS, certain maintained schools (including academies) and any other parts of the public sector under the control of government ministers, where staff are eligible to be members of a public service pension scheme. The new policy applies when such staff move from the public sector to an independent contractor by way of a transfer to which TUPE applies or when such staff move by way of a non voluntary transfer to a public service mutual or to other new models of public service delivery. The reformed policy generally does not apply to staff transfers from local authorities and other best value authorities (as listed in section 1 of the Local Government Act 1999).The New Fair Deal sets out how pensions' issues are to be dealt with when staff are compulsorily transferred from the public sector to independent providers delivering public services.

2.4 EQUALITIES IMPLICATIONS

2.4.1 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:

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

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

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

2.4.2 There are no equality implications arising from this report.

Approved by: Naseer Ahmad on behalf of the Equalities Manager. (Date 27/11/2023)

2.5 HUMAN RESOURCES IMPLICATIONS

2.5.1 Human Resources advisors, alongside pensions and legal teams, will need to ensure the new policy is applied correctly when such staff move from the council to an independent contractor by way of a transfer to which TUPE applies, or when such staff move by way of a non-voluntary transfer to a public service mutual, or other models of public service delivery.

As set out in section 3.4 above, under current TUPE transfer arrangements the new “transferee” employer can choose not to seek membership of the LGPS scheme, but they need to offer employees transferred from the LGPS, membership of a certified “broadly comparable” pension scheme. Currently there are no such registered schemes. The proposal to revise the Pensions Admissions Policy so that passthrough is the default option when admitting a new contractor to the Fund is likely to provide staff (and their trade union representatives) with more clarity and certainty about their pension position.

Approved by: Dean Shoesmith, Chief People Officer. (Date 24/11/2023)

3 APPENDICES

6.1 A: Admissions Policy

B: Academies Policy

C: Funding Strategy Statement

4 BACKGROUND DOCUMENTS

7.1 None

London Borough of Croydon Pension Fund

Admissions Policy

December 2021

Review Due December 2024

Contents

Admission Policy

Admissions policy context

1 Introduction

It is essential for the Administering Authority to establish its fundamental approach to the risks involved in the admission of new employers to the fund.

The purpose of this policy is to ensure that only appropriate bodies are admitted to the Fund and that the financial risk to the Fund and to other employers in the Fund is identified, minimised, and managed accordingly. As well as providing appropriate guidance and policy decisions on specific key elements this document also sets out the Fund's default position in relation to the admission of new employers. While it is possible for a prospective new employer to request alternatives, any deviation from the stated default position would have to mitigate risk to other scheme employers and will be at the discretion of the Fund to agree to.

This Policy is effective from DD/MMYYYY. It has been approved by the London Borough of Croydon Pension Fund Committee on DD/MMYYYY,

This policy will be reviewed at least every three years following triennial valuations or following changes in the Regulations pertaining to employers leaving the Fund.

2 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013, ("LGPS Regulations") sets out the various types of employer that can participate in the scheme and the different requirements that apply to each. These can be summarised as:

Bodies listed in Part 1 to Schedule 2 – the county council, district and borough councils, further education colleges, academies, police and fire services. These bodies must provide access to the LGPS to their employees (assuming they are not eligible to be members of other pension schemes)

Bodies listed in Part 2 to Schedule 2 – often referred to as designating employers, as they have the right to decide who of their employees are eligible to join the scheme. Includes town and parish councils, as well as entities connected to bodies in Part 1 above. If a relevant designation is made the Administering Authority cannot refuse entry into the scheme in respect of that employer.

Bodies listed in part 3 to schedule 2 – admission bodies, who can apply to participate in the scheme. Admission bodies can encompass a variety of different types of employer. These are –

- a body which provides a public service in the United Kingdom which operates otherwise than for the purposes of gain and has sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest (whether because the operations of the body are dependent on the operations of the Scheme employer or otherwise);
- a body, to the funds of which a Scheme employer contributes;
- a body representative of any Scheme employers, or local authorities or officers of local authorities;

- a body that is providing or will provide a service or assets in connection with the exercise of a function of a Scheme employer as a result of—
  - the transfer of the service or assets by means of a contract or other arrangement (i.e. outsourcing),
  - a direction made under section 15 of the Local Government Act 1999,
  - directions made under section 497A of the Education Act 1996;
- a body which provides a public service in the United Kingdom and is approved in writing by the Secretary of State for the purpose of admission to the Scheme.

When an administering authority is considering permitting a body to become an admission body, the LGPS Regulations include some discretions relating to the creation and management of admission agreements. These discretions are considered within this policy. The discretionary areas are:

- Part 3 of Schedule 2 (para 1) – Whether or not to proceed with admission agreements
- Part 3 of Schedule 2 (para 9(d)) – Whether to terminate the admission agreement
- Regulation 54(1) – If the Fund will set up separate pension funds in respect of admission agreements

3 Interaction with Funding Strategy Statement (FSS) and other documents

The FSS sets out high level policies in a number of areas relating to the treatment of scheme employers. The key areas covered by the FSS relating to admission of new employers are: -

- Responsibilities of the key parties;
- Calculation of funding positions and individual employer contribution rates;
- Link to investment policy set out in the Investment Strategy Statement; and
- Key risks and controls.

The information contained with the FSS applies equally to admission bodies as to other participating employers within the Fund. This admissions policy, therefore, supplements the general policy of the Fund as set out in the FSS and should be read in conjunction with that document, together with its Bulk Transfer and Cessations Policies, Administration Strategy, Governance and Compliance Statement and Communications Policy.

4 Background

A scheme employer is responsible for any deficit arising during the period of participation in the Fund so that if or when that participation ceases, it is 100% funded. However, ultimately, if the scheme employer was to fail or cease to exist and any deficit cannot be met by the body or claimed from any bond, indemnity or guarantor (where appropriate), the liability will fall to other employers in the Fund (either the awarding authority on the failure of a service provider, any guarantor employer or all other employers, depending on the circumstances and the type of body). It is prudent therefore for the Fund to ensure any such risks are minimised and mitigated.

Although the risks may not be able to be eliminated completely, there are a number of options that can be considered to try and mitigate these risks. These are summarised below, with the policy position set out in Appendix 1:

Entry conditions – to what extent, if any, the Administering Authority can determine entry conditions for any new employer and the manner in which those applications will be considered and approved.

Passthrough arrangements – an arrangement where the Letting Authority retains all pensions risks relating to the admission body except those it creates such as allowing early retirement for example. No actuarial valuation is needed. Usually, the employer contribution rate will be the same as the rate allocated to the Letting Authority. The Admission Body will be liable for pension contributions and they will not be rechargeable to the Letting Authority. Any deficit or surplus at cessation will revert to the Letting Authority (subject to the exercise of the Administering Authority's discretion under regulation 64(27AA) of the LPGS Regulations.

Requirements for a bond/indemnity or guarantor – understanding the risk that a new employer might place on the Fund, usually through underfunding on exit from the Fund, and the mitigations that can be put in place (in the form of a bond/indemnity or guarantor) to reduce or remove that risk.

Risk sharing – more often adopted with admission bodies, and while not changing the full cost of the pension benefits, the Administering Authority can decide its approach to the sharing of risk with an established sponsoring employer (e.g. fixed employer contribution rates, pooling the admission body with the scheme employer, etc.).

Allocating assets on entry – on admission each new employer will notionally be allocated assets in the Fund, from which time they will be tracked and employer contributions set with a view to achieving solvency should the employer leave the scheme. Depending on the type of employer concerned the Administering Authority will need to decide how that initial asset allocation should be handled (e.g. given assets equal to 100% of the liabilities transferred or required to take on a share of any funding deficit at the outset).

Contribution rates and other costs – the Administering Authority will need to decide how the initial contribution rate is set for any new scheme employers on joining the scheme. Decisions may also be required in relation to other costs, e.g. legal or actuarial costs, and how these may be passed onto employers.

Pooling – there may be circumstances where a new employer has strong links to an existing employer, or where there is homogeneity amongst certain groups of employers. In these circumstances there may be a desire on the part of the employers to share some of the pension risk, which can be achieved via a pooling agreement. In simple terms, this will allow the bodies to effectively be treated as if it were one employer. As a result, the same employer contribution rate and other funding arrangements will apply (generally equally) in relation to all members.

Ongoing monitoring – it is important that monitoring of scheme employers is carried out throughout their term of participation and, where considered necessary, appropriate remedial action taken to safeguard all employers within the Fund. This can be achieved via various methods, such as regular funding level reviews, risk assessments and requirements to notify the Administering Authority of any changes in circumstances.

Termination/exit requirements – one of the greatest risks to the Fund (and its participating employers) is that a body ceases to exist with an outstanding deficit that it cannot pay and which will not be met by any bond, indemnity or guarantor. Under the terms of the LGPS Regulations a termination valuation is required to be carried out at the point a scheme employer ceases to participate (e.g. as a result of the last active member leaving or the termination of a contractual arrangement with another scheme employer) in order to ascertain the exit payment due in relation to any deficit or payable on account of a funding surplus or alternatively if any exit credit is due back to the ceasing employer as a result of a surplus existing.

Future cessations – When a scheme employer ceases to participate in the scheme its assets should be equal to its liabilities on an appropriate basis. In these circumstances, the Administering Authority may seek to increase or reduce the scheme employer's contributions to the Fund in the period leading up to its expected exit (if known) in order to target a position where the employer's assets are equal to its liabilities on an appropriate basis. To a limited degree, this can also reduce any overfunding at exit.

Basis of termination valuation – as with any actuarial valuation, the purpose of a termination valuation is not so much to predict the cost of providing the Fund benefits of the relevant members (which will not be known until the last benefit payment is made), but to assess how much the Fund should hold now to meet the future expected benefit payments. The amount required is heavily influenced by the basis used for the calculation of the liabilities, which in turn will ultimately depend on the particular circumstances of the cessation. For example, the range of assumptions can include the ongoing funding basis, a gilts basis and a "buy-out" basis.

Payment of cessation debt or exit credit – When the fund actuary carries out a cessation valuation, they are also required to certify the contributions due to the Fund, or any surplus that might need to be refunded to the exiting employer. While the LGPS regulations do not specify whether or not the payment of any deficit should be paid as a lump sum or whether it is paid in instalments the Fund's default position is that it would expect payment as a single lump sum. There is provision within the LGPS Regulations that clarifies what should happen if it is not possible to recover the cessation payment, for example due to the exiting employer going into liquidation and no assets being available, spreading the recovery of the costs across all remaining scheme employers with active members.

5 Statement of Principles

The Administering Authority's policy is drafted on the basis of the following key principles:

- to ensure the long-term solvency of the Fund as a whole and the solvency of each of the notional sub-funds allocated to the individual employers;
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- not to restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk;
- to set clear principles and ensure there is a consistency of requirement for employers in respect of all admissions and cessations to and from the Croydon Pension Fund
- to ensure employers recognise the impact of their participation in the Local Government Pension Scheme, helping them manage their pension liabilities as they accrue and understanding the effect of those liabilities on the ongoing operation of their business;

- to minimise the degree of short-term change in the level of each employer's contributions where the Administering Authority considers it reasonable to do so;
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer ceasing participation or defaulting on its pension obligations;
- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective; and
- to maintain the affordability of the Fund to employers as far as is reasonable over the longer term.
- Where an academy is the letting authority, the fund requires the consequent admissions to be set up with a pass-through arrangement (which is closed to new member) from the effective date of this policy.
- Where the letting authority is not an academy, pass-through is the default approach for the admission of all new contractors to the fund from the effective date of this policy.
- The terms of the pass though agreement will be documented by way of the admission agreement between the administering authority, the letting authority (where different), and the contractor.

There is also an overriding objective to ensure that the LGPS Regulations and any supplementary guidance (in particular the Best Value Authorities Staff Transfer (Pensions) Direction 2007 and Fair Deal guidance) as they pertain to admission agreements are adhered to.

Where the Best Value Authorities Staff Transfer (Pensions) Direction 2007 or the New Fair Deal applies, all outsourcing contracts must contain the right to membership of the LGPS to all eligible transferring staff and the right for them to enforce this, both in initial contracts and any subsequent TUPE transfers of those staff to other admission bodies.

6 Default position

In formulating this Admissions Policy, the Administering Authority has set out its default position in relation to a number of key areas. These are set out below, as well as within the policy statements set out in Appendix 1.

7 Admission Agreement

The Fund has in place a standard Admission Agreement template for use for all employers wishing to be admitted to the Pension Fund. This template admission agreement will be used for admissions under this policy. It will set out all agreed points relating to employer contribution rate, employer funding responsibilities, and exit conditions. Only in exceptional circumstances, and only with the prior agreement of the Administering authority, will the wording within the template agreement be changed. All admission agreements must be reviewed (including any changes) by the administering authority and its legal advisors.

The Fund's default position is that it will not amend its standard Admission Agreement template.

In all cases it is assumed that an Admission Body accepts and agrees to meet the conditions of participation detailed within Croydon Pension Fund's standard Admission Agreement.

If, in exceptional circumstances, a prospective Admission Body wishes to enter into discussions around changing clauses within the template additional costs reflecting staff time involved on the Fund side may be charged to the Admission Body. This will be at the discretion of the Fund. Additionally any agreement on amendments will be at the discretion of the Administering Authority and will need to be authorised by the relevant person as laid down in the scheme of delegation detailed in the Governance and Compliance Statement as required under regulation 55.

8 Risk sharing/pass-through

Where the Fund is satisfied with the funding risks, the Fund's default position is to require new admissions on a passthrough basis. This would be with the agreement of all parties concerned.

In the case of contracts let by academies, due to updates in the Education and skills Funding Agency policy (dated 17 May 2023), all contracts let by academies under the following conditions are now guaranteed by the Department for Education:

1. Staff currently working for an academy transfer to an outsourced contractor under TUPE
2. Staff who transfer to an outsourced contractor under TUPE before the academy converted (ie when it was still a maintained school) and the outsourcing contract passes to the academy following conversion.
3. Staff who currently work for the local authority which is providing services to the academy under a contract, but the contract is then awarded to another third-party contractor and the staff transfer to the contractor under TUPE.

This is only applicable to staff who are eligible for LGPS membership and if the admission is operating under a pass-through arrangement. In these cases, no formal bond or guarantee will be required from these admitted bodies. Any liabilities at cessation revert back to the academy and the government will be liable for any deficit should the academy cease.

It is therefore the Fund's default position that in these circumstances only, any contracts let to admission bodies by academies will be admitted to the Fund on a passthrough basis.

The Fund expects academies to ensure that any outsourcing complies with the requirements set out in the DfE Academy Trust LGPS Guarantee Policy and to confirm to the Fund that the requirements are met. Where the Guarantee Policy terms cannot be met, the admission will be on the basis set out in section 3.6 of the Academies Policy.

If no suitable alternative is agreed, the Fund has the right to refuse admission of the contractor as an admission body * *see section 1.3.3 of the Academies Policy relating to New Fair deal requirements*

9 Contributions

On admission to the scheme, the actuary will determine the employer contribution rate payable by the Admission or Scheduled Body. The employer contribution rate will be set in accordance with the Funding Strategy Statement. Contribution rates will be reviewed at formal triennial valuations; no additional charge to the employer will be made for this. In addition, the Croydon Pension Fund reserves the right to review contribution rates for Admitted or Scheduled Bodies more frequently, particularly within the final three years before the expected date of termination of the Admission

Agreement. Any fees for actuarial valuation costs in respect of these reviews will be charged to the employer.

The employer must pay to the Pension Fund:

- The **full** employer contribution rate and any secondary lump sum deficit amount as determined by the fund actuary; Less any ill-health insurance reduction resulting from joining the Hymans plan*)
- All employee contributions payable;
- All APC amounts payable;
- Any other contributions required;
- Early and ill health retirement strain costs;
- Any other amounts specified within the admission agreement or regulatory requirements;
- Lump sums in relation to any early retirements or early payment of pension benefits;
- Reimbursement of the costs of the administering authoritiy or other body due to poor administration by the admission body;
- Actuarial, legal, administration and other justifiable costs to be paid by the admission body; and
- Any interest amounts due under the regulations.

Any reimbursement from the letting authority to the contractor regarding contractual agreements in connection with Pension arrangements will need to be dealt with outside of the Admission Agreement. The Pension Fund will not allow any variations in amounts payable to the Fund in any way. . Any fixed contribution rate will be determined in consultation with the Fund Actuary and the Admission Body will be required to pay the allocated rate in full. All payments due to the Pension Fund, including monthly employer percentage and lump sum deficit contributions will be payable by the Employer in full within regulatory requirements *.

*The Fund Actuary provides an ill health insurance scheme to indemnify employers against costs associated with member ill health benefits for which the employer is liable. If employers decide to take out this insurance with the Fund Actuary (this is an arrangement outside of the Pension Fund) there may be a percentage reduction applied to the employer rate contributions payable. This amount is decided by the Fund Actuary.

10 Bond/guarantee requirements

Bodies admitted under Paragraphs 1(a) to (c) and (e) of Part 3 of Schedule 2 to The Regulations must provide a guarantor considered by the Fund to be reliable and financially durable (generally only a local authority or central government department) or a bond/indemnity the Fund considers to have equivalent strength and coverage.

For bodies admitted under Paragraph 1(d) of Part 3 of Schedule 2 to The Regulations there is a preference for a bond or indemnity to be provided.

There is no requirement for a bond or guarantor to be provided for scheduled or designating employers.

Unless requested by the Letting Authority, admission bodies admitted on a passthrough basis do not require a bond

If the contract relating to the Admission Body is extended it will be necessary for the bond or guarantee to be extended to cover the length of the new contract. This is the responsibility of the employer. Any legal or actuarial fees for reviewing amounts required and updating agreements will be payable by the Admission Body and Croydon Pension Fund will issue invoices accordingly. Additionally any associated administration costs on the part of the Administering Authority will be payable by the Admission Body as detailed in the Administration Strategy Policy

11 Extension to or new contracts for existing admitted bodies

If provision exists within the letting contract for an extension of the original contract to a specified date, the original admission agreement will continue to apply.

If the contract for which the admission agreement applies expires, the admission agreement must terminate. Therefore even if a new contract is awarded from the next day after the original contract expires, a new admission agreement will be required with effect from the date of the new contract.. Depending on the basis of the admission, a valuation from the Fund Actuary may be required. Any costs for the new admission agreement and valuation will be payable by the admission body

12 Costs

There will be a charge for the Fund Actuary valuation on admission and cessation for which the employer will be liable. There will be a charge for the Fund Legal Advisor for drawing up and getting the admission agreement and any Bond or Guarantee agreement signed off on admission for which the employer will be liable. These costs can vary according to the complexity and time involved in each case. The indicative amount will be notified to the employer at the time of application. The final cost will be notified to the employer on completion of the admission process and an invoice will be issued.

An administration fee will be payable by the Admission Body to the Pension Fund on completion of admission charged at the rate defined within the Administration Strategy Statement. This is in addition to the valuation and legal fees payable by the Admitted Body This needs to be as detailed in the admin strategy.

13 Discretions Policy

Under regulation 60

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

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

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

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

(d) 31 (award of additional pension),

and an Administering Authority must prepare such a statement in relation to the exercise of its functions under regulation 30(8) in cases where a former employer has ceased to be a Scheme employer.

- *Note: a list of all current mandatory discretions under various legislation is included in the Admitted Body Mandatory Discretions Policy Template and in the template standard admission agreement. All admission bodies must determine and document it's policy on each of these discretions.*

(2) Each Scheme Employer must send a copy of its statement to each relevant Administering Authority before 1st July 2014 and must publish its statement.

(3) A body required to prepare a statement under paragraph (1) must-

(a) keep its statement under review; and

(b) make such revisions as are appropriate following a change in its policy.

(4) Before the expiry of a month beginning with the date any such revisions are made, each Scheme Employer must send a copy of its revised statement to each relevant Administering Authority, and must publish its statement as revised.

(5) In preparing, or reviewing and making revisions to its statement, a body required to prepare a statement under paragraph (1) must have regard to the extent to which the exercise of the functions mentioned in paragraph (1) in accordance with its policy could lead to a serious loss of confidence in the public service.

(6) In this regulation a relevant Administering Authority in relation to a Scheme employer, is any authority which is an appropriate Administering Authority for that employer's employees.

The Administering Authority will provide a template to the Admission Body for the purpose of documenting their policy in respect of mandatory discretions under the regulations. The Employer may choose to adopt the policy provisions as provided or decide on their own responses to the discretions for which policies are required. The Admission Body must provide the Administering Authority with a copy of their Discretions Policy on admission to the Fund and at any review of the policy and they must publish the policy.

14 Exiting the Fund

The Fund's approach to dealing with employers exiting the Fund, including the issue of deferred debt arrangements, issuance of suspension notices and the collection of exit debts and payment of surpluses on exit are set out in its FSS, complemented by its formal Cessation and Bulk Transfer Policies.

Where an employer is expecting its participation in the Fund to come to an end it is encouraged to open a dialogue with the Fund as early as possible, to commence planning for the termination. Where the Fund becomes aware of an employer's participation in the Fund ceasing it reserves the right to amend an employer's minimum contributions such that the value of the assets of the employer will be neither materially more nor materially less than its anticipated liabilities at the date it appears to the Fund that the employer will cease to be a participating employer.

Where a pass-through arrangement is in place, the fund assets and liabilities associated with outsourced employees are retained by the letting authority. At the end of the admission, the cessation valuation will therefore record nil assets and liabilities for the ceasing employer and therefore that no cessation debt or exit credit is payable to or from the Fund.

15 Policies

The Administering Authority's policies in relation to the admission of new scheme employers are set out in Appendix 1.

Appendix 1 – Admissions Policy

The following table sets out a summary of the various scenarios that may exist for the admission of scheme employers into the Fund, along with its approach to their on-going monitoring and where appropriate their exit from the Fund.

	Scheduled bodies **(Part 1 of schedule 2)**	**Designating employers** **(Part 2 of schedule 2)**	**Admission bodies** **(Part 3 of schedule 2)**
Entry conditions and requirements of the Fund			
Entry conditions	All new Part 1 employers (inc. academies) must ensure Fund is aware of their creation. A designating employer should provide the Fund with a signed copy of its resolution, confirming who is eligible for membership of the Fund		Will consider applications from bodies: - - with links to a scheme employer; or - that provides services or assets on behalf of a scheme employer Agreements can be open or closed, so long as necessary protections are in place

Bond/indemnity/guarantor	Not applicable		Passthrough: Where a passthrough arrangement is in place, there is typically no requirement for a bond from the Admission body Other admissions: Admission body to undertake risk assessment to the satisfaction of the administering authority (and scheme employer where seeking admission as a body under Par 1(d) to Part 3 of Schedule 2). Admission body to put in place a secure and financially durable bond to the satisfaction of the administering authority, or agree

	Scheduled bodies **(Part 1 of schedule 2)**	**Designating employers** **(Part 2 of schedule 2)**	**Admission bodies** **(Part 3 of schedule 2)**

		and alternative guarantor (generally with a scheme employer and/or government department). Documentary evidence of the bond or guarantee must be provided to the administering authority by the admission body. The level of risk must be reviewed and any associated security renewed on an annual basis
Risk sharing	Not applicable	Where the Fund is satisfied with the funding risks, the Fund's default position is to require new admissions on a passthrough basis. This would be with the agreement of all parties concerned. A template pass-through admission agreement will be used for admissions under this policy.

	Scheduled bodies **(Part 1 of schedule 2)**	**Designating employers** **(Part 2 of schedule 2)**	**Admission bodies** **(Part 3 of schedule 2)**
			arrangements that have been put in place.
Approval	The Fund has no power to refuse participation of any new employer set up under Part 1 of schedule 2 and where the Fund is designated as the appropriate Fund for that employer. The Fund has no power to refuse participation of an employer under Part 2 of schedule 2, although it will require sight of a signed copy of the relevant resolution to confirm the employees eligible for participation in the scheme. All new employers will be reported to the Pension Committee and Pension Board for information only.		Fund officers to be responsible for ensuring prospective admission bodies meet the necessary criteria. Admission agreement template will generally be standard and nonnegotiable Final decision to be reported to the Pension Committee and Pension Board for information only
Financial aspects of entry			

Asset allocation	Assets for any new employer will be calculated using the Fund's ongoing funding basis, as set out in the FSS. Academies may be pooled with other academies as part of a Multi Academy Trust (MAT). Where a new employer is created from an existing scheme employer the initial asset allocation will be based on a share of the ceding employer's assets, with consideration taken of the ceding employer's estimated deficit as at the date of transfer.	Dependent on type of admission body For pass through arrangements: no assets or liabilities are transferred to the new admission body - For new admissions = 100% of past service liabilities - For all others – to be agreed on a case by case basis In all cases, based on Fund's ongoing funding basis and tracked and

	Scheduled bodies **(Part 1 of schedule 2)**	**Designating employers** **(Part 2 of schedule 2)**	**Admission bodies** **(Part 3 of schedule 2)**
			adjusted during period of admission at each formal valuation
Investment strategy	Set for the Fund as a whole		

Contributions	Set in accordance with Funding Strategy Statement. Will be required to pay additional amounts (strain) in respect of: - non-ill health early retirements; - employer award of additional pension; and - additional costs incurred by administering authority resulting from employer poor performance. Ordinarily strain payments must to be made to the Fund within the year in which the strain cost was incurred.	
Other employer costs	May require payment of actuarial, legal and other justifiable costs incurred as a result of participation in the Fund, together with any additional costs incurred by administering authority including when resulting from an employer's poor performance	
Pooling	Ordinarily pooling will not be available. The only exception would be academies who can be pooled as part of a MAT. The Fund's default position is to track academies that are part of a MAT separately; it will not allow pooling arrangements except in exceptional circumstances.	Where it is believed to be advantageous and all parties agree the administering authority may agree to pooling with the letting scheme employer
Employer monitoring		

	Scheduled bodies **(Part 1 of schedule 2)**	**Designating employers** **(Part 2 of schedule 2)**	**Admission bodies** **(Part 3 of schedule 2)**

On-going monitoring	The Fund reserves the right to review a scheme employer's funding position annually, or more frequently. Where it appears that liabilities have increased by more than expected at the last funding valuation the employer contribution rate may be subject to review during the inter-valuation period.	Where applicable, the Fund will ensure the ongoing assessment of risk related to each admitted body, to ensure the level of bond/indemnity cover remains appropriate. Employer contribution reviewed no less frequently than as part of formal valuations (inter-valuation may be undertaken if required if it appears liabilities have increased by more than allowed for at preceding formal valuation, or where the employer may become an exiting employer)
Cessation terms and requirements		
Termination requirements	The Fund will take legal advice on the appropriate triggers that might lead to termination of a scheme employer's participation in the fund (e.g. last active leaving)	
Future cessations	A provisional cessation valuation will be carried out as soon as the Fund becomes aware that a scheme employer may be exiting the scheme for whatever reason.	Carry out a "provisional" valuation as soon as Fund is aware of the likelihood of an employer exiting the Fund For an admission body the Fund reserves the right to undertake ongoing annual assessments where it becomes aware that the

	Scheduled bodies (Part 1 of schedule 2)	Designating employers (Part 2 of schedule 2)	Admission bodies (Part 3 of schedule 2)
			organisation may cease to participate in the Fund. Fund reserves the right to undertake exit valuation on a “least risk”/”gilts” basis to reduce on-going risk to remaining scheme employers Where a pass-through arrangement is in place, there is no cessation debt or exit credit payable to or from the Fund.
Basis of termination valuation	Valuation approach and assumptions set out in FSS and Cessation policy, requiring the scheme employer to make an appropriate exit debt payment immediately, or receive an exit credit.		
Suspension Notice	Will consider issuing a suspension notice for a period up to three years, where, in the reasonable opinion of the Fund, the exiting employer is likely to have one or more active members in relation to the Fund within the period specified in the suspension notice Fund will always seek to recover the exit payment due at the point no more active members exist		
Deferred Debt arrangements	Will be considered when their last active member leaves, on terms that the Fund deems appropriate, in accordance with its FSS.		

Exit debit/exit credit	To be considered in line with the Fund's FSS. Exit debt and credits usually collected as a single lump sum, although the Fund may consider the appropriateness of spreading over an extended period.

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Croydon Pension Fund

Policy on academy funding

Effective date of policy	
Date approved	
Next review	

1 Introduction

The purpose of this policy is to set out the administering authority's funding principles relating to academies and Multi-Academy Trusts (MATs).

1.1 Aims and Objectives

The administering authority's objectives related to this policy are as follows:

- to state the approach for the treatment and valuation of academy liabilities and asset shares on conversion from a local maintained school, if establishing as a new academy or when joining or leaving a MAT
- to state the approach for setting contribution rates for MATs
- to outline the responsibilities of academies seeking to consolidate
- to outline the responsibilities of academies when outsourcing

1.2 Background

As described in Section 5.2 of the Funding Strategy Statement (FSS), new academies join the Fund on conversion from a local authority school or on creation (eg newly established academies, Free Schools, etc). Upon joining the Fund, for funding purposes, academies may become stand-alone employers or may join an existing MAT.

Funding policy relating to academies and MATs is largely at the Fund's discretion, however guidance on how the Fund will apply this discretion is set out within this policy.

1.3 Guidance and regulatory framework

1.3.1 LGPS Regulations

The Local Government Pension Scheme Regulations 2013 (as amended) contains general guidance on Scheme employers' participation within the Fund which may be relevant but is not specific to academies

1.3.2. DfE Requirements

There is currently a written ministerial guarantee of academy LGPS liabilities, which was reviewed in 2022. This has been further supplemented by the DfE Academy Trust LGPS Guarantee Policy of May 2023.

Academy guidance from the Department for Education and the Department for Levelling Up, Housing and Communities may also be relevant.

1.3.3 New Fair deal

All Contracting Authorities, this includes academies contracting services from external providers, **must** ensure all staff whose employment is compulsorily transferred from the public sector under TUPE, including subsequent TUPE transfers, to independent providers of public services will retain access to their current employer's pension arrangements; in this case the LGPS.

Failure to satisfy the Fund's and DFE's requirements could result in the Fund refusing admission to the contractor. Should this happen, it would be the Contracting Authority, ie the academy, and / or the contractor that would be in breach and subject to any challenge or penalties – not the Fund.

2 Statement of Principles

This Statement of Principles covers the Fund's approach to funding academies and MATs. Each case will be treated on its own merits but in general:

- the Fund will seek to apply a consistent approach to funding academies that achieves fairness to the ceding councils, MATs and individual academies.
- the Fund's current approach is to track all academies within a MAT as single employers.
- academies must consult with the Fund prior to carrying out any outsourcing activity. The Fund expects academies to ensure that any outsourcing complies with the requirements set out in the 'DfE Academy Trust LGPS Guarantee policy' and confirm to the Fund that the requirements are met. Where the Guarantee policy terms cannot be met, the admission will be on the basis set out in section 3.6 below. If no suitable alternative is agreed, the Fund has the right to refuse admission of a contractor as an admission body. **see section 1.3.3 on New Fair Deal requirements*
- the Fund will generally not consider receiving additional academies into the Fund as part of a consolidation exercise.

3 Policies

3.1 Admission to the Fund

As set out in section 5.2 of the FSS:

Asset allocation on conversion

New academies will be allocated an asset share based on the estimated funding level of the ceding council's active members, having first allocated the council's assets to fully fund its deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, capped at a maximum of 100%.

Contribution rate

New academy contribution rates are based on the current funding strategy (set out in section 2 of the FSS) and the transferring membership. If an academy is joining an existing MAT within the Fund then it may pay the MAT contribution rate (which may or may not be updated as a result - see below) if the individual asset shares are pooled. .

3.2 Multi-academy trusts

Asset tracking

The Fund's current policy is to individually track the asset shares of each academy within the Fund. Where a MAT exists, the Fund's policy is to individually track the asset shares of each academy within the Fund. Where a MAT exists, the Fund's policy remains for the individual asset shares of the constituent academy to be tracked.

Contribution rate

It is the Fund's policy to set individual contribution rates for all constituent academies within a MAT

In exceptional circumstance MATs can apply to the Fund to use a pooled contribution rate across its academies. However, this is at the absolute discretion of the Fund and will not usually be approved.

Academies leaving a MAT

As set out in section 5.2 of the FSS, if an academy leaves one MAT and joins another, all active, deferred and pensioner members transfer to the new MAT. The individual asset share of that academy (as tracked individually) will be transferred to the new MAT in full, noting that this may be more (or less) than 100% of the transferring liabilities.

3.3 Merging of MATs (contribution rates)

If two MATs merge during the period between formal valuations, the new merged MAT will pay the higher of the two certified individual MAT rates until the rates are reassessed at the next formal valuation (NB if one or both MATs are paying a monetary secondary contribution rate, these will be converted to a % of pay for the purposes of determining the new merged contribution rate).

Alternatively, as set out in the Fund's contribution review policy and as per Regulation 64 A (1)(b) (iii), the MAT may request that a contribution review is carried out. The MAT would be liable for the costs of this review.

3.4 Cessations of academies and multi-academy trusts

A cessation event will occur if a current academy or MATs cease to exist as an entity or an employer in the Fund.

The cessation treatment will depend on the circumstances:

- If the cessation event occurs due to an academy or MAT merging with another academy or MAT within the Fund, all assets and liabilities from each of the merging entities will be combined and will become the responsibility of the new merged entity.
- If the MAT is split into more than one new or existing employers within the Fund, the actuary will calculate a split of the assets and liabilities to be transferred from the exiting employer to the new employers as described in 3.2 above.
- In all other circumstances, and following payment of any cessation debt, section 7 of the FSS would apply.

3.5 Academy consolidations

If an academy or MAT is seeking to merge with another MAT outside of the Fund it would need to seek approval from the Secretary of State to consolidate its liabilities (and assets) into one LGPS fund.

The Fund will provide the necessary administrative assistance to academies seeking to consolidate into another LGPS fund, however the academy (or MAT) will be fully liable for all actuarial, professional and administrative costs.

3.6 Outsourcing

An academy (or MAT) may outsource or transfer a part of its services and workforce via an admission agreement to another organisation (usually a contractor). The contractor becomes a new participating Fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership.

The contractor will pay towards the LGPS benefits accrued by the transferring members for the duration of the contract, but ultimately the obligation to pay for these benefits will revert to the academy (or MAT) at the end of the contract.

It is the Fund's preference for the contractor's contribution rate to be set equal to the letting academy's (or MAT's) total contribution rate.

It is critical for any academy (or MAT) considering any outsourcing to contact the Fund initially to fully understand the administrative and funding implications. The academy should also read and fully understand the Fund's admissions policy regarding pass-through.

In all cases, academies must ensure that the requirements set out in the DfE Academy trust LGPS Guarantee Policy are met before outsourcing any part of its service.

Where the Guarantee policy terms cannot be met, liabilities for transferring active members will be calculated by the Fund actuary on the day before the outsourcing occurs and transferred to the new contractor. New contractors will then be allocated an asset share equal to the value of the transferring liabilities. Under this admission route the new contractor has responsibility to provide a guarantor considered by the Fund to be reliable and financially durable (generally only a local authority or central government department) or a bond/indemnity the Fund considers to have equivalent strength and coverage.

3.7 Accounting

Academies (or MATs) may choose to prepare combined FRS102 disclosures (eg for all academies within a MAT). Any pooling arrangements for accounting purposes may be independent of the funding arrangements (eg academies may be pooled for contribution or funding risks but prepare individual disclosures, or vice versa).

4 Related Policies

- Section 5.2 of the FSS
- Contribution review policy
- Cessation policy
- Bulk transfer policy

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Croydon Pension Fund

Funding Strategy StatementDecember 2023

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Contents

1 Welcome to our Funding Strategy Statement

This document sets out the Funding Strategy Statement (FSS) for Croydon Pension Fund.

The Croydon Pension Fund is administered by Croydon Council, known as the administering authority. Croydon Council worked with the Fund's actuary, Hymans Robertson, to prepare this FSS which is effective from [DATE POST CONSULTATION].

There's a regulatory requirement for Croydon Council to prepare an FSS. You can find out more about the regulatory framework in Appendix A. If you have any queries about the FSS, contact pensions@croydon.gov.uk

1.1 What is the Croydon Pension Fund?

The Croydon Pension Fund is part of the Local Government Pension Scheme (LGPS). You can find more information about the LGPS at www.lgpsmember.org. The administering authority runs the Fund on behalf of participating employers, their employees and current and future pensioners. You can find out more about roles and responsibilities in Appendix B.

1.2 What are the funding strategy objectives?

The funding strategy objectives are to:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

1.3 Who is the FSS for?

The FSS is mainly for employers participating in the Fund, because it sets out how money will be collected from them to meet the Fund's obligations to pay members' benefits.

Different types of employers participate in the Fund:

Scheduled bodies
Employers who are specified in a schedule to the LGPS regulations, including councils and employers like academies and further education establishments. Scheduled bodies must give employees access to the LGPS if they can't accrue benefits in another pension scheme, such as another public service pension scheme.

Designating employers
Employers like town and parish councils can join the LGPS through a resolution. If a resolution is passed, the Fund can't refuse entry. The employer then decides which employees can join the scheme.

Admission bodies
Other employers can join through an admission agreement. The Fund can set participation criteria for them and can refuse entry if the requirements aren't met. This type of employer includes contractors providing outsourced services like cleaning or catering to a scheduled body.

Some existing employers may be referred to as **community admission bodies** (CABs). CABs are employers with a community of interest with another scheme employer. Others may be called **transferee admission bodies** (TABs), that provide services for scheme employers. These terms aren't defined under current regulations but remain in common use from previous regulations.

1.4 How does the funding strategy link to the investment strategy?

The funding strategy sets out how money will be collected from employers to meet the Fund's obligations. Contributions, assets and other income are then invested according to an investment strategy set by the administering authority. You can find the investment strategy at link.

The funding and investment strategies are closely linked. The Fund must be able to pay benefits when they are due – those payments are met from a combination of contributions (through the funding strategy) and asset returns and income (through the investment strategy). If investment returns or income fall short the Fund won't be able to pay benefits, so higher contributions would be required from employers.

1.5 Does the funding strategy reflect the investment strategy?

The funding policy is consistent with the investment strategy. Future investment return expectations are set with reference to the investment strategy, including a margin for prudence which is consistent with the regulatory requirement that funds take a 'prudent longer-term view' of funding liabilities (see Appendix A)

1.6 How is the funding strategy specific to the Croydon Pension Fund?

The funding strategy reflects the specific characteristics of the Fund employers and its own investment strategy.

2 How does the Fund calculate employer contributions?

2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS regulations.

Employer total contributions are calculated and set by the Fund actuary and are expressed into two elements:

- **the primary contribution rate** – contributions payable towards future benefits
- **the secondary contribution rate** – any adjustment to the primary contribution rate (such as additional contributions to repair any deficits)

The primary rate also includes an allowance for the Fund's expenses.

The Fund actuary uses a model to project each employer's asset share over a range of future economic scenarios (as detailed in Appendix D). The contribution rate takes each employer's assets into account as well as the projected benefits due to their members. The value of the projected benefits is worked out using employer membership data and the assumptions in Appendix D.

The total contribution rate for each employer is then based on:

- **the funding target** – how much money the Fund aims to hold for each employer
- **the time horizon** – the time over which the employer aims to achieve the funding target
- **the likelihood of success** – the proportion of modelled scenarios where the funding target is met.

This approach takes into account the maturing profile of the membership when setting employer contribution rates.

2.2 The contribution rate calculation

Table 2: contribution rate calculation for individual or pooled employers

Type of employer	Scheduled bodies			CABs and designating employers		TABs*
Sub-type	**Council**	**Colleges**	**Academies**	**Open to new entrants**	**Closed to new entrants**	**(all)**
Funding target**	Ongoing	Ongoing	Ongoing	Ongoing, but may move to low-risk exit basis		Ongoing
Minimum likelihood of success	75%	75%	75%	75%	75%	55-75% (dependent on outstanding contract term)
Maximum time horizon	20 years	15 years	15 years	15 years	15 years or average future working lifetime, if less	Same as the letting employer
Primary rate approach	The contributions must be sufficient to meet the cost of benefits earned in the future with the required likelihood of success at the end of the time horizon					

Type of employer	Scheduled bodies			CABs and designating employers		TABs*
Sub-type	Council	Colleges	Academies	Open to new entrants	Closed to new entrants	(all)
Secondary rate	% of payroll	% of payroll	% of payroll	% of payroll	Monetary amount	% of payroll
Stabilised contribution rate?	Yes	No	Yes	No	No	No
Treatment of surplus	Covered by stabilisation arrangement	Preferred approach: contributions kept at primary rate. Reductions may be permitted by the administering authority				Reduce contributions by spreading the surplus over the remaining contract term
Phasing of contribution changes	Covered by stabilisation arrangement	None	None	None	None	None

** Employers participating in the Fund under a pass-through agreement will pay a contribution rate as agreed between the contractor and letting authority*
*** See Appendix D for further information on funding targets.*

2.3 Making contribution rates stable

Making employer contribution rates reasonably stable is an important funding objective. Where appropriate, contributions are set with this objective in mind. The Fund may adopt a stabilised approach to setting contributions for individual employers, which keeps contribution variations within a pre-determined range from year-to-year.

After taking advice from the Fund actuary, the administering authority believes a stabilised approach is a prudent longer-term strategy.

Table 1: current stabilisation approach

Type of employer	Council
Maximum contribution increase per year	+1% of pay
Maximum contribution decrease per year	-1% of pay

Stabilisation criteria and limits are reviewed during the valuation process. The administering authority may review them between valuations to respond to membership or employer changes.

2.4 Reviewing contributions between valuations

The Fund may amend contribution rates between formal valuations, in line with its policy on contribution reviews. The Fund's contribution review policy is available here. The purpose of any review is to establish the most appropriate contributions. A review may lead to an increase or decrease in contributions.

2.5 Administering authority discretion

The administering authority may exercise its discretion in managing employer risks and adopt alternative funding approaches on a case-by-case basis.

Additionally, the administering authority may allow greater flexibility to the employer's contributions if added security is provided. Flexibility could include things like a reduced contribution rate, extended time horizon, or permission to join a pool. Added security may include a suitable bond, a legally binding guarantee from an appropriate third party, or security over an asset.

The Fund permits the prepayment of employer contributions in specific circumstances. However, in general, this is most appropriate for large, secure employers with stable active memberships.

Further details are set out in the Fund's prepayment policy available here.

3 What additional contributions may be payable?

3.1 Pension costs – awarding additional pension and early retirement on non ill-health grounds

If an employer awards additional pension as an annual benefit amount, they pay an additional contribution to the Fund as a single lump sum. The amount is set by guidance issued by the Government Actuary's Department and updated from time to time.

If an employee retires before their normal retirement age on unreduced benefits, employers may be asked to pay additional contributions called strain payments.

Employers typically make strain payments as a single lump sum, though strain payments may be spread in exceptional circumstances if the administering authority agrees.

3.2 Pension costs – early retirement on ill-health grounds

If a member retires early because of ill-health, their employer must pay a funding strain, which may be a large sum. Such strain costs are the responsibility of the member's employer to pay.

The Fund recognises ill health early retirement costs can have a significant impact on an employer's funding and contribution rate, which could ultimately jeopardise their continued operation.

The Fund therefore has put in place an approach to help manage ill health early retirement costs by obtaining an external insurance quotation on behalf of employers.

If an employer provides satisfactory evidence to the Fund of a current external insurance policy covering ill health early retirement strains, then:

- the employer's contribution to the Fund each year is reduced by the amount of that year's insurance premium, so that the total contribution is unchanged, and
- there is no need for monitoring of allowances.

The employer must keep the Fund notified of any changes in the insurance policy's coverage or premium terms, or if the policy is ceased.

4 How does the Fund calculate assets and liabilities?

4.1 How are employer asset shares calculated?

The Fund adopts a cashflow approach to track individual employer assets.

The Fund uses Hymans Robertson's HEAT system to track employer assets monthly. Each employer's assets from the previous month end are added to monthly cashflows paid in/out and investment returns to give a new month-end asset value.

If an employee moves one from one employer to another within the Fund, assets equal to the cash equivalent transfer value (CETV) will move from the original employer to the receiving employer's asset share.

Alternatively, if employees move when a new academy is formed or an outsourced contract begins, the Fund actuary will calculate assets linked to the value of the liabilities transferring (see section 5).

4.2 How are employer liabilities calculated?

The Fund holds membership data for all active, deferred and pensioner members. Based on this data and the assumptions in Appendix D, the Fund actuary projects the expected benefits for all members into the future. This is expressed as a single value – the liabilities – by allowing for expected future investment returns.

Each employer's liabilities reflect the experience of their own employees and ex-employees.

4.3 What is a funding level?

An employer's funding level is the ratio of the market value of asset share against liabilities. If this is less than 100%, the employer has a shortfall: the employer's deficit. If it is more than 100%, the employer is in surplus. The amount of deficit or surplus is the difference between the asset value and the liabilities value.

Funding levels and deficit/surplus values measure a particular point in time, based on a particular set of future assumptions. While this measure is of interest, for most employers the main issue is the level of contributions payable. The funding level does not directly drive contribution rates. See section 2 for further information on rates.

5 What happens when an employer joins the Fund?

5.1 When can an employer join the Fund

Employers can join the Fund if they are a new scheduled body or a new admission body. New designated employers may also join the Fund if they pass a designation to do so.

On joining, the Fund will determine the assets and liabilities for that employer within the Fund. The calculation will depend on the type of employer and the circumstances of joining.

A contribution rate will also be set. This will be set in accordance with the calculation set out in Section 2, unless alternative arrangements apply (for example, the employer has agreed a pass-through arrangement). More details on this are in Section 5.4 below.

5.2 New academies

New academies (including free schools) join the Fund as separate scheduled employers. Only active members of former council schools transfer to new academies. Free schools do not transfer active members from a converting school but must allow new active members to transfer in any eligible service.

Liabilities for transferring active members will be calculated (on the ongoing basis) by the Fund actuary on the day before conversion to an academy. Liabilities relating to the converting school's former employees (ie members with deferred or pensioner status) remain with the ceding council.

New academies will be allocated an asset share based on the estimated funding level of the ceding council's active members, having first allocated the council's assets to fully fund their deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, capped at a maximum of 100%. The council's estimated funding level will be based on market conditions on the day before conversion.

The Fund treats new academies as separate employers in their own right, who are responsible for their allocated assets and liabilities.

If an academy leaves one MAT and joins another, all active, deferred and pensioner members transfer to the new MAT.

The Fund's policies on academies may change based on updates to guidance from the Department for Levelling Up, Housing and Communities or the Department for Education. Any changes will be communicated and reflected in future Funding Strategy Statements.

The Fund's Academies Policy is available here.

5.3 New admission bodies as a results of outsourcing services

New admission bodies usually join the Fund because an existing employer (usually a scheduled body like a council or academy) outsources a service to another organisation (a contractor). This involves TUPE transfers of staff from the letting employer to the contractor. The contractor becomes a new participating Fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership. At the end of the contract, employees typically revert to the letting employer or a replacement contractor.

There is flexibility for outsourcing when it comes to pension risk potentially taken on by the contractor. You can find more details on outsourcing options from the administering authority or in the contract admission agreement. However, in general, the funding arrangements are set up as one of the following two options:

(i) Pass-through admissions

The Fund's default position is that all new admission bodies will be set up via a pass-through arrangement.

(ii) Other admissions

Liabilities for transferring active members will be calculated by the Fund actuary on the day before the outsourcing occurs. New contractors will then be allocated an asset share equal to the value of the transferring liabilities. The admission agreement may set a different initial asset allocation, depending on contract-specific circumstances.

Where an academy is the letting employer, the Fund's policy is to require all new admission bodies to be set up with a pass-through arrangement which is closed to new members. This is to ensure that the 'DfE Academy Trust LGPS Guarantee policy' applies to the outsourcing.

Further details are set out in the Fund's admissions policy here.

5.4 Other new employers

There may be other circumstances that lead to a new admission body entering the Fund, eg set up of a wholly owned subsidiary company by a Local Authority. Calculation of assets and liabilities on joining and a contribution rate will be carried out allowing for the circumstances of the new employer.

New designated employers may also join the Fund. These are usually town and parish councils. Contribution rates will be set using the same approach as other designated employers in the Fund.

5.5 Risk assessment for new admission bodies

Under the LGPS regulations, a new admission body must assess the risks it poses to the Fund if the admission agreement ends early, for example if the admission body becomes insolvent or goes out of business. In practice, the Fund actuary assesses this because the assessment must be carried out to the administering authority's satisfaction.

After considering the assessment, the administering authority may decide the admission body must provide security, such as a guarantee from the letting employer, an indemnity or a bond.

This must cover some or all of the:

- strain costs of any early retirements, if employees are made redundant when a contract ends prematurely
- allowance for the risk of assets performing less well than expected
- allowance for the risk of liabilities being greater than expected
- allowance for the possible non-payment of employer and member contributions
- admission body's existing deficit.

Where the academy is the letting employer, the Fund will expect academies to ensure and confirm that the outsourcing complies with the requirements set out in the 'DfE Academy Trust LGPS Guarantee policy' before permitting an admission body in the Fund. Where this requirement is met, no additional risk assessment or security will typically be required for the admitted body as the pension liabilities will be covered by the DfE Academy Guarantee.

Where the admission body does not meet the requirements of the DfE Academy Trust LGPS Guarantee policy, the Fund will review each case individually to decide if the admission body must provide security before being admitted to the Fund. In these cases, the Fund will typically require the academy to evidence that they have sought and received permission from the Education and Skills Funding Agency to act as a guarantor.

The Fund’s admissions policy can be found here.

6 What happens if an employer has a bulk transfer of staff?

Bulk transfer cases will be looked at individually, but generally:

- the Fund won't pay bulk transfers greater in value than either the asset share of the transferring employer in the Fund, or the value of the liabilities of the transferring members, whichever is lower
- the Fund won't grant added benefits to members bringing in entitlements from another fund, unless the asset transfer is enough to meet the added liabilities
- the Fund may permit shortfalls on bulk transfers if the employer has a suitable covenant and commits to meeting the shortfall in an appropriate period, which may require increased contributions between valuations.

The bulk transfer policy is available here.

7 What happens when an employer leaves the Fund?

7.1 What is a cessation event?

Triggers for considering cessation from the Fund are:

- the last active member stops participation in the Fund. The administering authority, at its discretion, can defer acting for up to three years by issuing a suspension notice. That means cessation won't be triggered if the employer takes on one or more active members during the agreed time.
- insolvency, winding up or liquidation of the admission body
- a breach of the agreement obligations that isn't remedied to the Fund's satisfaction
- failure to pay any sums due within the period required
- failure to renew or adjust the level of a bond or indemnity, or to confirm an appropriate alternative guarantor

On cessation, the employer may be permitted to enter into a deferred debt agreement (DDA) and become a deferred employer in the Fund (as detailed in Section 7.4). If no DDA exists, the administering authority will instruct the Fund actuary to carry out a cessation valuation to calculate if there is a surplus or a deficit when the employer leaves the scheme.

7.2 What happens on cessation?

The administering authority must protect the interests of the remaining Fund employers when an employer leaves the scheme. The actuary aims to protect remaining employers from the risk of future loss. The funding target adopted for the cessation calculation is below. These are defined in Appendix D.

(a) Where there is no guarantor, cessation liabilities and a final surplus/deficit will usually be calculated using a low-risk basis, which is more prudent than the ongoing participation basis. The low-risk exit basis is defined in Appendix D.

(b) Where there is a guarantor, the guarantee will be considered before the cessation valuation. Where the guarantor is a guarantor of last resort, this will have no effect on the cessation valuation. If this isn't the case, cessation may be calculated using the same basis that was used to calculate liabilities (and the corresponding asset share) on joining the Fund.

(c) Depending on the guarantee, it may be possible to transfer the employer's liabilities and assets to the guarantor without crystallising deficits or surplus. This may happen if an employer can't pay the contributions due and the approach is within guarantee terms.

If the Fund can't recover the required payment in full, unpaid amounts will be paid by the related letting authority (in the case of a ceased admission body) or shared between the other Fund employers. This may require an immediate revision to the rates and adjustments certificate or be reflected in the contribution rates set at the next formal valuation.

The Fund actuary charges a fee for cessation valuations. Fees and expenses are at the employer's expense and may be deducted from the cessation surplus or added to the cessation deficit. This improves efficiency by reducing transactions between employer and Fund.

The cessation policy is available here.

7.1 How do employers repay cessation debts?

If there is a deficit, full payment will usually be expected in a single lump sum or:

- spread over an agreed period, if the employer enters into a deferred spreading arrangement (DSA)
- if an exiting employer enters into a DDA, it stays in the Fund and pays contributions until the cessation debt is repaid. Payments are reassessed at each formal valuation.

Further details are set out in the cessation policy available here.

7.2 What if an employer has no active members?

When employers leave the Fund because their last active member has left, they may pay a cessation debt, receive an exit credit or enter a DDA/DSA. Beyond this they have no further obligation to the Fund and either:

a) their asset share runs out before all ex-employees' benefits have been paid, in which case the other Fund employers will be required to contribute to the remaining benefits. The Fund actuary will apportion the liabilities on a pro-rata basis at the formal valuation.

b) the last ex-employee or dependant dies before the employer's asset share is fully run down, in which case the Fund actuary will apportion the remaining assets to the other Fund employers on a pro-rata basis at the formal valuation.

7.3 What happens if there is a surplus?

If the cessation valuation shows the exiting employer has more assets than liabilities – an exit credit – the administering authority can decide how much will be paid back to the employer based on:

- the surplus amount
- the proportion of the surplus due to the employer's contributions
- any representations (like risk sharing agreements or guarantees) made by the exiting employer and any employer providing a guarantee or some other form of employer assistance/support
- any other relevant factors.

The exit credit policy is set out within section 3.3 of the Fund's cessation policy, available here.

8 What are the statutory reporting requirements?

8.1 Reporting regulations

The Public Service Pensions Act 2013 requires the Government Actuary's Department to report on LGPS funds in England and Wales after every three-year valuation, in what's usually called a section 13 report. The report should include confirmation that employer contributions are set at the right level to ensure the Fund's solvency and long-term cost efficiency.

8.2 Solvency

Employer contributions are set at an appropriate solvency level if the rate of contribution targets a funding level of 100% over an appropriate time, using appropriate assumptions compared to other funds. Either:

(a) employers collectively can increase their contributions, or the Fund can realise contingencies to target a 100% funding level

or

(b) there is an appropriate plan in place if there is, or is expected to be, a reduction in employers' ability to increase contributions as needed.

8.3 Long-term cost efficiency

Employer contributions are set at an appropriate long-term cost efficiency level if the contribution rate makes provision for the cost of current benefit accrual, with an appropriate adjustment for any surplus or deficit.

To assess this, the administering authority may consider absolute and relative factors.

Relative factors include:

1. comparing LGPS funds with each other
2. the implied deficit recovery period
3. the investment return required to achieve full funding after 20 years.

Absolute factors include:

1. comparing funds with an objective benchmark
2. the extent to which contributions will cover the cost of current benefit accrual and interest on any deficit
3. how the required investment return under relative considerations compares to the estimated future return targeted by the investment strategy
4. the extent to which contributions paid are in line with expected contributions, based on the rates and adjustment certificate
5. how any new deficit recovery plan reconciles with, and can be a continuation of, any previous deficit recovery plan, allowing for Fund experience.

These metrics may be assessed by GAD on a standardised market-related basis where the funds' actuarial bases don't offer straightforward comparisons.

Appendices

Appendix A – The regulatory framework

A1 Why do funds need a funding strategy statement?

The Local Government Pension Scheme (LGPS) regulations require funds to maintain and publish a Funding Strategy Statement (FSS). According to the Department for Levelling Up, Housing and Communities (DLUHC) the purpose of the FSS is to document the processes the administering authority uses to:

- *establish a **clear and transparent fund-specific strategy** identifying how employers' pension liabilities are best met going forward*
- *support the regulatory framework to maintain **as nearly constant employer contribution rates as possible***
- *ensure the fund meets its **solvency and long-term cost efficiency** objectives*
- *take a **prudent longer-term view** of funding those liabilities.*

To prepare this FSS, the administering authority has used guidance by the Chartered Institute of Public Finance and Accountancy (CIPFA).

A2 Consultation

Both the LGPS regulations and most recent CIPFA guidance state the FSS should be prepared in consultation with "*persons the authority considers appropriate*". This should include '*meaningful dialogue… with council tax raising authorities and representatives of other participating employers*'.

The consultation process included issuing a draft version to participating employers and invitation to attend an open employers' forum. The administering authority should circulate the CIPFA guidance, and consult on actual funding policy and methodologies, before preparing and issuing a draft. The draft should include an estimate of the impact of any variations from the previous funding strategy.

A3 How is the FSS published?

The FSS is emailed to participating employers and employee and pensioner representatives. Summaries are issued to members and a full copy is included in the Fund's annual report and accounts. Copies are freely available on request and is published on the website at https://www.croydonpensionscheme.org/

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the valuation. Amendments may be made before then if there are regulatory or operational changes. Any amendments will be consulted on, agreed by the Pensions Committee and included in the Committee meeting minutes.

A5 How does the FSS fit into the overall Fund documentation?

The FSS is a summary of the Fund's approach to funding liabilities. It isn't exhaustive – the Fund publishes other statements like the Investment Strategy Statement, Governance strategy and Communications strategy. The Fund's annual report and accounts also includes up-to-date Fund information.

You can see all Fund documentation at https://www.croydonpensionscheme.org/

Appendix B – Roles and responsibilities

B1 The administering authority:

1 operates the Fund and follows all Local Government Pension Scheme (LGPS) regulations

2 manages any conflicts of interest from its dual role as administering authority and a Fund employer

3 collects employer and employee contributions, investment income and other amounts due

4 ensures cash is available to meet benefit payments when due

5 pays all benefits and entitlements

6 invests surplus money like contributions and income which isn't needed to pay immediate benefits, in line with regulation and the investment strategy

7 communicates with employers so they understand their obligations

8 safeguards the Fund against employer default

9 works with the Fund actuary to manage the valuation process

10 provides information to the Government Actuary's Department so they can carry out their statutory obligations

11 consults on, prepares and maintains the funding and investment strategy statements

12 tells the actuary about changes which could affect funding

13 monitors the Fund's performance and funding, amending the strategy statements as necessary

14 enables the local pension board to review the valuation process.

B2 Individual employers:

1 deduct the correct contributions from employees' pay

2 pay all contributions by the due date

3 have appropriate policies in place to work within the regulatory framework

4 make additional contributions as agreed, for example to augment scheme benefits or early retirement strain

5 tell the administering authority promptly about any changes to circumstances, prospects or membership which could affect future funding.

6 make any required exit payments when leaving the Fund.

B3 The fund actuary:

1 prepares valuations, including setting employers' contribution rates, agreeing assumptions, working within FSS and LGPS regulations and appropriately targeting Fund solvency and long-term cost efficiency

2 provides information to the Government Actuary's Department so they can carry out their statutory obligations

3 advises on Fund employers, including giving advice about and monitoring bonds or other security

4 prepares advice and calculations around bulk transfers and individual benefits

5 assists the administering authority to consider changes to employer contributions between formal valuations

6 advises on terminating employers' participation in the Fund

7 fully reflects actuarial professional guidance and requirements in all advice.

B4 Other parties:

1 internal and external investment advisers ensure the Investment Strategy Statement (ISS) is consistent with the Funding Strategy Statement

2 investment managers, custodians and bankers play their part in the effective investment and dis-investment of Fund assets in line with the ISS

3 auditors comply with standards, ensure Fund compliance with requirements, monitor and advise on fraud detection, and sign-off annual reports and financial statements

4 governance advisers may be asked to advise the administering authority on processes and working methods

5 internal and external legal advisers ensure the Fund complies with all regulations and broader local government requirements, including the administering authority's own procedures

6 the Department for Levelling Up, Housing and Communities, assisted by the Government Actuary's Department and the Scheme Advisory Board, work with LGPS funds to meet Section 13 requirements.

Appendix C – Risks and controls

C1 Managing risks

The administering authority has a risk management programme to identify and control financial, demographic, regulatory, governance, covenant and climate risks.

A summary of the key fund-specific risks and controls is set out below. For more details, please see the Fund's risk register.

C2 Financial risks

Risk	Control
Fund assets don't deliver the anticipated returns that underpin the valuation of liabilities and contribution rates over the long-term.	Anticipate long-term returns on a prudent basis to reduce risk of under-performing. Use specialist advice to invest and diversify assets across asset classes, geographies, managers, etc. Analyse progress at three-year valuations for all employers. Roll forward whole Fund liabilities between valuations.
Inappropriate long-term investment strategy.	Consider overall investment strategy options as part of the funding strategy. Use asset liability modelling to measure outcomes and choose the option that provides the best balance. Operate various strategies to meet the needs of a diverse employer group.
Active investment manager under-performs relative to benchmark.	Use quarterly investment monitoring to analyse market performance and active managers, relative to index benchmark.
Pay and price inflation is significantly more than anticipated.	Focus valuation on real returns on assets, net of price and pay increases. Use inter-valuation monitoring to give early warning. Invest in assets with real returns. Employers to be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.
Increased employer's contribution rate affects service delivery.	Consider phasing to limit sudden increases in contributions.
Orphaned employers create added Fund costs.	Seek a cessation debt (or security/guarantor). Spread added costs among employers.

C3 Demographic risks

Risk	Control
Pensioners live longer, increasing Fund costs.	Set mortality assumptions with allowances for future increases in life expectancy. Use the Fund actuary's experience and access to over 50 LGPS funds to identify changes in life expectancy that might affect the longevity assumptions early.
As the Fund matures, the proportion of actively contributing employees declines relative to retired employees.	Monitor at each valuation, consider seeking monetary amounts rather than % of pay. Consider alternative investment strategies.
Deteriorating patterns of early retirements	Charge employers the extra cost of non ill-health retirements following each individual decision. Monitor employer ill-health retirement experience and insurance is an option.
Reductions in payroll cause insufficient deficit recovery payments.	Review contributions between valuations. This may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.

C4 Regulatory risks

Risk	Control
Changes to national pension requirements or HMRC rules.	Consider all Government consultation papers and comment where appropriate. Monitor progress on the McCloud court case and consider an interim valuation or other action once more information is known. Build preferred solutions into valuations as required.
Time, cost or reputational risks associated with any DLUHC intervention triggered by the Section 13 analysis	Take advice from the actuary and consider the proposed valuation approach, relative to anticipated Section 13 analysis.
Changes to employer participation in LGPS funds leads to impacts on funding or investment strategies.	Consider all Government consultation papers and comment where appropriate. Take advice from the fund actuary and amend strategy.

C5 Governance risks

Risk	Control
The administering authority is not aware of employer membership changes, for example a large fall in employee members, large number of retirements, or is not advised that an employer is closed to new entrants.	The administering authority develops a close relationship with employing bodies and communicates required standards. The actuary may revise the rates and adjustments certificate to increase an employer's contributions between valuations Deficit contributions may be expressed as monetary amounts.
Actuarial or investment advice is not sought, heeded, or proves to be insufficient in some way	The administering authority maintains close contact with its advisers. Advice is delivered through formal meetings and recorded appropriately. Actuarial advice is subject to professional requirements like peer review.
The administering authority fails to commission the actuary to carry out a termination valuation for an admission body leaving the Fund.	The administering authority requires employers with Best Value contractors to inform it of changes. CABs' memberships are monitored and steps are taken if active membership decreases.
An employer ceases to exist with insufficient funding or bonds.	It's normally too late to manage this risk if left to the time of departure. This risk is mitigated by: Seeking a funding guarantee from another scheme employer, or external body. Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. Vetting prospective employers before admission. Requiring a bond to protect the Fund, where permitted. Requiring a guarantor for new CABs. Regularly reviewing bond or guarantor arrangements. Reviewing contributions well ahead of cessation.
An employer ceases to exist, so an exit credit is payable.	The administering authority regularly monitors admission bodies coming up to cessation. The administering authority invests in liquid assets so that exit credits can be paid.

C6 Employer covenant assessment and monitoring

Many of the employers participating in the Fund, such as admitted bodies (including TABs and CABs), have no local tax-raising powers. The Fund assesses and monitors the long-term financial health of these employers to assess an appropriate level of risk for each employer's funding strategy.

C7 Climate risk and TCFD reporting

The Fund has considered climate-related 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 modelling results under the stress tests were slightly worse than the core results but were still within risk tolerance levels, particularly given the severity of the stresses applied. The results provide assurance that the modelling approach does not significantly underestimate the potential impact of climate change and that the funding strategy is resilient to climate risks. The results of these stress tests may be used in future to assist with disclosures prepared in line with Task Force on Climate-Related Financial Disclosures (TCFD) principles.

The same stress tests were not applied to the funding strategy modelling for smaller employers. However, given that the same underlying model is used for all employers and that the local authority employers make up the vast majority of the fund's assets and liabilities, applying the stress tests to all employers was not deemed proportionate at this stage and would not be expected to result in any changes to the agreed contribution plans.

Appendix D – Actuarial assumptions

The Fund's actuary uses a set of assumptions to determine the strategy, and so assumptions are a fundamental part of the Funding Strategy Statement.

D1 What are assumptions?

Assumptions are used to estimate the benefits due to be paid to members. Financial assumptions determine the amount of benefit to be paid to each member, and the expected investment return on the assets held to meet those benefits. Demographic assumptions are used to work out when benefit payments are made and for how long.

The funding target is the money the Fund aims to hold to meet the benefits earned to date.

Any change in the assumptions will affect the funding target and contribution rate, but different assumptions don't affect the actual benefits the Fund will pay in future.

D2 What assumptions are used to set the contribution rate?

The Fund doesn't rely on a single set of assumptions when setting contribution rates, instead using Hymans Robertson's Economic Scenario Service (ESS) to project each employer's assets, benefits and cashflows to the end of the funding time horizon.

ESS projects future benefit payments, contributions and investment returns under 5,000 possible economic scenarios, using variables for future inflation and investment returns for each asset class, rather than a single fixed value.

For any projection, the Fund actuary can assess if the funding target is satisfied at the end of the time horizon.

Table: Summary of assumptions underlying the ESS, 31 March 2022

		Annualised total returns									
		Cash	**Index Linked Gilts (medium)**	**Fixed Interest Gilts (Medium)**	**UK Equity**	**Overseas Equity**	**Property**	**A rated corporate bonds (medium)**	**RPI inflation expectation**	**17 year real govt yield (RPI)**	**17 year govt bond**
10 Years	16th %ile	0.8%	-1.9%	-0.3%	-0.4%	-0.7%	-0.6%	-0.1%	2.4%	-1.7%	1.1%
	50th %ile	1.8%	0.2%	1.1%	5.7%	5.6%	4.4%	1.6%	4.1%	-0.5%	2.5%
	84th %ile	2.9%	2.4%	2.4%	11.6%	11.7%	9.5%	3.2%	5.7%	0.7%	4.3%
20 Years	16th %ile	1.0%	-1.5%	0.7%	1.7%	1.5%	1.4%	1.1%	1.6%	-0.7%	1.3%
	50th %ile	2.4%	0.1%	1.5%	6.2%	6.1%	5.0%	2.1%	3.1%	1.0%	3.2%
	84th %ile	4.0%	1.9%	2.2%	10.6%	10.8%	8.9%	3.2%	4.7%	2.7%	5.7%
40 Years	16th %ile	1.2%	-0.3%	1.5%	3.2%	3.1%	2.6%	2.0%	1.1%	-0.6%	1.1%
	50th %ile	2.9%	1.2%	2.3%	6.7%	6.5%	5.5%	3.1%	2.4%	1.3%	3.3%
	84th %ile	4.9%	3.1%	3.5%	10.2%	10.2%	8.8%	4.4%	3.9%	3.2%	6.1%
Volatility (5 yr)		2%	7%	6%	18%	19%	15%	7%	3%		

D3 What financial assumptions were used?

Future investment returns and discount rate (for setting contribution rates)

The Fund uses a risk-based approach to generate assumptions about future investment returns over the funding time horizon, based on the investment strategy.

The discount rate is the annual rate of future investment return assumed to be earned on assets after the end of the funding time horizon. The discount rate assumption is set as a margin above the risk-free rate.

Assumptions for future investment returns depend on the funding objective.

	Employer type	Margin above risk-free rate (at end of funding time horizon)
Ongoing basis	All employers except employer approaching exit	2.4%
Low-risk exit basis	Employer approaching cessation	0%

Discount rate (ongoing basis for funding level calculations)

For the purpose of calculating the ongoing funding level, the discount rate is based on a prudent estimate of future returns, specifically that there is a 75% likelihood of these returns being achieved over the 20 years following the calculation date.

At the 2022 valuation, the ongoing basis discount rate of 4.0% applies. This is based on a there being a 75% likelihood that the Fund's assets will achieve future investment returns of 4.0% over the 20 years following the 2022 valuation date.

If an employer is funded on the low risk exit basis, a higher discount rate may apply – see section D5 below.

Pension increases and CARE revaluation

Deferment and payment increases to pensions and revaluation of CARE benefits are in line with the Consumer Price Index (CPI) and determined by the regulations.

The CPI assumption is based on Hymans Robertson's Economic Scenario Service (ESS) model. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 2022.

Salary growth

The salary increase assumption at the latest valuation has been set to CPI plus a promotional salary scale.

D4 What demographic assumptions were used?

Demographic assumptions are best estimates of future experience. The Fund uses advice from Club Vita to set demographic assumptions, as well as analysis and judgement based on the Fund's experience.

Demographic assumptions vary by type of member, so each employer's own membership profile is reflected in their results.

Life expectancy

The longevity assumptions are a bespoke set of VitaCurves produced by detailed analysis and tailored to fit the Fund's membership profile.

Allowance has been made for future improvements to mortality, in line with the 2021 version of the continuous mortality investigation (CMI) published by the actuarial profession. The starting point has been adjusted by +0.25% to reflect the difference between the population-wide data used in the CMI and LGPS membership. A long-term rate of mortality improvements of 1.5% pa applies.

The smoothing parameter used in the CMI model is 7.0. There is little evidence currently available on the long-term effect of Covid-19 on life expectancies. To avoid an undue impact from recently mortality experience on long-term assumptions, no weighting has been placed on data from 2020 and 2021 in the CMI.

Other demographic assumptions

Retirement in normal health	Members are assumed to retire at the earliest age possible with no pension reduction.
Promotional salary increases	Sample increases below
Death in service	Sample rates below
Withdrawals	Sample rates below
Retirement in ill health	Sample rates below
Family details	A varying proportion of members are assumed to have a dependant partner at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. Males are assumed to be 3 years older than females, and partner dependants are assumed to be opposite sex to members.
Commutation	45% of maximum tax-free cash
50:50 option	1% of members will choose the 50:50 option.

Males

Incidence per 1000 active members per year								
Age	Salary scale	Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2	
		FT &PT	FT	PT	FT	PT	FT	PT
20	105	0.17	606.46	813.01	0	0	0	0
25	117	0.17	400.59	537.03	0	0	0	0
30	131	0.2	284.23	380.97	0	0	0	0
35	144	0.24	222.07	297.63	0.1	0.07	0.02	0.01
40	150	0.41	178.79	239.55	0.16	0.12	0.03	0.02
45	157	0.68	167.94	224.96	0.35	0.27	0.07	0.05
50	162	1.09	138.44	185.23	0.9	0.68	0.23	0.17
55	162	1.7	109.02	145.94	3.54	2.65	0.51	0.38
60	162	3.06	97.17	130.02	6.23	4.67	0.44	0.33

Females

Incidence per 1000 active members per year								
Age	Salary scale	Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2	
		FT &PT	FT	PT	FT	PT	FT	PT
20	105	0.1	528.64	467.37	0	0	0	0
25	117	0.1	355.71	314.44	0.1	0.07	0.02	0.01
30	131	0.14	298.17	263.54	0.13	0.1	0.03	0.02

35	144	0.24	257.35	227.38	0.26	0.19	0.05	0.04
40	150	0.38	214.19	189.18	0.39	0.29	0.08	0.06
45	157	0.62	199.88	176.51	0.52	0.39	0.1	0.08
50	162	0.9	168.51	148.65	0.97	0.73	0.24	0.18
55	162	1.19	125.74	111.03	3.59	2.69	0.52	0.39
60	162	1.52	101.33	89.37	5.71	4.28	0.54	0.4

D5 What assumptions apply in a cessation valuation following an employer's exit from the Fund?
Where there is a guarantor, the ongoing basis will apply.

Where there is no guarantor, the low-risk exit basis will apply. The financial assumptions underlying the low-risk exit basis are explained below:

- The discount rate used for calculating the exit position will be lower than the ongoing funding basis, specifically additional prudence will be applied to the assumption.
- The CPI assumption is based the median value of CPI inflation from Hymans Robertson's ESS model.

LONDON BOROUGH OF CROYDON

REPORT:		**Pension Committee**
DATE OF DECISION		**12 December 2023**
REPORT TITLE:		**Croydon Pensions Administration Team Key Performance Indicators for the Period from August 2023 to October 2023**
CORPORATE DIRECTOR		**Jane West, Corporate Director of Resources (Section 151 Officer)**
LEAD OFFICER:		**Matthew Hallett, Acting Head of Pensions & Treasury**
CONTAINS EXEMPT INFORMATION?	**No**	**Public**

1 SUMMARY OF REPORT

1.1 This report sets out Key Performance Indicators for the administration of the Local Government Pension Scheme for the three-month period up to 31 October 2023.

2 RECOMMENDATIONS

The Committee is recommended:

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

3 BACKGROUND AND DETAILS

1.3 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 August 2023 to October 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.

1.4 The technical team have been working with various payroll providers to on-board them to monthly i-Connect reporting. Pioneer Trust, comprising of 4 schools, is now on-boarded and we are seeing positive testing results with Strictly Education and Liberata, two of our biggest payroll providers.

1.5 We are seeing an increase in the number of schools changing payroll providers. In the last 12 months we have seen 6 changes, with September being especially busy for school payroll changes. Changes in payroll providers causes increased pressure on the team as we need to undertake mapping exercises and update individual records every time a payroll changes. There have been cases where payroll providers and employers have not provided us with information which has caused delays.

1.6 We were required to issue Pension Savings Statements for all members who exceeded the Annual Allowance for 2022/23 by the 6 October 2023. Following changes in the scheme regulations in April we saw a significant decrease in the number of cases exceeding the Annual Allowance or needing investigation. All Pension Saving Statements were issued by the statutory deadline.

1.7 We have made changes to our workflow system to allow us to better understand when and why calculations are being returned to administrators as incorrect. We will be able to tailor our team training accordingly. We have initially targeted the main case types including retirements, retirement estimates, leavers (deferred benefits and frozen refunds) and refund payments. We will continue working on the remaining case types over the next few months.

1.8 The Pension Administration team continued with our fortnightly Blitz Days throughout the period to process leaver calculations. We are still experiencing some delays to leaver calculations due to the volume of outstanding interfund transfers and aggregations. The Pension Support Officers ensure outstanding information from other funds is regularly chased and our chasing timescales are in line with other LGPS funds.

1.9 The team continue to work on data cleansing and updating service histories as part of the McCloud remedy. Following publication of guidance regarding prioritization of cases and an administrator guide we have formed a working party to ensure technical and administrative tasks are covered and to plan for staff training.

1.10 The Pension Team took part in the Council's staff podcast to answer a range of questions about the LGPS, raise awareness of the benefits of being in the scheme and to promote the member self-service portal.

4 CONSULTATION

2.1 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 IMPLICATIONS

2.2 FINANCIAL IMPLICATIONS

2.2.1 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) (Date 29/11/2023)

2.3 LEGAL IMPLICATIONS

2.3.1 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.

2.4 EQUALITIES IMPLICATIONS

2.4.1 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:

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

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

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

2.4.2 There are no equality implications arising from this report.

Approved by: Naseer Ahmad on behalf of the Equalities Manager. (Date 27/11/2023)

2.5 HUMAN RESOURCES IMPLICATIONS

2.5.1 There are no direct workforce implications arising from the recommendations within this report, noting the pension scheme is an important staff benefit for recruitment and retention and to enhance the council's reputation as a good employer.

Approved by: Dean Shoesmith, Chief People Officer. (Date 24/11/2023)

3 APPENDICES

6.1 A: Croydon Pensions Administration Team Performance Report 1 August to 31 October 2023

4 BACKGROUND DOCUMENTS

7.1 None

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Croydon Pensions Admin Team

Performance Report

December 2023

Delivering for Croydon | CROYDON
www.croydon.gov.uk

Contents

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
		August 2023		September 2023		October 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	90	98.89%	212	100%	316	100%		We experienced a higher number of starters over the summer following the end of year processes. September and October always see an increase in starts due to the start of the academic year.
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)	128	72.66%	34	73.53%	71	60.56%		Many deferred benefit calculations were 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. The testing and implimenation of the bulk leaver calculations has also impacted on the KPIs for leavers.

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
		August 2023		September 2023		October 2023			
To process and pay a refund	Two months from the date of request	18	100%	13	100%	18	100%		
Obtain transfer details for transfer in, calculate and provide quotation to member	Two months from the date of request	1	100%	2	100%	2	100%		
Notify the amount of retirement benefits	One month from the date of retirement if on or after normal pension age or two months from the date of retirement if after normal pension age	33	100%	71	98.59%	71	100%		One case missed target in September 2023.
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	69	98.55%	66	100%	86	100%		

Process	Legal Requirement	Total Number Completed	% Achieved in legal deadline	Total Number Completed	% Achieved in legal deadline	Total Number Completed	% Achieved in legal deadline	Direction of Travel	Comments
		August 2023		September 2023		October 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)	21	100%	20	100%	34	100%		
Provide all active and deferred members with annual benefit statements each year	By 31st August	Active Deferred <u>Total</u>	100% 90.33% <u>94.61%</u>						Increase from 2022 figures of 92.30% published by the 31 August 2022.

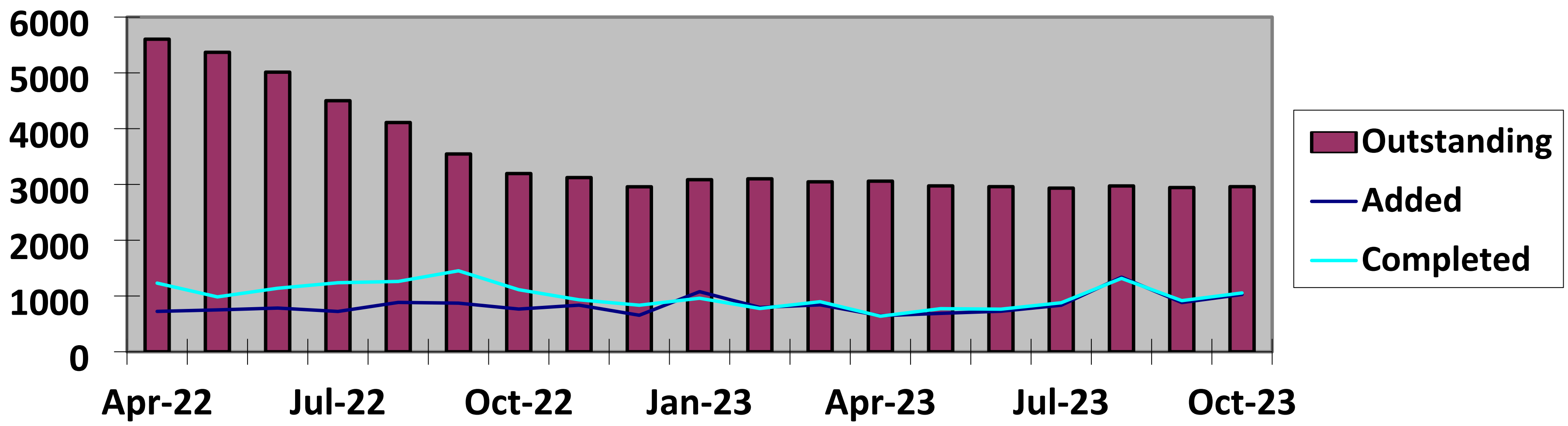
Team Performance Targets

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
		August 2023			September 2023			October 2023				
Send a notification of joining the LGPS to a scheme member	30 days from date of notification of joining member	90	99.07%	2	212	98.89%	3	316	100%	4		
Inform a scheme member of their calculated benefits (refund or deferred)	40 working days from date of notification (from employer or scheme member)	128	71.09%	166	34	73.53%	84	71	57.75%	142		Processing leaver calculations within legal and fund level timeframes remains a challenge for the team. Leaver calculations are particularly vunerable to delays caused by interfund transfers, aggregations and TUPE transfers. Spikes in other workload areas do draw resource away from leaver calculations. We recognise the issue and leavers are forming a key part of our work plan for 2024. Leavers account for approx 50% of our workload and we need to ensure this is resources accordinly.

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
		August 2023			September 2023			October 2023				
To process and pay a refund	40 working days from the date of request	18	100%	1	13	100%	5	18	100%	1	→	
Obtain transfer details for transfer in, calculate and provide quotation to member	40 working days from the date of request	1	0%	13	2	100%	1	2	100%	0	→	The one case in August 2023 missed target while we waited for revised factors to be issued by GAD.
Notify the amount of retirement benefits	20 working days from date of retirement	33	100%	1	71	98.59%	9	71	100%	2	→	Once case missed target in September 2023.
Provide a retirement quotation on request	15 working days from date of request	69	97.10%	6	66	100%	4	86	96.51%	3	→	2 cases missed target in August. 3 cases missed target in October. Upon investigation these cases had complex elements which required escalation to senior members of the team.
Calculate and notify (dependent(s) of amount of death benefits	20 working days from receipt of all information	21	95.24%	3	20	100%	2	34	94.12%	7	↓	1 case missed target in August 2023 because a reply due was not correctly set on the task. 2 cases missed target in October 2023. One case was delayed as the family would not provide widow's details.

												The second case was completed in August within target but was later reopened following late notification of a returned payment.

Case levels



Member self-service

		Increase from previous Q
Total Scheme members registered	6497 (24.42%)	↑
Number scheme members who accessed annual benefit statement in Q2 2023/24	1095	↑
Breakdown by member status		
• Actives	31.84%	↑
• Deferred	21.78%	↑
• Pensioners & Dependents	20.21%	↑

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LONDON BOROUGH OF CROYDON

REPORT:	**Pension Committee**	
DATE OF DECISION	**12 December 2023**	
REPORT TITLE:	**Review of Risk Register**	
CORPORATE DIRECTOR	**Jane West, Corporate Director of Resources (Section 151 Officer)**	
LEAD OFFICER:	**Matthew Hallett, Acting Head of Pensions & Treasury**	
CONTAINS EXEMPT INFORMATION?	**No**	**Public**

1 SUMMARY OF REPORT

1.1 This report presents the current Risk Register (in Appendix A) for the Pension Fund and highlights any changes made since the last review carried out at the Pension Committee meeting held on 19 September 2023.

2 RECOMMENDATIONS

The Committee is recommended:

1.2 to review and note the contents of the Pension Fund Risk Register.

3 BACKGROUND AND DETAILS

1.3 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.

1.4 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.

1.5 In accordance with the Risk Management Policy, the Risk Register is reviewed periodically by Officers and reported to the Committee on a quarterly basis.

1.6 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 16 risks on the main register with 8 being significant risks for the Fund (i.e. scored 10 or higher). When all of the planned future controls in place, the significant risks could be reduced to 2.

1.7 Since the Committee last reviewed the Risk Register:

No new risks have been added.

9 risks, numbers 1,2,7,8,15 and 16 have been updated.

4 CONSULTATION

2.1 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.

2.2 Officers consult with the Fund's advisers when considering the risks associated with the Pension Fund.

5 IMPLICATIONS

2.3 FINANCIAL IMPLICATIONS

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

Approved by: Allister Bannin, on behalf of Jane West, Corporate Director of Resources (Section 151 Officer) (Date 30/11/2023)

2.4 LEGAL IMPLICATIONS

2.4.1 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.

2.5 EQUALITIES IMPLICATIONS

2.5.1 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:

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

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

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

2.5.2 There are no equality implications arising from this report.

Approved by: Naseer Ahmad on behalf of the Equalities Manager. (24/11/2023)

2.6 HUMAN RESOURCES IMPLICATIONS

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

Approved by: Dean Shoesmith, Chief People Officer. (Date 24/11/2023)

3 APPENDICES

6.1 A: Pension Fund Risk Register

4 BACKGROUND DOCUMENTS

7.1 None

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Risk Register

To 23 November 2023

	Risk	Type	Existing Controls	Impact	Likelihood	Risk factor	Future Controls	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 burden falls on the other employers in the Fund to make good the shortfall.	**Governance Risks**	A revised Funding Strategy Statement and separate satellite policies on Contribution Reviews, Academies Funding, Bulk Transfers, Cessation and Prepayments were agreed by the Committee on 14 March 2023. These policies are designed to mitigate the risk to the Fund, by ensuring employers funding levels are appropriate and contributions are set in order to continue on a path towards zero value deficit or surplus at cessation. The Fund puts measures in place such as bonds and parent company guarantees or reduces the funding time horizon to reduce the impact resulting from employer failures.	**3**	**3**	**9**	Our Fund actuary is currently carrying out a covenant monitoring exercise. A report is being considered by committee on 12 December 2023 amending our Admissions, Academies and FSS policies to make passthrough the Fund's default admission basis and incorporating the DFE guarantee extension to contracts let by academies.	**2**	**2**	**6**

2	The Fund's invested assets are not sufficient to meet its current or future liabilities. This would lead to pressure to increase contribution rates in the future.	**Funding - Assets and Liabilities Risks**	A formal actuarial valuation is carried out every three years. The Funding position of the Fund has improved to 97%. The Funding Strategy for the Fund has been agreed on with help of advice from the Fund's Actuary and is based on the liklehood that there is a 75% chance that the funding target will be achieved. The current Strategy was agreed by the Committee in March 2023.	**4**	**2**	**8**	Officers are looking at ways of monitoring the funding level on a quarterly basis rather than waiting for a full valuation every three years. Officers are working with the Actuary to implement this by 31 March 2023	**4**	**1**	**4**

3	Liquidity risk - High inflation increases benefits payable at a faster rate and 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 and medium term cashflow projections imply that there is no immediate threat to the Fund's liquidity. This is kept under constant review. There are also sufficient income generating assets in the porfolio which can be drawn on to cover any cash requirements. Cash held by the Fund is at 2%, but we are looking to reduce this following implementation of a revised asset allocation following review.	**3**	**1**	**3**	No future controls planned	**3**	**1**	**3**

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**	A structured process is in place to monitor receipts of contributions. Contributions and schedules are chased promptly and reconciled. Improved team communications is aiding in this process. which is monitored by the Pensions Board. These measures are improving outcomes. In the event of significant issues occurring the authority has retained legal advisors to mitigate this risk, possibly through legal channels. There is still one significant ongoing case in terms of contributions due arising from a dispute concerning valuation which we are working with our legal advisors to resolve.	**3**	**3**	**9**	Our administration strategy was agreed by the Committee in their meeting of 20 June 2023. Should engagement with scheme employers to resolve issues not be successful, which is always our preferred option, there are opportunities within the strategy to impose financial penalties. This, together with our checking and engagement processes, require more time to administer and resources across the governance and accounts teams are impacted.Additional staffing is in the process of being secured.	**3**	**2**	**6**

5	There is a risk that, under any set of circumstances, an asset will underperform. The Fund has a significant allocation to several single asset categories - for example, equities, fixed interest, property or alternatives - which potentially leaves the Fund exposed to the possibility that a particular class of assets will underperform relative to expectation.	**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 on the performance of the overall portfolio if it underperforms relative to expectation. The revised asset allocation review recommended an allocation to credit which should increase the diversification of the Fund.	**3**	**3**	**9**	Implement the revised asset allocation.	**3**	**2**	**6**

6	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, the Coronavirus pandemic and Russia's invasion of Ukraine. Other crises are inevitable.	**Global Macroeconomic 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 diversiied nature of the Fund meant that the Fund was well protected during the Coronavirus pandemic	**4**	**3**	**12**	No future controls planned	**4**	**3**	**12**

7	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 in place and communicated to staff the impact of any system failure will be increased. If adequate monitoring arrangements for suppliers are not implemented and reviewed service delivery may be adversely affected.	**Operational Risks**	Heywoods is a hosted system. They have processes in place for backing up files, storing data safely and preventing system failure. This is included in the contract we have with them. The technical team keep logs of issues and responses to monitor this. We have a business continuity plan in place should issues arise. Key suppliers, Aquila Heywood and Hymans Robertson both have ISO 270001 which is the international standard for information security management systems (ISMS).	**4**	**3**	**12**	A draft Cyber Strategy and action plan is being considered by the Committee on 12 December 2023. Work is currently being undertaken in conjuction with AON to address focus areas. Due to the nature of the ever evolving threats, the strategy will be reviewed at least annually.	**4**	**2**	**8**

8	Cyber Security - risk of unauthorised access to personal and other data including by unsafe home working practices, data access protection and levels and safe storage of data. If safe working practices are not followed devices could be lost or stolen or data could be viewed or tampered with. If data access levels are not kept up to date and set at a level appropriate for the performance of the duties of the role only, any possible misuse or error will have a more severe effect. If data held on the pension system is not backed up there is a risk of data being lost in the event of a system failure	**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. When working from home devices are encrypted and accessed via a VPN. Bit locker and passwords are required to access systems. No physical papers are taken home and staff are advised of the need to keep computers in a secure place, never to leave devices unattended and not to access systems in public locations. Appropriate data access levels to the pensions administration system are assigned by the Technical Support Team on appointment or change of role, according to the requirements of the role.	**4**	**3**	**12**	A draft Cyber Strategy and action plan is being considered by the Committee on 12 December 2023. Work is currently being undertaken in conjunction with AON to address focus areas. Due to the nature of the ever evolving threats, the strategy will be reviewed at least annually.	**4**	**2**	**8**

9	McCloud Judgement. There is a risk affecting our ability to implement the requirements of the McCloud judgement post resolution. Issues include lack of historic data, appropriate resource, capacity or budget to undertake the work. This could result in legal breaches reportable to the Pensions Regulator, incorrect pension entitlements being calculated for pensioners and loss of confidence in the service by scheme members and employers	**Operational Risks**	The team are working overtime to try and ensure the data quality is as good as it can be and the Scheme Advisory Board has issued guidlines on how to deal with problems caused by data accuracy. We expect the financial impact on the Fund to be small, the impact on members to be small, but the work for the admin team to be high.	**3**	**3**	**9**	No future controls planned	**3**	**3**	**9**

10	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 training and blocked access/internet traffic from specific countries.	**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**

11	In February 2022 DLUHC issued the Levelling Up white paper requiring Funds to deploy at least an additional 5% of their capital to relevant investment opportunities in the UK. The additional requirement could be problematic for funds such as Croydon which already allocate a significant proportion of their capital to the UK in illiquid assets.	**Investment Risks**	It is unlikely that the Fund will be forced into a position which would mean an unacceptable imbalance in the asset allocation of the Fund. The Fund is not currently committing any further investments to its illiquid portfolio.	**4**	**2**	**8**	If the risk materialises the Fund will seek to follow the direction over a period of time in order to manage any imbalance in the portfolio.	**4**	**2**	**8**

12	Changes in legislation affect the level of performance of the Pensions Admin Team. Scheme members experiencing delays in receipt of their pension entitlement. Statutory deadlines are not met leading to breaches of legislation and pension regulator requirements. Scheme member dissatisfaction. Reputational damage. Financial penalties. Legal action / challenge	**Operational Risks**	Key Performance Monitoring Report completed each month against legal deadlines and team targets reported to Pensions Committee and Board each meeting. Maintaining awareness of latest legislative requirements. Robust checking procedures at all stages. Staff knowledge - Recruitment of staff of suitable experience Continuous training of existing staff. Currently fully resourced administrative function.	**4**	**3**	**12**	Continue detailed planning in respect of legislative changes. Development of IT and automation. Increase to Employer engagement.	**4**	**2**	**8**

13	System malfunction or interruption of our banking systems. The FCA disclosed that in the last 9 months of 2018 there were more than 300 IT failures impacting on bank customers ability to access their funds. The 6 largest banks on average experience one IT failure every 2 weeks. The risk is that one of these failures is for a sustained period of time impacting on BACS and CHAPS payments both into and out of the council. This could prevent members of the public and businesses from accessing funds, result in financial loss and /or service interruption.	**Operational Risks**	Actively review/assure in relation to bank controls. Automatic compensation paid for major interruptions	**4**	**3**	**12**	No future controls planned	**4**	**3**	**12**

14	Risk of losing or being unable to recruit suitably experienced staff. The Head of Pensions and Treasury has retired and other positions within the Pension Team have been vacant for a while. Lack of resourcing and knowledge will have a detrimental impact on the performance of the fund.	**Operational Risks**	The Pension Team have recruited temporary resources in the Treasury Team for the immediate future and are in the process of creating two new posts in the governance team. We are working with our advisors more widely to make greater use of their resources.	**3**	**4**	**12**	Developing inhouse knowledge and capacity will mitigate the risk of skills drain if staff leave. A review of the pensions function will assist in further developing effective service delivery.	**3**	**3**	**9**

15	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**	A new Fund Conflicts of Interest Policy was agreed at the September Committee meeting. A standing agenda item is included in every meeting asking if any member has an interest that they need to disclose. A member of Democratic Services attends every meeting and can provide advice on whether a disclosure is needed. The Board Chair regularly attends Committee meetings and will highlight potential items where a disclosure may be appropriate. Democratic Services keep a log of Member Interests.	**4**	**2**	**8**	AON will be delivering a training session to the Committee and Board in the first half of 2024.	**4**	**1**	**4**

16	Climate Change	**Investment Risks**	When setting the funding strategy the Fund included climate scenario stress testing in the contribution modelling exercise for the Council at the 2022 valuation. The results provided some assurance that the funding strategy is resilient to climate risks. The Fund agreed a revised Investment Strategy Statement and Responsible Investment Policy at the September 2023 Committee meeting.	2	5	**10**	The Fund will implement the Task Force For Climate Change Disclosures when required by legislation. This will enable the Fund to monitor and take action to mitigate risks arising from Climate Change.	**1**	**5**	**5**

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.

16	No of Risks on Register

8	No of Current Green Risks
8	No of Current Amber Risks
0	No of Current Red Risks

14	No of Future Green Risks
2	No of Future Amber Risks
0	No of Future Red Risks

Risk Matrix

			IMPACT				
			1	2	3	4	5
			Insignificant	Minor	Moderate	Major	Catastrophic
LIKELIHOOD	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.

Agenda Item 8

LONDON BOROUGH OF CROYDON

REPORT:	**Pension Committee**	
DATE OF DECISION	**12 December 2023**	
REPORT TITLE:	**Review of Breaches of the Law Log**	
CORPORATE DIRECTOR	**Jane West, Corporate Director of Resources (Section 151 Officer)**	
LEAD OFFICER:	**Matthew Hallett, Acting Head of Pensions & Treasury**	
CONTAINS EXEMPT INFORMATION?	**No**	**Public**

1 SUMMARY OF REPORT

1.1 This report presents the current Breaches of the Law log (in Appendix A) for the Pension Fund and highlights any changes made since the last review carried out at the Pension Committee meeting held on 19 September 2023.

2 RECOMMENDATIONS

The Committee is recommended:

1.2 to review and note the contents of the Pension Fund Breaches of the Law Log.

3 BACKGROUND AND DETAILS

1.3 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. It was last reviewed on 19 September 2023. An extract from the current Breaches Log is attached (Appendix A).

1.4 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).

1.5 The extract of the current Breaches Log includes 12 items reported to the Committee and excludes items over 3 years old. Since the Committee last reviewed the Log 3 new entries have been added, 4 entries have been amended and 3 entries have been deleted.

1.6 Breaches 1 concerning Annual Benefit Statements dated August 2020 which is now over 3 years old, breach 4 concerning the administration backlog which has now been completed and breach 5 concerning meeting minutes which are now up to date have been removed.

1.7 Breach 6 concerning failure to publish audited fund accounts has been amended to reflect that the 2019/20 accounts have now been published and are expected to be signed off in February 2024 and breaches 7 and 8 concerning the 2020/21 and 2021/22 accounts have been updated to show that they are now expected to be finalised by June 2024. Breach 12 concerning employer discretions has been updated.

1.8 Breach 13 has been added concerning failure to issue 100% of benefit statements by 31 August 2023. Breach 14 concerning failure to pay a refund within required timescales has been added. Breach 15 concerning failure to publish audited fund accounts for 2022/23 has been added.

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

The updated Breaches of the Law Log is attached as Appendix A.

4 CONSULTATION

2.1 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.

2.2 Officers consult with the Fund’s advisers when considering the risks associated with the Pension Fund.

5 IMPLICATIONS

2.3 FINANCIAL IMPLICATIONS

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

Approved by: Allister Bannin, on behalf of Jane West, Corporate Director of Resources (Section 151 Officer) (Date 30/11/2023)

2.4 LEGAL IMPLICATIONS

2.4.1 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.

2.4.2 Section 70 of the Pensions Act 2004 ('the Act') imposes a requirement on the Pensions Committee and Pension Board ('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:

2.4.3 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

2.4.4 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.

2.4.5 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.

2.5 EQUALITIES IMPLICATIONS

2.5.1 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:

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

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

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

2.5.2 There are no equality implications arising from this report.

Approved by: Naseer Ahmad on behalf of the Equalities Manager. (24/11/2023)

2.6 HUMAN RESOURCES IMPLICATIONS

2.6.1 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 will be dealt with as appropriate under the Council's HR Policies and Procedures.

Approved by: Dean Shoesmith, Chief People Officer. (Date 24/11/2023)

3 APPENDICES

6.1 A: Pension Fund Breaches of the Law Log.

4 BACKGROUND DOCUMENTS

7.1 None

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Appendix A

Pension Fund Breaches of the Law Log

(Updated 4 December 2023)

Number	**2**
Date	**Aug 21**
Category	**Administration - ABS**
Description and cause	Failure to produce 100% of Annual Benefit Statement notifications
Possible effect and wider implications	Members and former members do not have up to date information on the value of their LGPS benefits affecting their ability to make informed decisions around pension provision. Noncompliance with LGPS regulations timescales. Member has been unable to check personal data is complete and accurate or that the correct contributions have been credited.
Reaction	The team managed to issue 99.94% of annual benefit statements.
Reported / Not reported	The matter was not referred to the Pensions Regulator. All the issues were identified and tasks have been set up on Altair to be dealt with as part of the work schedule
Colour rating	
Outcome of report / investigation	Not Reported. Only 0.06% of the notifications were not issued. The issues are dealt with and member records updated as part of the work schedule.
Outstanding actions	
Comments	

Number	**3**
Date	**Aug 22**
Category	**Administration - ABS**
Description and cause	Failure to produce 100% of Annual Benefit Statement notifications
Possible effect and wider implications	Members and former members do not have up to date information on the value of their LGPS benefits affecting their ability to make informed decisions around pension provision. Noncompliance with LGPS regulations timescales. Member has been unable to check personal data is complete and accurate or that the correct contributions have been credited.
Reaction	The technical team have issued 92.30% of the statements due. The majority of the deferred ABSs not issued were a result of outstanding leaver calculations which were identified as part of the backlog project contracted to a third party. The remainder relate to leavers awaiting transfer details from other LGPS funds before the deferred benefits can be processed or those that have left the scheme post 31 March 2022 and we await leaver information from employers. These cases are included in BAU work and handled by the Pension Admin Team as part of their daily process. Members will be contacted once the calculations have been completed.
Reported / Not reported	The matter was not referred to the Pensions Regulator. All the issues were identified and tasks have been set up on Altair to be dealt with as part of the work schedule
Colour rating	

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

Number	**6**
Date	**Sep 21**
Category	**Finance - Accounts**
Description and cause	Failure of the Fund to publish audited Fund Accounts for year 2019/20 by 30 September 2020
Possible effect and wider implications	Lack of accurate data available on which to base funding requirements. This could result in insufficient funds to pay all benefit liabilities.
Reaction	The Fund report and accounts were prepared but had not been signed off by the Auditors. The Fund accounts form part of the Council accounts. External auditors would not sign off on the Council accounts as there was an issue around the accounting treatment involving Croydon Affordable Homes LLP. However, this has now been resolved and agreed and we are awaiting sign off to be completed. The draft Annual Report and Accounts were presented to Pension Committee on 3 December 2021.

Reported / Not reported	The matter had not initially been reported to the Pension Regulator. Progress had initially been delayed due to the issuing of the Section 114 notice applicable to Croydon and, more widely, to the impact of the Covid 19 pandemic. Many other LGPS Funds had been unable to finalise their accounts due to the impact of the pandemic. The continued delay in signing the accounts was as a result of the issues caused with Council's accounts around the accounting treatment of Croydon Affordable Homes LLP. The failure to sign off the accounts does not relate to a failure on the part of the Fund. The audit of the accounts is substantially complete and it is expected that the paperwork will be in place shortly to allow sign off to be finalised. The draft Annual Report and Accounts were published on the website. **Update March 2023:** Due to the passage of time and the fact that 3 years of accounts are still outstanding, the Chairs of the Board and Committee and Officers have issued a joint report to The Pensions Regulator.
Colour rating	
Outcome of report / investigation	
Outstanding actions	The Fund Accounts form part of the Council Accounts and cannot be signed off separately. The Head of Pensions will continue to liaise with Audit on progress on signing off the Council accounts. A joint Report has been submitted to the TPR by the Chairs of the Board, Committee and Head of Pensions. The Pension Regulator asked for a timetable for completion which the Head of Pension & Treasury has provided and agreed to keep the Regulator informed of progress. **Update October 2023:** The 2019/20 accounts have been published and are expected to be signed off in February 2024.
Comments	

Number	**7**
Date	**Sep 22**
Category	**Finance - Accounts**
Description and cause	Failure to publish the audited Fund Accounts for year 20/21 by 30 September 2021
Possible effect and wider implications	Lack of accurate data available on which to base funding requirements. This could result in insufficient funds to pay all benefit liabilities.
Reaction	The report and accounts were prepared but the accounts had not been signed off by the auditors due to issues with the Council's accounts for 2019/20 around the accounting treatment of Croydon Affordable Homes LLP. The accounts cannot be signed off until the 2019/20 account have been completed. The draft Annual Report and Accounts were presented to Pension Committee on 3 December 2021
Reported / Not reported	The matter had not been initially reported to the Regulator. Due to the passage of time, in July 2022 the Head of Pensions and Treasury reconsidered whether to report the breach, the main consideration being whether it would affect the valuation. Having consulted the Actuary and deemed that the valuation could still be signed off, it was decided that the breach still did not need reporting. **Update March 2023:** Due to the passage of time and the fact that 3 years of accounts are still outstanding, the Chairs of the Board and Committee and Officers have issued a joint report to The Pensions Regulator
Colour rating	
Outcome of report / investigation	

Outstanding actions	The Fund Accounts form part of the Council Accounts and cannot be signed off separately. The Head of Pensions will continue to liaise with Audit on progress on signing off the Council accounts. A joint Report has been submitted to the TPR by the Chairs of the Board, Committee and Head of Pensions. The Pension Regulator asked for a timetable for completion which the Head of Pension & Treasury has provided and agreed to keep the Regulator informed of progress. **Update October 2023:** The Corporate Director of Resources and Section 151 Officer is expecting the 2020/21 accounts to be finalised by June 2024.
Comments	

Number	**8**
Date	**Sep 22**
Category	**Finance - Accounts**
Description and cause	Failure to publish the audited Fund Accounts for year 21/22 by 30 September 2022
Possible effect and wider implications	Lack of accurate data available on which to base funding requirements. This could result in insufficient funds to pay all benefit liabilities.
Reaction	The report and accounts are being prepared. The audit of the accounts cannot be started until completion of the 19/20 and 20/21 accounts.
Reported / Not reported	The matter had not been initially reported to the Regulator. The cause of the breach was due to the failure of the Council rather than failure in the administration of the scheme. The Actuary has confirmed that the valuation can still be completed, so the scheme can still comply with its legal requirements on funding. The breach has not resulted in any detrimental effects to members benefits. **Update March 2023:** Due to the passage of time and the fact that 3 years of accounts are still outstanding, the Chairs of the Board and Committee and Officers have issued a joint report to The Pensions Regulator.
Colour rating	
Outcome of report / investigation	

Outstanding actions	The Fund Accounts form part of the Council Accounts and cannot be signed off separately. A joint Report has been submitted to the TPR by the Chairs of the Board, Committee and Head of Pensions. The Pension Regulator asked for a timetable for completion which the Head of Pension & Treasury has provided and agreed to keep the Regulator informed of progress. **Update October 2023:** The Corporate Director of
	Resources and Section 151 Officer is expecting the 2021/22 accounts to be finalised by June 2024.
Comments	

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

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

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

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

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

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

Number	**12**
Date	**Sep 23**
Category	**Governance – Employer Discretions**
Description and cause	The Council in their capacity as a Scheme Employer has failed to prepare a statement of its policy in respect of the mandatory discretions as required under regulation 60 of the regulations. A policy in respect of the administering authority mandatory discretions was agreed by the committee on 8 July 2014. It appears that there may have mistakenly been an assumption that this satisfied the requirements of the Council as employer.
Possible effect and wider implications	Failure to satisfy the requirements of the regulations constitutes a breach of the law. If the situation is not rectified then the matter may need to be reported to the regulator who has the power to impose a fine. Any decisions made in relation to discretionary items could be open to challenge as the Council as employer has no policy to inform decision making therefore no consistency of approach and justification for application of discretions. This could lead to legal challenge and possible financial costs, both legal fees and in terms of benefit amounts payable. This could result in detriment to the Council's reputation and delays and distress to members when their benefits are put into payment, possibly resulting in financial hardship.

Reaction	The Pensions Team have been in contact with the HR Team to assist them in producing an employer discretions policy. A template has been provided and officers have provided advice to HR. The Head of Pensions has told the Chief People Officer and Corporate Director of Sustainable Communities, Regeneration and Economic Recovery to provide the Council Employer Policy within 2 months. **Update December 2023:** Policy is not yet in place and HR have been given more time to engage with Pension fund Officers in order to improve their understanding of the policy which has been drafted with a view to publishing a policy in Q1 2024.
Reported / Not reported	Not Reported. The Head of Pensions has concluded that the breach is not of material significance to The Pension Regulator as long as the Council produces an employer discretions policy within a reasonable timeframe. **Update December 2023:** Policy is not yet in place and HR have been given more time to engage with Pension fund Officers in order to improve their understanding of the policy which has been drafted with a view to publishing a policy in Q1 2024.
Colour rating	
Outcome of report / investigation	
Outstanding actions	Officers to check that the policy is produced with a 2 month timeframe. **Update December 2023:** Policy is not yet in place and HR have been given more time to engage with Pension fund officers in order to improve their understanding of the policy which has been drafted with a view to publishing a policy in Q1 2024.
Comments	

Number	**13**
Date	**Aug 23**
Category	**Administration - ABS**
Description and cause	Failure to produce 100% of Annual Benefit Statement notifications
Possible effect and wider implications	Members and former members do not have up to date information on the value of their LGPS benefits affecting their ability to make informed decisions around pension provision. Noncompliance with LGPS regulations timescales. Member has been unable to check personal data is complete and accurate or that the correct contributions have been credited.
Reaction	The team managed to issue 99.33% of annual benefit statements.
Reported / Not reported	The matter was not referred to the Pensions Regulator. All the issues were identified and tasks have been set up on Altair to be dealt with as part of the work schedule.
Colour rating	
Outcome of report / investigation	Not Reported.
Outstanding actions	
Comments	

Number	14
Date	**Nov 23**
Category	**Administration - Refunds**
Description and cause	A refund to which a member was entitled was paid after the deadline stated in the LGPS Regulations 2013 (as amended). Under Regulation 18 (1) of the LGPS Regulations 2013 (as amended) when a member with less than 2 years qualifying service ceases active membership of the Fund they are entitled to receive a refund of contributions. Under 18(5) the administering authority must make the refund when the person requests payment or on the expiry of 5 years from the date active membership ceased if no request for payment has been received.
Possible effect and wider implications	Member does not receive monies they are entitled to. Possibly causing financial hardship however the amounts due are relatively small. The impact to the Fund is insignificant.
Reaction	Under Regulation 18 (1) of the LGPS Regulations 2013 (as amended) when a member with less than 2 years qualifying service ceases active membership of the Fund they are entitled to receive a refund of contributions. Under 18(5) the administering authority must make the refund when the person requests payment or on the expiry of 5 years from the date active membership ceased if no request for payment has been received.
Reported / Not reported	Not Reported. A completed claim form was sent in on 6 November 2023. 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 on 21.11.2023.

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

Number	15
Date	October 23
Category	**Finance - Accounts**
Description and cause	Failure to publish the audited Fund Accounts for year 22/23 by 30 September 2023
Possible effect and wider implications	Lack of accurate data available on which to base funding requirements. This could result in insufficient funds to pay all benefit liabilities.
Reaction	The report and accounts are being prepared. The audit of the accounts cannot be started until completion of the 19/20, 20/21, 21/22 accounts.
Reported / Not reported	The matter has not been reported to the Regulator. The failure to complete prior years accounts has been reported to The Pensions 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.
Colour rating	
Outcome of report / investigation	
Outstanding actions	Resources and Section 151 Officer is expecting the accounts to be back on track by March 2025.
Comments	

Breaches Log Ratings Categorisation Table

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

LONDON BOROUGH OF CROYDON

REPORT:	**Pension Committee**	
DATE OF DECISION	**12 December 2023**	
REPORT TITLE:	**Committee Training Update**	
CORPORATE DIRECTOR	**Jane West, Corporate Director of Resources (Section 151 Officer)**	
LEAD OFFICER:	**Matthew Hallett, Acting Head of Pensions & Treasury**	
CONTAINS EXEMPT INFORMATION?	**No**	**Public**

1 SUMMARY OF REPORT

1.1 This report advises the Committee of training undertaken by the Pension Committee members in Year 2023/24 to 30 November 2023 and asks them note the contents of the Log attached to this report as Appendix A and the Hymans online training Log to 31 October 2023 attached to this report as Appendix B.

2 RECOMMENDATIONS

The Committee is recommended:

1.2 The Committee is asked to note the contents of the Pension Committee Training Log.

3 BACKGROUND AND DETAILS

1.3 In their 2019 governance review Aon recommended that the scope of the Knowledge and Skills Policy be extended to the Pensions Committee and Officers, as well as the Pensions Board. They further recommended that the policy should incorporate knowledge of the work of the London Collective Investment Vehicle (London CIV) and have regard to CIPFA guidance. The policy was agreed on 17 March 2020 (Minute 26/20). This policy has since been reviewed and the revised version was agreed by the Committee in their meeting of 14 June 2022.

1.4 Following the introduction of Markets in Financial Instruments Directive (MiFID II) in January 2018, in order to be treated as a professional client (rather than a retail investor) a Fund, as a collective, must be able to demonstrate sufficient expertise, experience and knowledge to satisfy financial institutions that it is capable of making investment decisions and understanding the nature of potential risks by ensuring that levels of expertise, experience and knowledge are maintained to satisfy the MiFID II requirements.

1.5 All officers and Pension Committee Members charged with management operations and decision-making with regard to the Fund must have the knowledge and skills to discharge the duties and responsibilities allocated to them. All members and officers are expected continually to demonstrate their personal commitment to training and to ensuring that the knowledge and skills objective is met.

1.6 The CIPFA Knowledge and Skills Framework was updated in 2021 eight areas of knowledge and skills identified as the core requirements:

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

1.7 This report provides the Committee with a summary of the training undertaken by the Pension Committee in Year 2023/24 to 30 November 2023 and asks them note the contents of the Log attached to this report as Appendix Aand the Hymans online training Log to 31 October 2023 attached to this report as Appendix B.

1.8 In line with the SAB Good Governance Review recommendations, the training log will now show training hours completed and the knowledge area covered by the training.

1.9 There have been 9 training events offered to the Committee in the current year to 30 November, Mercers ESG session, SAB Code of Transparency, the PLSA LGPS Conference, LGA Fundamentals Day 1 On-line, PLSA Annual Conference, Cyber Security, LGA Fundamentals Day 1 In Person, LGA Fundamentals Day 2, On-line and LGA Fundamentals Day 2 In Person.

1.10 An external event, SPS LGPS Sustainable Investment, sourced independently by one of our committee members was attended by 1 member. Members are asked to let officers know if they attend any such events so that they can be recorded on the log.

1.11 The latest report on the Hymans on-line training uptake shows that only 1 Committee member and no Reserve Committee members have completed or started any of the modules. Login details were resent by Hymans and reminder emails were sent by officers to all members encouraging them to engage with the learning platform.

The platform is accessible at any time that is convenient and for as little or as long as required. Progress will be saved so that whole modules do not have to be completed at once. Hymans have provided details of the time each module takes to be completed as follows:

Introduction module – 2 mins
Current issues – 1 hr and 11 mins (total)
Module 1 – 27mins (total)
Module 2 – 50 mins (total)
Module 3 – 51 mins (total)
Module 4 – 11 mins (total)
Module 5 – 11 mins (total
Module 6 – 50 mins (total)
Module 7 – 31 mins (total)
Module 8 – 53 mins (total)

This is a good source of information and Members are asked to log in and take a look at the material available on this resource.

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

4. CONSULTATION

4.1 The Knowledge and Skills Training Policy has been agreed by Committee. This is reviewed every 3 years by the Pension Committee. The Aon governance review recommendations and CIPFA knowledge and skills requirements as well as action points from Board and Committee minutes have been incorporated into the plan.

5 IMPLICATIONS

2.1 FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this noting report

Approved by: Allister Bannin, on behalf of Jane West, Corporate Director of Resources (Section 151 Officer) (Date 29/11/2023)

2.2 LEGAL IMPLICATIONS

2.2.1 Burges Salmon LLP (a legal advisor appointed to the Pension Fund) note that the Pension Committee's Terms of Reference (London Borough of Croydon's Constitution Part 4.N) Paragraph 7. **Knowledge and Understanding** provides that: *Members of the Committee are expected to continually demonstrate their own personal commitment to training and to ensure that governance objectives are met. To assist in achieving these objectives training sessions will be organised to ensure Committee members are familiar with the rules of the Fund with relevant legislation.*

2.2.2 In addition, similar training and knowledge obligations are placed on the Local Pension Board members ("LPB Members") both under the Public Service Pensions Act 2013 Schedule 4 Clause 19 amendment of the Pensions Act 2004 and as detailed in Part 4 M of the Constitution which provides, among other matters, that both Employer and Employee representatives participate in training as and when required. In addition, section 12 of Part 4M specifically deals with training requirements and provides as follows:

"12.1. Employer and Member Representatives (including substitutes) of the LPB must be conversant with – a. The legislation, Scheme Regulations and associated guidance of the LGPS; b. Any document recording policy about the administration of the LGPS (which is for the time being adopted by the Fund).

12.2. All members of the LPB must have a working knowledge and understanding of:

a. The law relating to pensions, and
b. Any other matters which are prescribed in Scheme Regulations.

12.3. It is for the Scheme Manager (this is the Administering Authority) to be satisfied that those appointed have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the LPB or Committee.

12.4. In line with the duties under their role, the LPB and Committee members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date on anything that would fall within the remit of their role. Members are therefore required to maintain a written record of all relevant training and development (whether internal or external) they have undertaken. In the event that members wish to attend an external course/training event prior approval must be sought from the Scheme Manager. All information in relation to training and development of all members shall be made available to the Board and Committee as part of the Review Process. In addition, the Scheme Manager may, at any time request to inspect such records upon providing the relevant member with a written request which must be adhered to within 7 days of receipt of such a request.

12.5. All members will undertake an annual personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses as well as mandatory training that the Board or Scheme Manager considers is required to ensure the Board and Committee operates as effectively as possible. Members will comply with the Scheme Manager's training policy, details of which are found in the separate document titled "London Borough of Croydon Pension Fund Knowledge and Skills / Training Policy".

Burges Salmon LLP note that there are no other legal implications arising from this report.

2.3 EQUALITIES IMPLICATIONS

2.3.1 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:

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

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

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

2.3.2 There are no equality implications arising from this report. Any training developed will be accessible to support committee members.
Approved by: Naseer Ahmad on behalf of the Equalities Manager. (Date 27/11/2023)

2.4 HUMAN RESOURCES IMPLICATIONS

2.4.1 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: Dean Shoesmith, Chief People Officer. (Date 24/11/2023)

3 BACKGROUND DOCUMENTS

None

Appendices: Appendix A: Hymans On-line Training Log
Appendix B: Training Log

Hymans On-line Training Modules Progress for Committee and Reserve Committee 2023/24 to 31/10/2023

Modules Not Started

LGPS Role	Fullname	Course Name	Course Enrolment Status
Pension Committee	Alasdair Stewart	Module 1 - Committee Role and Pensions Legislation	Enrolled
Pension Committee	Alasdair Stewart	Module 2 - Pensions Governance	Enrolled
Pension Committee	Alasdair Stewart	Module 3 - Pensions Administration	Enrolled
Pension Committee	Alasdair Stewart	Module 4 - Pensions Accounting and Audit Standards	Enrolled
Pension Committee	Alasdair Stewart	Module 5 - Procurement and Relationship Management	Enrolled
Pension Committee	Alasdair Stewart	Module 6 - Investment Performance and Risk Management	Enrolled
Pension Committee	Alasdair Stewart	Module 7 - Financial Markets and Product Knowledge	Enrolled
Pension Committee	Alasdair Stewart	Module 8 - Actuarial methods, Standards and Practices	Enrolled
Pension Committee	Calton Young	Module 1 - Committee Role and Pensions Legislation	Enrolled
Pension Committee	Calton Young	Module 2 - Pensions Governance	Enrolled
Pension Committee	Calton Young	Module 3 - Pensions Administration	Enrolled
Pension Committee	Calton Young	Module 4 - Pensions Accounting and Audit Standards	Enrolled
Pension Committee	Calton Young	Module 5 - Procurement and Relationship Management	Enrolled
Pension Committee	Calton Young	Module 6 - Investment Performance and Risk Management	Enrolled
Pension Committee	Calton Young	Module 7 - Financial Markets and Product Knowledge	Enrolled
Pension Committee	Calton Young	Module 8 - Actuarial methods, Standards and Practices	Enrolled
Pension Committee	Charles Quaye	Module 1 - Committee Role and Pensions Legislation	Enrolled
Pension Committee	Charles Quaye	Module 2 - Pensions Governance	Enrolled
Pension Committee	Charles Quaye	Module 3 - Pensions Administration	Enrolled
Pension Committee	Charles Quaye	Module 4 - Pensions Accounting and Audit Standards	Enrolled
Pension Committee	Charles Quaye	Module 5 - Procurement and Relationship Management	Enrolled
Pension Committee	Charles Quaye	Module 6 - Investment Performance and Risk Management	Enrolled
Pension Committee	Charles Quaye	Module 7 - Financial Markets and Product Knowledge	Enrolled
Pension Committee	Charles Quaye	Module 8 - Actuarial methods, Standards and Practices	Enrolled

Pension Committee	Clive Fraser	Module 2 - Pensions Governance	Enrolled
Pension Committee	Clive Fraser	Module 3 - Pensions Administration	Enrolled
Pension Committee	Clive Fraser	Module 4 - Pensions Accounting and Audit Standards	Enrolled
Pension Committee	Clive Fraser	Module 5 - Procurement and Relationship Management	Enrolled
Pension Committee	Clive Fraser	Module 6 - Investment Performance and Risk Management	Enrolled
Pension Committee	Clive Fraser	Module 7 - Financial Markets and Product Knowledge	Enrolled
Pension Committee	Clive Fraser	Module 8 - Actuarial methods, Standards and Practices	Enrolled
Pension Committee	Endri Llabuti	Module 1 - Committee Role and Pensions Legislation	Enrolled
Pension Committee	Endri Llabuti	Module 2 - Pensions Governance	Enrolled
Pension Committee	Endri Llabuti	Module 3 - Pensions Administration	Enrolled
Pension Committee	Endri Llabuti	Module 4 - Pensions Accounting and Audit Standards	Enrolled
Pension Committee	Endri Llabuti	Module 5 - Procurement and Relationship Management	Enrolled
Pension Committee	Endri Llabuti	Module 6 - Investment Performance and Risk Management	Enrolled
Pension Committee	Endri Llabuti	Module 7 - Financial Markets and Product Knowledge	Enrolled
Pension Committee	Endri Llabuti	Module 8 - Actuarial methods, Standards and Practices	Enrolled
Pension Committee	Gilli Driver	Module 1 - Committee Role and Pensions Legislation	Enrolled
Pension Committee	Gilli Driver	Module 2 - Pensions Governance	Enrolled
Pension Committee	Gilli Driver	Module 3 - Pensions Administration	Enrolled
Pension Committee	Gilli Driver	Module 4 - Pensions Accounting and Audit Standards	Enrolled
Pension Committee	Gilli Driver	Module 5 - Procurement and Relationship Management	Enrolled
Pension Committee	Gilli Driver	Module 6 - Investment Performance and Risk Management	Enrolled
Pension Committee	Gilli Driver	Module 7 - Financial Markets and Product Knowledge	Enrolled
Pension Committee	Gilli Driver	Module 8 - Actuarial methods, Standards and Practices	Enrolled
Pension Committee	Karen Jewitt	Module 1 - Committee Role and Pensions Legislation	Enrolled
Pension Committee	Karen Jewitt	Module 2 - Pensions Governance	Enrolled
Pension Committee	Karen Jewitt	Module 3 - Pensions Administration	Enrolled
Pension Committee	Karen Jewitt	Module 4 - Pensions Accounting and Audit Standards	Enrolled
Pension Committee	Karen Jewitt	Module 5 - Procurement and Relationship Management	Enrolled
Pension Committee	Karen Jewitt	Module 6 - Investment Performance and Risk Management	Enrolled

Pension Committee	Karen Jewitt	Module 7 - Financial Markets and Product Knowledge	Enrolled
Pension Committee	Karen Jewitt	Module 8 - Actuarial methods, Standards and Practices	Enrolled
Pension Committee	Patricia Hay-Justice	Module 1 - Committee Role and Pensions Legislation	Enrolled
Pension Committee	Patricia Hay-Justice	Module 2 - Pensions Governance	Enrolled
Pension Committee	Patricia Hay-Justice	Module 3 - Pensions Administration	Enrolled
Pension Committee	Patricia Hay-Justice	Module 4 - Pensions Accounting and Audit Standards	Enrolled
Pension Committee	Patricia Hay-Justice	Module 5 - Procurement and Relationship Management	Enrolled
Pension Committee	Patricia Hay-Justice	Module 6 - Investment Performance and Risk Management	Enrolled
Pension Committee	Patricia Hay-Justice	Module 7 - Financial Markets and Product Knowledge	Enrolled
Pension Committee	Patricia Hay-Justice	Module 8 - Actuarial methods, Standards and Practices	Enrolled
Pension Committee	Peter Howard	Module 1 - Committee Role and Pensions Legislation	Enrolled
Pension Committee	Peter Howard	Module 2 - Pensions Governance	Enrolled
Pension Committee	Peter Howard	Module 3 - Pensions Administration	Enrolled
Pension Committee	Peter Howard	Module 4 - Pensions Accounting and Audit Standards	Enrolled
Pension Committee	Peter Howard	Module 5 - Procurement and Relationship Management	Enrolled
Pension Committee	Peter Howard	Module 6 - Investment Performance and Risk Management	Enrolled
Pension Committee	Peter Howard	Module 7 - Financial Markets and Product Knowledge	Enrolled
Pension Committee	Peter Howard	Module 8 - Actuarial methods, Standards and Practices	Enrolled
Pension Committee	Simon Brew	Module 1 - Committee Role and Pensions Legislation	Enrolled
Pension Committee	Simon Brew	Module 2 - Pensions Governance	Enrolled
Pension Committee	Simon Brew	Module 3 - Pensions Administration	Enrolled
Pension Committee	Simon Brew	Module 4 - Pensions Accounting and Audit Standards	Enrolled
Pension Committee	Simon Brew	Module 5 - Procurement and Relationship Management	Enrolled
Pension Committee	Simon Brew	Module 6 - Investment Performance and Risk Management	Enrolled
Pension Committee	Simon Brew	Module 7 - Financial Markets and Product Knowledge	Enrolled
Pension Committee	Simon Brew	Module 8 - Actuarial methods, Standards and Practices	Enrolled
Pension Committee	Yvette Hopley	Module 1 - Committee Role and Pensions Legislation	Enrolled
Pension Committee	Yvette Hopley	Module 2 - Pensions Governance	Enrolled

Pension Committee	Yvette Hopley	Module 3 - Pensions Administration	Enrolled
Pension Committee	Yvette Hopley	Module 4 - Pensions Accounting and Audit Standards	Enrolled
Pension Committee	Yvette Hopley	Module 5 - Procurement and Relationship Management	Enrolled
Pension Committee	Yvette Hopley	Module 6 - Investment Performance and Risk Management	Enrolled
Pension Committee	Yvette Hopley	Module 7 - Financial Markets and Product Knowledge	Enrolled
Pension Committee	Yvette Hopley	Module 8 - Actuarial methods, Standards and Practices	Enrolled
Reserve Committee	Alisa Flemming	Module 1 - Committee Role and Pensions Legislation	Enrolled
Reserve Committee	Alisa Flemming	Module 2 - Pensions Governance	Enrolled
Reserve Committee	Alisa Flemming	Module 3 - Pensions Administration	Enrolled
Reserve Committee	Alisa Flemming	Module 4 - Pensions Accounting and Audit Standards	Enrolled
Reserve Committee	Alisa Flemming	Module 5 - Procurement and Relationship Management	Enrolled
Reserve Committee	Alisa Flemming	Module 6 - Investment Performance and Risk Management	Enrolled
Reserve Committee	Alisa Flemming	Module 7 - Financial Markets and Product Knowledge	Enrolled
Reserve Committee	Alisa Flemming	Module 8 - Actuarial methods, Standards and Practices	Enrolled
Reserve Committee	Appu Srinivasan	Module 1 - Committee Role and Pensions Legislation	Enrolled
Reserve Committee	Appu Srinivasan	Module 2 - Pensions Governance	Enrolled
Reserve Committee	Appu Srinivasan	Module 3 - Pensions Administration	Enrolled
Reserve Committee	Appu Srinivasan	Module 4 - Pensions Accounting and Audit Standards	Enrolled
Reserve Committee	Appu Srinivasan	Module 5 - Procurement and Relationship Management	Enrolled
Reserve Committee	Appu Srinivasan	Module 6 - Investment Performance and Risk Management	Enrolled
Reserve Committee	Appu Srinivasan	Module 7 - Financial Markets and Product Knowledge	Enrolled
Reserve Committee	Appu Srinivasan	Module 8 - Actuarial methods, Standards and Practices	Enrolled
Reserve Committee	Nikhil Sherine Thampi	Module 1 - Committee Role and Pensions Legislation	Enrolled
Reserve Committee	Nikhil Sherine Thampi	Module 2 - Pensions Governance	Enrolled
Reserve Committee	Nikhil Sherine Thampi	Module 3 - Pensions Administration	Enrolled
Reserve Committee	Nikhil Sherine Thampi	Module 4 - Pensions Accounting and Audit Standards	Enrolled
Reserve Committee	Nikhil Sherine Thampi	Module 5 - Procurement and Relationship Management	Enrolled
Reserve Committee	Nikhil Sherine Thampi	Module 6 - Investment Performance and Risk Management	Enrolled
Reserve Committee	Nikhil Sherine Thampi	Module 7 - Financial Markets and Product Knowledge	Enrolled

Reserve Committee	Nikhil Sherine Thampi	Module 8 - Actuarial methods, Standards and Practices	Enrolled
Reserve Committee	Richard Chatterjee	Module 1 - Committee Role and Pensions Legislation	Enrolled
Reserve Committee	Richard Chatterjee	Module 2 - Pensions Governance	Enrolled
Reserve Committee	Richard Chatterjee	Module 3 - Pensions Administration	Enrolled
Reserve Committee	Richard Chatterjee	Module 4 - Pensions Accounting and Audit Standards	Enrolled
Reserve Committee	Richard Chatterjee	Module 5 - Procurement and Relationship Management	Enrolled
Reserve Committee	Richard Chatterjee	Module 6 - Investment Performance and Risk Management	Enrolled
Reserve Committee	Richard Chatterjee	Module 7 - Financial Markets and Product Knowledge	Enrolled
Reserve Committee	Richard Chatterjee	Module 8 - Actuarial methods, Standards and Practices	Enrolled
Reserve Committee	Robert Ward	Module 1 - Committee Role and Pensions Legislation	Enrolled
Reserve Committee	Robert Ward	Module 2 - Pensions Governance	Enrolled
Reserve Committee	Robert Ward	Module 3 - Pensions Administration	Enrolled
Reserve Committee	Robert Ward	Module 4 - Pensions Accounting and Audit Standards	Enrolled
Reserve Committee	Robert Ward	Module 5 - Procurement and Relationship Management	Enrolled
Reserve Committee	Robert Ward	Module 6 - Investment Performance and Risk Management	Enrolled
Reserve Committee	Robert Ward	Module 7 - Financial Markets and Product Knowledge	Enrolled
Reserve Committee	Robert Ward	Module 8 - Actuarial methods, Standards and Practices	Enrolled
Reserve Committee	Simon Fox	Module 1 - Committee Role and Pensions Legislation	Enrolled
Reserve Committee	Simon Fox	Module 2 - Pensions Governance	Enrolled
Reserve Committee	Simon Fox	Module 3 - Pensions Administration	Enrolled
Reserve Committee	Simon Fox	Module 4 - Pensions Accounting and Audit Standards	Enrolled
Reserve Committee	Simon Fox	Module 5 - Procurement and Relationship Management	Enrolled
Reserve Committee	Simon Fox	Module 6 - Investment Performance and Risk Management	Enrolled
Reserve Committee	Simon Fox	Module 7 - Financial Markets and Product Knowledge	Enrolled
Reserve Committee	Simon Fox	Module 8 - Actuarial methods, Standards and Practices	Enrolled
Reserve Committee	Stella Nabukeera	Module 1 - Committee Role and Pensions Legislation	Enrolled
Reserve Committee	Stella Nabukeera	Module 2 - Pensions Governance	Enrolled
Reserve Committee	Stella Nabukeera	Module 3 - Pensions Administration	Enrolled
Reserve Committee	Stella Nabukeera	Module 4 - Pensions Accounting and Audit Standards	Enrolled

Reserve Committee	Stella Nabukeera	Module 5 - Procurement and Relationship Management	Enrolled
Reserve Committee	Stella Nabukeera	Module 6 - Investment Performance and Risk Management	Enrolled
Reserve Committee	Stella Nabukeera	Module 7 - Financial Markets and Product Knowledge	Enrolled
Reserve Committee	Stella Nabukeera	Module 8 - Actuarial methods, Standards and Practices	Enrolled
Reserve Committee	Stuart Collins	Module 1 - Committee Role and Pensions Legislation	Enrolled
Reserve Committee	Stuart Collins	Module 2 - Pensions Governance	Enrolled
Reserve Committee	Stuart Collins	Module 3 - Pensions Administration	Enrolled
Reserve Committee	Stuart Collins	Module 4 - Pensions Accounting and Audit Standards	Enrolled
Reserve Committee	Stuart Collins	Module 5 - Procurement and Relationship Management	Enrolled
Reserve Committee	Stuart Collins	Module 6 - Investment Performance and Risk Management	Enrolled
Reserve Committee	Stuart Collins	Module 7 - Financial Markets and Product Knowledge	Enrolled
Reserve Committee	Stuart Collins	Module 8 - Actuarial methods, Standards and Practices	Enrolled

Modules Not Started Totals

Course Enrolment Status	Fullname	LGPS Role	Total Not Started	Total Possible	% Not started
Enrolled	Alasdair Stewart	Pension Committee	8	8	100
Enrolled	Calton Young	Pension Committee	8	8	100
Enrolled	Charles Quaye	Pension Committee	8	8	100
Enrolled	Clive Fraser	Pension Committee	7	8	88
Enrolled	Endri Llabuti	Pension Committee	8	8	100
Enrolled	Gilli Driver	Pension Committee	8	8	100
Enrolled	Karen Jewitt	Pension Committee	8	8	100
Enrolled	Patricia Hay-Justice	Pension Committee	8	8	100
Enrolled	Peter Howard	Pension Committee	8	8	100
Enrolled	Simon Brew	Pension Committee	8	8	100
Enrolled	Yvette Hopley	Pension Committee	8	8	100
Enrolled	Alisa Flemming	Reserve Committee	8	8	100
Enrolled	Appu Srinivasan	Reserve Committee	8	8	100
Enrolled	Nikhil Sherine Thampi	Reserve Committee	8	8	100
Enrolled	Richard Chatterjee	Reserve Committee	8	8	100
Enrolled	Robert Ward	Reserve Committee	8	8	100
Enrolled	Simon Fox	Reserve Committee	8	8	100
Enrolled	Stella Nabukeera	Reserve Committee	8	8	100
Enrolled	Stuart Collins	Reserve Committee	8	8	100

Modules Completed

LGPS Role	Fullname	Course Name	Course Enrolment Status
Pension Committee	Clive Fraser	Module 1 - Committee Role and Pensions Legislation	Completed

Modules Completed Totals

Course Enrolment Status	Fullname	LGPS Role	Total Completed	Total Possible	% Completed
Enrolled	Clive Fraser	Pension Committee	1	8	13

Committee and Reserve Committee Training Record 2023 / 24 to 31/10/2023

Category	Name	Mercers ESG	SAB Code of Transparency	PLSA LGPS Conference	EDI Southwark	Fundamentals Day 1 - In Person	PLSA Annual Conference	Cyber Training	SPS LGPS Sustainable Investment	Fundamentals Day 1 - On Line	Fundamentals Day 2 - In Person	CIPFA Pension Board webinar	Fundamentals Day 2 - On Line
	Date	25/04/2023	21/06/2023	26-28/06/2023	10/07/2023	12/10/2023	17-19/10/2023	19/10/2023	19/10/2023	19+26/10/2023	02/11/2023	08/11/2023	16 + 23/11/202
	Training Hrs	2.00	1.50	14.00	2.00	7.00	14.00	1.00	7.00	7.00	7.00	3.50	7.00
	Category	I	I	M	G	M	M	G	I	M	M	M	M
Committee	Cllr Simon Brew	1	0	0	0	0	0	0	1	0	1	0	0
Committee	Gilli Driver	1	0	0	0	0	0	0	0	0	0	0	0
Committee	Cllr Clive Fraser	1	0	0	0	0	0	1	0	0	0	0	0
Committee	Cllr Patricia Hay-Justice	0	1	1	0	0	1	1	0	0	0	0	0
Committee	Cllr Yvette Hopley	1	0	0	0	0	0	0	0	0	0	0	0
Committee	Peter Howard	1	0	0	0	0	0	1	0	0	0	0	0
Committee	Cllr Karen Jewitt	0	1	1	0	0	1	1	0	1	0	0	0
Committee	Cllr Endri Llabuti	1	0	0	0	0	0	0	0	0	0	0	0
Committee	Charles Quaye	1	0	0	0	0	1	0	0	0	0	0	0
Committee	Cllr Alasdair Stewart	0	0	0	0	0	0	0	0	0	0	0	0
Committee	Cllr Callton Young	1	0	0	0	0	0	0	0	0	0	0	0
C Reserve	Cllr Richard Chatterjee	0	0	0	0	0	0	1	0	0	0	0	0
C Reserve	Cllr Stuart Collins	0	0	0	0	0	0	0	0	0	0	0	0
C Reserve	Clle Alisa Flemming	0	0	0	0	0	0	0	0	0	0	0	0
C Reserve	Cllr Simon Fox	0	0	0	0	0	0	0	0	0	0	0	0
C Reserve	Cllr Stella Nabukeera	0	0	0	0	0	0	1	0	0	0	0	0
C Reserve	Cllr Nikhil Sherine Thampi	0	0	0	0	0	0	0	0	0	0	0	0
C Reserve	Cllr Appu Srinivasan	0	0	0	0	0	0	1	0	0	0	0	0
C Reserve	Cllr Rober Ward	1	0	0	0	0	0	0	0	0	0	0	0

	Total Sessions Comp				Total Hrs Comp				Possible Sessions				% of Possible Comp			
Name	Total Investment Sessions	Total Mixed Sessions	Total Governance Sessions	Total sessions	Total Investment Hours	Total Mixed Hours	Total Governance Hours	Total Training Hours	Investment	Mixed	Governance	Total	Investment	Mixed	Governance	Total
Cllr Simon Brew	2	1	0	3	9	7	0	16	3	3	1	7	67	33	0	43
Gilli Driver	1	0	0	1	2	0	0	2	2	3	1	6	50	0	0	17
Cllr Clive Fraser	1	0	1	2	2	0	1	3	2	3	1	6	50	0	100	33
Cllr Patricia Hay-Justice	1	2	1	4	1.5	28	1	31	2	5	1	8	50	40	100	50
Cllr Yvette Hopley	1	0	0	1	2	0	0	2	2	3	1	6	50	0	0	17
Peter Howard	1	0	1	2	2	0	1	3	2	3	1	6	50	0	100	33
Cllr Karen Jewitt	1	3	1	5	1.5	35	1	38	2	5	1	8	50	60	100	63
Cllr Endri Llabuti	1	0	0	1	2	0	0	2	2	3	1	6	50	0	0	17
Charles Quaye	1	1	0	2	2	14	0	16	2	4	1	7	50	25	0	29
Cllr Alasdair Stewart	0	0	0	0	0	0	0	0	2	3	1	6	0	0	0	0
Cllr Callton Young	1	0	0	1	2	0	0	2	2	3	1	6	50	0	0	17
Cllr Richard Chatterjee	0	0	1	1	0	0	1	1	2	3	1	6	0	0	100	17
Cllr Stuart Collins	0	0	0	0	0	0	0	0	2	3	1	6	0	0	0	0
Clle Alisa Flemming	0	0	0	0	0	0	0	0	2	3	1	6	0	0	0	0
Cllr Simon Fox	0	0	0	0	0	0	0	0	2	3	1	6	0	0	0	0
Cllr Stella Nabukeera	0	0	1	1	0	0	1	1	2	3	1	6	0	0	100	17
Cllr Nikhil Sherine Thampi	0	0	0	0	0	0	0	0	2	3	1	6	0	0	0	0
Cllr Appu Srinivasan	0	0	1	1	0	0	0	0	2	3	1	6	0	0	100	17
Cllr Rober Ward	1	0	0	1	0	0	0	0	2	3	1	6	50	0	0	17

Totals

Sessions Completed	I	I	M	G	M	M	G	I	M	M	M	M	Total I	Total M	Total G
Committee	8	2	2	0	0	3	4	1	1	1	0	0	11	7	4
C Reserve	1	0	0	0	0	0	3	0	0	0	0	0	1	0	3
Total Completed	9	2	2	0	0	3	7	1	1	1	0	0	12	7	7

Hours Completed	I	I	M	G	M	M	G	I	M	M	M	M	Total I	Total M	Total G
Committee	16	3	28	0	0	42	4	7	7	7	0	0	26	84	4
C Reserve	2	0	0	0	0	0	3	0	0	0	0	0	2	0	3
Total Completed	18	3	28	0	0	42	7	7	7	7	0	0	28	84	7

Possible Attendance	I	I	M	G	M	M	G	I	M	M	M	M	Total I	Total M	Total G
Committee	11	11	2	0	11	3	11	1	11	11	0	11	23	49	11
C Reserve	8	8	0	0	8	0	8	0	8	8	0	8	16	32	8
Total Completed	19	19	2	0	19	3	19	1	19	19	0	19	39	81	19

% of Possible Completed	I	I	M	G	M	M	G	I	M	M	M	M	Total I	Total M	Total G
Committee	73	18	100	#DIV/0!	0	100	36	100	9	9	#DIV/0!	0	48	14	36
C Reserve	13	0	#DIV/0!	#DIV/0!	0	#DIV/0!	38	#DIV/0!	0	0	#DIV/0!	0	6	0	38
Total Completed	47	11	100	#DIV/0!	0	100	37	100	5	5	#DIV/0!	0	31	9	37

Agenda Item 10

LONDON BOROUGH OF CROYDON

REPORT:	**Pension Committee**	
DATE OF DECISION	**12 December 2023**	
REPORT TITLE:	**Local Government Pension Scheme Advisory Board / The Pensions Regulator Update**	
CORPORATE DIRECTOR	**Jane West, Corporate Director of Resources (Section 151 Officer)**	
LEAD OFFICER:	**Matthew Hallett, Acting Head of Pensions & Treasury**	
CONTAINS EXEMPT INFORMATION?	**No**	**Public**

1 SUMMARY OF REPORT

1.1 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.

2 RECOMMENDATIONS

The Committee is recommended:

1.2 to note the contents of this report.

3 BACKGROUND AND DETAILS

Local Government Pension Scheme Advisory Board (SAB)

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

On 23 November 2023 the Board published the following information statement:

Alongside the Chancellor's Autumn Statement, the response to the "next steps on investments" consultation was published by DLUHC on 22 November 2023.

The consultation largely adopts the measures the government originally consulted on, with the main points from the consultation (in paragraph 9) set out as follows:

"After having considered the responses, the government will now implement the proposals that we set out in the consultation to accelerate and expand pooling, and increase investment in levelling up and in private equity. We will:

- *set out in revised investment strategy statement guidance that funds should transfer all assets to their pool by 31 March 2025, and set out in their ISS assets which are pooled, under pool management and not pooled and the rationale, value for money and date for review if not pooled*
- *revise pooling guidance to set out a preferred model of pooling including delegation of manager selection and strategy implementation*
- *implement a requirement in guidance for administering authorities to set a training policy for pensions committee members and to report against the policy*
- *revise guidance on annual reports to include a standard asset allocation, proportion of assets pooled, a comparison between actual and strategic asset allocation, net savings from pooling and net returns for each asset class against their chosen benchmark*
- *make changes to LGPS official statistics to include a standard asset allocation and the proportion of assets pooled and the net savings of pooling*
- *amend regulations to require funds to set a plan to invest up to 5% of assets in levelling up the UK, and to report annually on progress against the plan*
- *revise ISS guidance to require funds to consider investments to meet the government's ambition of a 10% allocation to private equity."*

The Secretariat is continuing to read and absorb the response, and an update to the Board's website will follow soon.

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

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

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

On 9 December 2022, the Chancellor of the Exchequer announced a set of reforms (known as the "Edinburgh Reforms") to drive growth and competitiveness in the financial services sector. It has been confirmed that the Government will be consulting in early 2023 on issuing new guidance on Local Government Pension Scheme asset pooling. The government will also consult on requiring LGPS funds to ensure they are considering investment opportunities in illiquid assets such as venture and growth capital, as part of a diversified investment strategy.

1.4 Publication of the 2022 Scheme Valuation Report

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

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

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.8 Publication of the tenth Scheme Annual Report

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

1.9 Climate risk reporting

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

On 23 May 2023 the Board advised that TPR have published a review of climate-related disclosures by occupational pension schemes. The paper sets out TPR's preliminary observations and feedback to industry, based on their review of a selection of climate-

related disclosures published by occupational pension schemes. The review relates to private pension schemes but contains observations which may be useful for LGPS funds ahead of the implementation of climate risk (TCFD) reporting in the LGPS – which is now expected to commence from 1 April 2024, with first reports due in late 2025.
On 22 February 2023 SAB published the results of their survey to guage the preparedness of pension funds for the changes being considered by Government as follows:

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

35% of respondents indicated they had conducted a full assessment on what expertise was required for risk analysis. 27% have not and 35% of funds had undertaken some sort of assessment. 69% of respondents indicated they had a plan to source the resources required for the production of the report. While many funds indicated they were awaiting more certainty before carrying out assessments of what was required for the report, some were pressing ahead with plans as soon as possible.
The Board is working closely with the Department and administering authorities to better understand the challenge and support them through it. We intend to repeat this survey after the Government Response to last year's consultation is published, and the precise requirements are clearer.
Interestingly, the survey also found that 25 funds reported a date of 2050 or sooner for reaching net zero in their asset portfolio, however a substantial number of respondents indicated that risk reporting will not change or will have a limited impact on their asset allocation or choice of investments. Rather they considered it as a means to "show progress" against targets set. Some stated that it provided a focus for engagement both with their asset managers and the underlying companies in order to effect real world change, rather than simply "greening" the portfolio.

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

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

1.10 '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.

1.11 2021/22 Annual Reports and Audit issues within the LGPS
On 30 May 2023 SAB issued the following statement in respect of the impact of completed triennial valuations on the delayed 2021/22 accounts

Councils may be aware that the delay in finalising accounts for 2021/22 has meant that information from the March 2022 triennial valuations of pension funds has become available before the audit of many accounts has been signed-off. This has led some auditors to request that the accounts are re-done using this more up to date information.

Following discussions between stakeholders, last week the National Audit Office (NAO) issued supplementary guidance to auditors (guidance note SGN 3) and CIPFA issued supplementary guidance to accounts preparers (CIPFA Bulletin 14 Supplement). Taken together these make it clear that there is no need for the accounts to be re-stated using the triennial valuations, unless the original valuation in the accounts contained material omissions such as not taking account of an existing large-scale restructuring/redundancy programme. Hopefully, this will now prevent the issue of pension valuations adding further to the delays in finalising accounts.

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

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

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

1.12 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.

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

1.13 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."

1.14 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.

1.15 DLUHC consultation on changing the revaluation date

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

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

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

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

The Pensions Regulator (TPR)

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

1.16 Equality, Diversity and Inclusion

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

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

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

1.17 Pensions Dashboards compliance and enforcement policy

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

"DWP have today issued a written ministerial statement announcing delays to the delivery of pensions dashboards. A full version of the statement can be seen here.

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

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

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

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

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

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

4 IMPLICATIONS

2.1 FINANCIAL IMPLICATIONS

2.1.1 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) (Date 29/11/2023)

2.2 LEGAL IMPLICATIONS

2.2.1 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 although now that the Government have published its response to the LGPS investment consultation and there are likely to be a number of legal issues which arise in the context of pooling and investment. The consultation response can be found at https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-next-steps-on-investments.
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2.3 EQUALITIES IMPLICATIONS

2.3.1 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:

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

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

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

2.3.2 There are no equality implications arising from this report.

Approved by: Naseer Ahmad on behalf of the Equalities Manager. (Date 27/11/2023)

2.4 HUMAN RESOURCES IMPLICATIONS

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

Approved by: Dean Shoesmith, Chief People Officer. (Date 24/11/2023)

3 BACKGROUND DOCUMENTS

3.1.1 All material used in this report is available on the website Schem Advisory Board (SAB) https://lgpsboard.org/index.php/welcome or

3.1.2 The Pensions Regulator https://www.thepensionsregulator.gov.uk/

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LONDON BOROUGH OF CROYDON

REPORT:	**Pension Committee**	
DATE OF DECISION	**12 December 2023**	
REPORT TITLE:	**Part A Progress Report for Quarter Ended 30 September 2023**	
CORPORATE DIRECTOR	**Jane West, Corporate Director of Resources (Section 151 Officer)**	
LEAD OFFICER:	**Matthew Hallett, Acting Head of Pensions & Treasury**	
CONTAINS EXEMPT INFORMATION?	**No**	**Public**

1 SUMMARY OF REPORT

1.1 This report shows that the market value of the Fund investments at 30 September 2023 was £1,698.3m compared to £1,701.7m at 30 June 2023 a decrease of £3.4m during the period. The Fund returned 0.1% over the quarter, but the value decreased due to negative cashflow of £4.7m.

1.2 This report provides an update on the Fund's performance for the quarter to 30 September 2023. The report falls into four parts. Section 1 addresses performance against strategic goals. Section 2 considers the asset allocation strategy and how that is being applied, specifically current and planned investments. Section 3 deals with risk management and section 4 summarises updates from any recent investment manager site visits.

2 RECOMMENDATIONS

The Committee is recommended:

1.3 to note the performance of the Fund for the quarter ended 30 September 2023.

3 BACKGROUND AND DETAILS

Section 1: Performance

1.4 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.

1.5 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.

1.6 Since the valuation date the assets have returned -0.73% compared to the investment return assumption of 6.1%. 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

1.7 Following the results of the triennial valuation at 31 March 2022, the Fund's investment advisers have carried out an asset allocation review and a revised asset allocation was agreed at the Pension Committee held on 20 June 2023. The Pension Committee also agreed that an allocation to Private Debt might be added at a later date after further training on this asset class has been undertaken. The revised asset allocation was incorporated in the Investment Strategy Statement which was agreed at the Pension Committee meeting held on 19th September 2023. The revised allocation agreed was as follows:

Asset Class	Previous Strategic Asset Allocation	Actual Allocation 31 March 2023	New Allocation without Private Debt Strategy 1
Developed Equity	**42.0%**	**44.7%**	**42.0%**
Fixed Income	**23.0%**	**15.7%**	**23.0%**
Corporate Bonds	*15.3%*	*11.9%*	*17.0%*
Absolute Return	*7.7%*	*3.8%*	-
Multi-Asset Credit	-	-	*6.0%*
Alternatives	**34.0%**	**36.8%**	**34.0%**
Infrastructure	*10.0%*	*14.8%*	*12.0%*
Private Equity	*8.0%*	*10.0%*	*10.0%*
Private Debt	-	-	-
Property (Core & Residential)	*16.0%*	*12.0%*	*12.0%*
Cash	**1.0%**	**2.8%**	**1%**
Total	**100.0%**	**100.0%**	**100.0%**

1.8 In moving to the revised asset allocation Officers will first look at the London CIV's multi asset credit fund to see if it meets our requirements. The process of moving to the revised asset allocation will take place over the next year.

Monitoring of asset allocation

1.9 **Global Equity –** Global Equities were broadly negative over the quarter. The LGIM Developed World (ex-Tobacco) Equity fund which follows that of the major indices returned -0.88%, the hedged part -2.42% and unhedged 0.7% as Sterling weakened against the dollar. The LCIV RBC Sustainable Equity Exclusion Fund returned -1.78% over the quarter. Global equities are now at 45.8% compared to the target allocation of 42%.

1.10 **Fixed Interest –** During the quarter the fixed interest investments returned a positive 0.5%, with Aberdeen Standard 2.26%, Wellington -0.05% and the LCIV Global Bond -1.65%. The overall allocation was underweight at 15.2% against a target asset allocation of 23%.

1.11 **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. All of the managers have returned close to or above the benchmark since inception. The allocation currently stands at 14.3% compared to the revised target of 12%.

1.12 **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 valuations have risen mainly due to the currency effect. All the private equity assets are valued in currencies other than Sterling, so valuations gain when Sterling depreciates. The performance of the underlying companies remains strong. Over the quarter the allocation moved from 9.5% to 9.9%. This is slightly below the target allocation of 10%.

1.13 **Property** – During the quarter the Schroders property portfolio returned -0.92% and the M&G UK Residential Property Fund returned 0.07%. The Fund's property portfolio is positioned defensively being underweight to retail and office sectors. The allocation to property is 11.9% which is in line with the new target asset allocation of 12.0%.

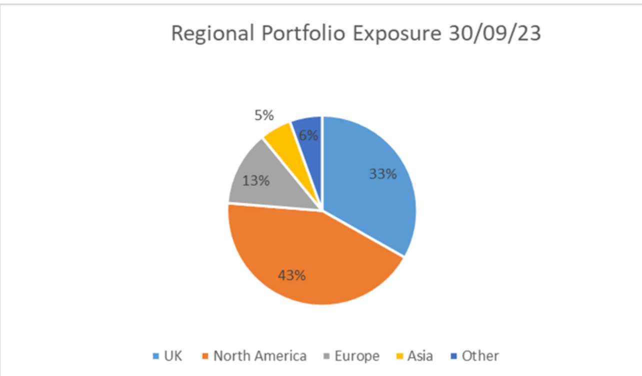
1.14 The table below illustrates the movement in the Fund’s valuation during the quarter and the current asset allocation against the target.

London Borough of Croydon Pension Fund
Fund valuation and asset allocation for the quarter ending 30 September 2023

	Valuation at 30/06/23 £'000	Net cashflow £'000	Gain/Loss £'000	Valuation at 30/09/2023 £'000	Asset allocation Fund percentage	Asset allocation target percentage
Equities					45.8%	42%
Legal & General FTSE World (Ex Tobacco)	708,107	-	- 6,255	701,852		
LCIV RBC	77,915	-	- 1,387	76,527		
LCIV	150			150		
Fixed Interest					15.2%	23%
Standard Life	120,944	-	2,731	123,675		
Wellington	53,798	-	- 28	53,769		
LCIV Global Bond	81,876	-	- 1,355	80,521		
Infrastructure					14.3%	12%
Access	37,736	831	403	38,970		
Temporis	80,128	- 1,509	1,169	79,789		
Equitix	72,769	6	98	72,873		
Macquarie GIG Renewable Energy	21,288	- 512	99	20,876		
I Squared	28,774	581	1,615	30,971		
Private Equity					9.9%	10%
Knightsbridge	59,176	1,427	1,808	62,411		
Pantheon	67,479	- 827	2,148	68,800		
Access	15,305	1,271	169	16,746		
North Sea	19,777	-	1,207	20,984		
Property					11.9%	12%
Schroders	139,586	-	- 1,290	138,297		
M&G	64,075	- 347	44	63,772		
Cash					2.8%	1%
Legal & General FTSE4Good Cash	946	-	69	1,015		
Cash	51,901	- 5,601	-	46,300		
Fund Total	1,701,733	- 4,679	1,246	1,698,300	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***.**

1.15 The following chart gives 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.



1.16 The descriptor Asia includes Japan, Korea and Australia. The descriptor Other includes the continent of Africa and Latin America.

1.17 It should be noted that of the 33% invested in the UK 12.0% is allocated to Property and 9.7% to Infrastructure. The majority of the Private Equity and Global Equity investments are in the US and Canada.

Section 3: Risk Management

1.18 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.

1.19 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.

1.20 Mercer, the Fund's investment adviser, have drafted a Fund Monitoring Report, for the 3 months to 30 September 2023. These reports are included in Part B of this Committee agenda.

Section 4: Investment Manager Visits

1.21 No meetings with managers were held over the quarter. The London CIV and RBC Bluebay have been invited to present in Part B of this Committee.

4 CONSULTATION

2.1 Officers consult with the Fund's advisers when monitoring the performance of the Pension Fund.

5 IMPLICATIONS

2.2 FINANCIAL IMPLICATIONS

2.2.1 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) (Date 30/11/2023)

2.3 LEGAL IMPLICATIONS

2.3.1 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.

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

2.4 EQUALITIES IMPLICATIONS

2.4.1 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:

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

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

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

2.4.2 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: Naseer Ahmad on behalf of the Equalities Manager. (Date 30/11/2023)

2.5 HUMAN RESOURCES IMPLICATIONS

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

Approved by: Dean Shoesmith, Chief People Officer. (Date 28/11/2023)

3 APPENDICES

6.1 None

4 BACKGROUND DOCUMENTS

7.1 None

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