

# Pension Board Agenda



To: Michael Ellsmore (Chair)

Co-optees: Richard Elliott, Teresa Fritz, Ava Payne and David Wickman

Councillor Margaret Bird

A meeting of the **Pension Board** which you are hereby summoned to attend, will be held on **Wednesday, 17 January 2024** at **2.00 pm** in **Council Chamber, Town Hall, Katharine Street, Croydon CR0 1NX**

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

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[www.croydon.gov.uk/meetings](http://www.croydon.gov.uk/meetings)  
Monday, 8 January 2024

Please note that this meeting is being held remotely. You can view the webcast both live and after the meeting has completed at [webcasting.croydon.gov.uk](http://webcasting.croydon.gov.uk)

N.B This meeting will be paperless. The agenda can be accessed online at [www.croydon.gov.uk/meetings](http://www.croydon.gov.uk/meetings)

## **AGENDA – PART A**

**1. Apologies for Absence**

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

**2. Minutes of the Previous Meeting (Pages 5 - 10)**

To approve the minutes of the meeting held on Thursday, 19 October 2023 as an accurate record.

**3. Disclosure of Interests**

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

**4. Urgent Business (if any)**

To receive notice of any business not on the agenda which in the opinion of the Chair, by reason of special circumstances, be considered as a matter of urgency.

**5. Croydon Pensions Administration Team Key Performance Indicators for the period September 2023 to November 2023 (Pages 11 - 24)**

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

**6. Review of Risk Register (Pages 25 - 46)**

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

**7. Review of Breaches Log (Pages 47 - 76)**

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

**8. Progress on implementing findings of Governance Review (Pages 77 - 86)**

This report updates the Board on the progress made in completing recommendation actions to December 2023.

**9. Local Government Pension Scheme: Next Steps on Investments (Pages 87 - 92)**

This report advises the Board of the progress in respect of the Government's consultation on various proposals contained in the "Edinburgh Reforms" and their response to that consultation. It also includes, so far as can be ascertained at this stage, the likely implications for the Council's Fund.

**10. The Audit Findings Report for the London Borough of Croydon Pension Fund for the year ended 31 March 2020 (Pages 93 - 114)**

This report asks the Board to note "The Audit Findings Report for the London Borough of Croydon Pension Fund" for the year ended 31 March 2020, as prepared by Grant Thornton UK LLP and attached as Appendix A.

**11. Croydon Training Activity and Plan 2024/25 (Pages 115 - 132)**

This report asks the Board to comment on the proposed joint Pension Committee and Pension Board training plan for 2024/25 which is included as Appendix B to the paper prepared by Aon titled 'Croydon Training Activity and Plan'. After consideration of comments raised by the Board, the joint training plan will then be presented to Pension Committee for agreement.

**12. Review of Board Training (Pages 133 - 144)**

This report advises the Board of training undertaken by the Pension Board members in Year 2023/24 up to 31 December 2023 and asks them to note the contents of the Logs in Appendix A and B attached to this report.

**13. Local Government Pension Scheme Advisory Board / The Pensions Regulator Update (Pages 145 - 158)**

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

**14. Exclusion of the Press and Public**

The following motion is to be moved and seconded where it is proposed

to exclude the press and public from the remainder of a meeting:

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

## **PART B**

## Pension Board

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

### MINUTES

**Present:** Michael Ellsmore (Chair);

Co-optees: Richard Elliott, Teresa Fritz, Ava Payne and David Whickman

Councillor Margaret Bird

**Also**

**Present:** Ian Talbot, Mary Lambe (AON, Governance Consultant)

**Apologies:** Ava Payne (Lateness), Jane West

### PART A

#### 75/23 Minutes of the Previous Meeting

The minutes of the meeting held on Thursday, 27 July 2023 were agreed as an accurate record.

#### 76/23 Disclosure of Interests

There were none.

#### 77/23 Urgent Business (if any)

There were no items of urgent business.

#### 78/23 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.

### PART B

**79/23 Cyber Security Strategy**

**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.

**PART A**

**80/23 Verbal Update from Pension Committee**

The Acting Head of Pensions and Treasury introduced the report and explained that the Conflict of Interest Policy, Representation Policy, Responsible Investment Policy and the Investment Strategy Statement were agreed at the last Pensions Committee meeting.

The constitution changes had gone through the constitution working group who then recommended to the General Purposes Committee to take the constitution changes to Full Council to be agreed.

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

- The agreed Conflict of Interest Policy was largely the same as the previous report that had been presented.

**RESOLVED:**

- To note the verbal update.

**81/23 Pension Board Annual Report**

The Chair introduced the report and explained that he was grateful for the effort put forward by the Pensions Board and he felt as though the continuity of membership played an important part in the effectiveness of the Board.

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

- The report will be published onto the on the Councils website.

**RESOLVED:**

- To note the draft Pension Board Annual Report 2022/23.

## **82/23 Strategies and Policies for the Fund**

The Acting Head of Pensions and Treasury introduced the report and explained that this item was a summary of the reasons behind the strategies and policies that the Fund needed to adhere to.

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

- The Pensions Committee had expressed concerns regarding the number of policies and strategies that they had been presented with. The aim of the report was to provide Members with reassurance as to why there were so many strategies, policies and training sessions required.

### **RESOLVED:**

- To note the contents of the report.

## **83/23 Pensions Administration Team Performance Report**

The Pensions Manager introduced the report and explained that the main focus of the team was the annual updates following end of year processes, this included updating care pay contributions, applying revaluation and producing the annual benefit statements for all active and deferred members.

The Pensions Manager informed the Board that the Pensions Administration Team had also spent time on implementing bulk processes for leavers and the team were able to run the first bulk calculations in August with about 500 processed.

The Pensions Manager explained that the Pensions Administration Team had also worked with the Council's Fraud team to implement monthly mortality screening, through which they had been able to pick up some cases which there weren't aware of.

The Pensions Manager concluded by stating that the Pensions Administration Team had just completed the annual allowances.

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

- The members self-service portal would need upgrading to photo identification, this would need sign off from procurement before it could be implemented.
- The annual benefits statement would be published onto the member self-service portal and officers advertise with all the employers that they're available and they were required to tell their staff. Deferred members were advised when they leave through the deferred

notification letter that the annual benefits statement would be available online and when it would be available.

**RESOLVED:**

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

**84/23 Update on London CIV Pooling and Savings**

The Acting Head of Pensions and Treasury introduced the report and explained that roughly 50% of the fund's assets had been transferred to the CIV. The majority of these assets were with Legal and General Investment Management and following the investment strategy review they would try and get other listed assets moved into the CIV.

The Acting Head of Pensions and Treasury stated that there would be a training on multi-asset credit ahead of the next Pensions Committee meeting and members of the Pensions Board were invited to attend.

The Acting Head of Pensions and Treasury explained that the reported savings made by the CIV was £564,000 a year on investment fees. Following the previous Pensions Committee meeting officers had instructed mercers to look at the fees being paid by the Fund, to seek comfort regarding value for money.

**RESOLVED:**

- To note the contents of the report.

**85/23 Report on Breaches of the Law**

The Acting Head of Pensions and Treasury introduced the report and explained that the annual benefits statement, the employers mandatory discretions policy for the Council had been added to the breaches log. The council needed a policy in its own right for employers mandatory discretions which officers were in the process of developing.

The Acting Head of Pensions and Treasury informed the Board that the Council had reproduced the 2019/20 accounts, the audit was still being finalised but he believed that the accounts would be signed off by November. The timetable for the 2020/21 and 2021/22 accounts would see these accounts signed off in June 2024.

**RESOLVED:**

- To note the contents of the Pension Fund Breaches Log.



**86/23 Update on Board Member Training**

The Acting Head of Pensions and Treasury introduced the report and explained that the training was presented as it had been recorded and he wanted members of the Board to inform officers whether the information was up to date and accurate.

The Chair informed the Board that the governance conference in York would be taking place on the 18<sup>th</sup> and 19<sup>th</sup> January 2024. The Chair stated that there were two places available for members who wished to attend. The Pensions Board meeting in January had been moved to accommodate the members who would be attending.

**RESOLVED:**

- To note the contents of the Pension Board Training Log.

**87/23 Scheme Advisory Board and The Pensions Regulator Updates**

The Acting Head of Pensions and Treasury introduced the report and explained that the SAB's response to the consultation had been included in the report.

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

- AON was working with officers at Croydon on bringing equality, diversity, and inclusion (EDI) training to Members of the Board and the Committee.

**RESOLVED:**

- To note the contents of the report.

The meeting ended at 3.28 pm

**Signed:**

**Date:**

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## Croydon Council

<b>REPORT TO:</b>	<b>Pension Board 17 January 2024</b>
<b>SUBJECT:</b>	<b>Croydon Pensions Administration Team Key Performance Indicators for the period September 2023 to November 2023</b>
<b>LEAD OFFICER:</b>	<b>Matthew Hallett - Acting Head of Pensions and Treasury</b>

### 1. **RECOMMENDATION**

The Committee is asked to:

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

### 2. **EXECUTIVE SUMMARY**

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

### 3. **DETAIL**

- 3.1 Good governance suggests that the performance of the administration of the Local Government Pension Scheme should be monitored. This report has been developed using the guidance published by CIPFA (Administration in the LGPS: A Guide for Pension Authorities) and is reporting to the committee on the LGPS administration performance for the period September 2023 to November 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 detailed more fully in Appendix A to this report.

### 4. **COMMENTARY**

- 4.1 The team continue to perform well on life event cases such as deaths and retirements. Average days to process are well below our targeted KPIs in most categories.
- 4.2 We recognise there are still improvements to be made on the KPIs for leaver calculations with the monthly figures consistently falling well below target. Analysis of the workload shows leavers account for about 50% of our outstanding cases. There are legitimate reasons for the delay in some cases (outstanding transfers, auto aggregation, lack of employer information) but improvements in the way we deal with leavers is needed.
- 4.3 The Pension Manager is meeting with Team Leaders in January 2024 to discuss adjustments to work allocation to ensure adequate resource is made available for leaver calculations.

- 4.4 The technical team have been working with various payroll providers to on-board them to monthly iConnect 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.
- 4.5 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.
- 4.6 We were required by law to issue Pension Savings Statements for all members who exceeded the Annual Allowance for 2022/23 by the 06 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.
- 4.7 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.
- 4.8 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.
- 4.9 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.
- 4.10 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.

## **5. CONSULTATION**

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

## **6. DATA PROTECTION IMPLICATIONS**

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

No.

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

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

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

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### **CONTACT OFFICER:**

Matthew Hallett - Acting Head of Pensions and Treasury

### **BACKGROUND DOCUMENTS:**

None.

### **APPENDIX**

**Appendix A:** Croydon Pensions Admin Team Performance Report, September 2023 to November 2023

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# Croydon Pensions Admin Team Performance Report









January 2024

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## Reference Key Table


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

## Legal Deadlines

Process	Legal Requirement	Total Number Completed	% Achieved in legal deadline	Total Number Completed	% Achieved in legal deadline	Total Number Completed	% Achieved in legal deadline	Direction of Travel	Comments
		September 2023		October 2023		November 2023			
<b>Send a notification of joining the LGPS to a scheme member</b>	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	212	100%	316	100%	193	100%		
<b>Inform a scheme member of their calculated benefits (refund or deferred)</b>	As soon as practicable and no more than two months from the date of notification (from employer or scheme member)	34	73.53%	71	60.56%	136	76.47%		<p>Processing leaver calculations within legal and fund level timeframes remains a challenge for the team. Leaver calculations are particularly vulnerable to delays caused by interfund transfers, aggregations and TUPE transfers. Spikes in other workload areas do draw resource away from leaver calculations.</p> <p>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 accordingly.</p>






A review of work allocation and resources has been planned for early January.

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
		September 2023	October 2023	September 2023	October 2023	November 2023			
<b>To process and pay a refund</b>	Two months from the date of request	13	100%	18	100%	10	100%	➡	
<b>Obtain transfer details for transfer in, calculate and provide quotation to member</b>	Two months from the date of request	2	100%	2	100%	2	100%	➡	
<b>Notify the amount of retirement benefits</b>	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	71	98.59%	71	100%	45	100%	⬆	Once case missed target in September 2023.
<b>Provide a retirement quotation on request</b>	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	66%	100%	86	100%	77	100%	➡	

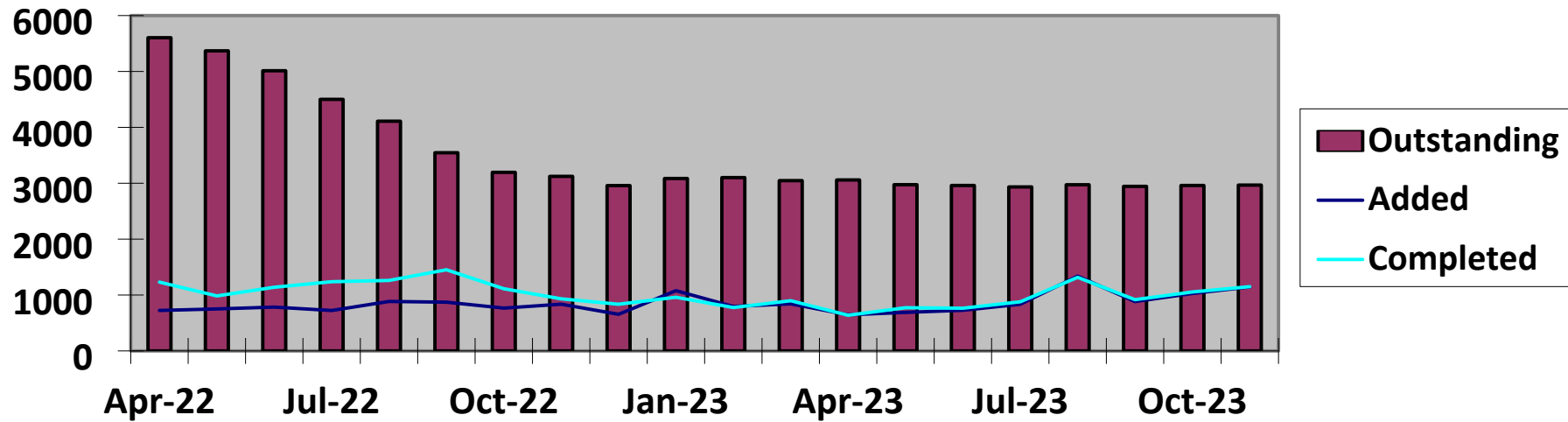
Process	Legal Requirement	Total Number Completed	% Achieved in legal deadline	Total Number Completed	% Achieved in legal deadline	Total Number Completed	% Achieved in legal deadline	Direction of Travel	Comments
		September 2023		October 2023		November 2023			
<b>Calculate and notify (dependent(s) of amount of death benefits</b>	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)	20	100%	34	100%	42	97.62%		One case missed target in November 2023. Protracted arrangements to pay the death grant – complex case.
<b>Provide all active and deferred members with annual benefit statements each year</b>	By 31 <sup>st</sup> August								

## Team Performance Targets

Process	Team Target	Total Number Completed	% Achieved against target	Average days to process	Total Number Completed	% Achieved against target	Average days to process	Total Number Completed	% Achieved against target	Average days to process	Direction of Travel	Comments
		September 2023			October 2023			November 2023				
Send a notification of joining the LGPS to a scheme member	30 days from date of notification of joining member	212	100%	6	316	100%	4	193	98.45%	2	↓	3 cases missed target in November.
Inform a scheme member of their calculated benefits (refund or deferred)	40 working days from date of notification (from employer or scheme member)	34	73.53%	84	71	57.75%	142	136	72.79%	66	→	

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
		September 2023			October 2023			November 2023				
<b>To process and pay a refund</b>	40 working days from the date of request	13	100%	5	18	100%	1	10	100%	2		
<b>Obtain transfer details for transfer in, calculate and provide quotation to member</b>	40 working days from the date of request	2	100%	1	2	100%	0	2	100%	3		
<b>Notify the amount of retirement benefits</b>	20 working days from date of retirement	71	98.59%	9	71	100%	2	45	100%	1		One case missed target in September 2023.
<b>Provide a retirement quotation on request</b>	15 working days from date of request	66	100%	4	86	96.51%	3	77	100%	3		3 cases missed target in October. These were all complex cases and required additional training.
<b>Calculate and notify (dependent(s) of amount of death benefits</b>	20 working days from receipt of all information	20	100%	2	34	94.12%	7	42	95.24%	7		2 cases missed target in October but upon investigation one of these was as a result of the task being reopened by a junior member of the team when a document was returned. The case had originally been completed within the KPI. Training has been provided. In November 2 cases missed target.

## Case levels



Number of outstanding cases

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

## Member self-service

		Increase from previous Q
Total Scheme members registered	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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<b>REPORT TO:</b>	<b>Pension Board 17 January 2024</b>
<b>SUBJECT:</b>	<b>Review of Risk Register</b>
<b>LEAD OFFICER:</b>	<b>Matthew Hallett, Acting Head of Pensions and Treasury</b>

## 1. RECOMMENDATION

### 1.1

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

## 2. EXECUTIVE SUMMARY

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

## 3. DETAIL

3.1 Best practice recommends that a risk register is maintained by the Pension Board recording relevant risk scenarios, together with an assessment of their likelihood and impact and appropriate mitigations. This report discusses the most significant risks relating to governance, funding, assets and liabilities and operational matters. Appendix A details these risks.

3.2 The Board is invited to comment on whether it considers this list sufficiently exhaustive and whether the assessment of each risk matches its perception on the adequacy of existing and future controls.

3.3 In accordance with the Risk Management Policy, the Risk Register is reviewed periodically and reported to the Board on a quarterly basis.

3.4 Risks are rated on a scale of 1 to 5 on the likelihood of the risk occurring and its impact if it does. This allows a range of potential scores of between 1 and 25. The register shows that there are 15 risks on the main register with 7 being significant risks for the Fund (i.e. scored 10 or higher). With all of the planned future controls in place, the significant risks could be reduced to 2.

The risk register is attached as Appendix A.

3.5 Since the Board last reviewed the Register:

No new risks have been added.

No risks have been removed.

11 risks, numbers 1, 2, 7, 8, 10, 12, and 14 have been updated.

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

#### **4. CONSULTATION**

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

#### **5. DATA PROTECTION IMPLICATIONS**

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

**NO**

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

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#### **CONTACT OFFICER:**

Matthew Hallett, Acting Head of Pensions and Treasury

#### **BACKGROUND DOCUMENTS:**

None

#### **APPENDIX:**

Appendix A: Risk Register

## **Risk Register**

**To 9 January 2024**

	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.	<b>Governance Risks</b>	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. Revised Admission and Academies Policies were agreed by Committee on xx	3	2	6	Our Fund actuary is currently carrying out a covenant monitoring exercise. It is planned that this will be completed by 31 January 2024.	2	2	4

			<p>December. These make passthrough the Fund's default admission basis. For academies any outsourcing admissions will be covered by the DfE's guarantee, therefore removing the risk from the Fund. For Council let contracts the liability will remain with the Council as letting authority, thus removing the risk from the Fund.</p>							
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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.	<b>Funding Assets and Liabilities Risks</b>	- 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 likelihood that there is a 75% chance that the funding target will be achieved. The current Strategy was agreed by the Committee in March 2023 but was amended in December 2023 to reflect the Fund's default admission basis changing to passthrough.	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 2024	4	1	4
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3	<p>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</p>	<p><b>Funding Assets and Liabilities Risks</b></p>	<p>- 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 portfolio 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.</p>	3	1	3	No future controls planned	3	1	3
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4	There is a possible risk of scheduled or admitted bodies not paying over contributions, which involves the administering authority in incurring unnecessary costs.	<b>Funding Assets and Liabilities Risks</b>	- 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
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5	<p>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.</p>	<p><b>Investment Risks</b></p>	<p>The investment allocation mix is in a variety of uncorrelated investments designed to give a diverse portfolio, meaning any one investment class should not unduly impact on the performance of the overall portfolio if it underperforms relative to expectation. The revised asset allocation review recommended an allocation to credit which should increase the diversification of the Fund.</p>	3	3	9	<p>Implement the revised asset allocation.</p>	3	2	6
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6	<p>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.</p> <p>Other crises are inevitable.</p>	<p><b>Global Macroeconomic Risks</b></p>	<p>The discount rate assumption is reviewed at every valuation to ensure it gives appropriate views on future return expectations. The Fund is also well diversified which provides a degree of protection. The diversified nature of the Fund meant that the Fund was well protected during the Coronavirus pandemic</p>	4	3	12	No future controls planned	4	3	12
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7	<p>Cyber Security – Risk to systems including by system failure, ineffective business continuity plan and lack of adequate monitoring arrangements for third party suppliers. If adequate protections are not in place to prevent system failure working time could be affected impacting workloads and delivery of key performance indicators. If an effective business continuity plan is not in place and communicated to staff the impact of any system failure will be increased. If adequate monitoring arrangements for suppliers are not implemented and reviewed service delivery may be adversely affected.</p>	<p><b>Operational Risks</b></p>	<p>Heywoods is a hosted system. They have processes in place for backing up files, storing data safely and preventing system failure. This is included in the contract we have with them. The technical team keep logs of issues and responses to monitor this. We have a business continuity plan in place should issues arise. Key suppliers, Aquila Heywood and Hymans Robertson both have ISO 270001 which is the international standard for information security management systems (ISMS). A Cyber Strategy and action plan was agreed by the Committee on 12 December 2023.</p>	4	3	12	<p>Work is currently being undertaken in conjunction with AON to address focus areas. A Cyber Hygiene document and data and asset map are planned to be completed by 29 February 2024. Due to the nature of the ever evolving threats, the strategy will be reviewed at least annually.</p>	4	2	8
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8	<p>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</p>	<p><b>Operational Risks</b></p>	<p>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. A Cyber Strategy and action plan was agreed by the Committee on 12 December 2023.</p>	4	3	12	<p>Work is currently being undertaken in conjunction with AON to address focus areas. A Cyber Hygiene document and data and asset map are planned to be completed by 29 February 2024. Due to the nature of the ever evolving threats, the strategy will be reviewed at least annually.</p>	4	2	8
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9	<p>McCloud Judgement. There is a risk affecting our ability to implement the requirements of the McCloud judgement post resolution. Issues include lack of historic data, appropriate resource, capacity or budget to undertake the work. This could result in legal breaches reportable to the Pensions Regulator, incorrect pension entitlements being calculated for pensioners and loss of confidence in the service by scheme members and employers</p>	<p><b>Operational Risks</b></p>	<p>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 guidelines 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.</p>	3	3	9	<p>No future controls planned</p>	3	3	9
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10	<p>Cyber Security – The heightened security threat level due to the Russian invasion of Ukraine could potentially result in added risks to the pension administration system.</p>	<p><b>Operational Risks</b></p>	<p>In response to the heightened threat, Heywoods have conducted focused threat simulations based upon potentially malicious email traffic, reinforced organisational awareness of the threat landscape and raised vigilance through additional staff training and blocked access/internet traffic from specific countries.</p>	4	3	12	<p>Heywoods will continue to closely monitor the cyber threat landscape, particularly threats connected with events in Ukraine. When necessary, they will take immediate action to mitigate against new threats as they emerge. Officers are working with AON to improve cyber controls . Part of the strategy is to conduct tests of the cyber incident response plan via ‘war game’ simulations, enabling improvement to the plan</p>	4	2	8
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11	<p>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.</p>	<p><b>Investment Risks</b></p>	<p>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.</p>	4	2	8	<p>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.</p>	4	2	8
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12	<p>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</p>	<p><b>Operational Risks</b></p>	<p>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. Difficulties in recruiting suitably experienced personnel across the sector have resulted in the decision to appoint trainee staff, thus building in resilience and succession planning.</p>	4	3	12	<p>Continue detailed planning in respect of legislative changes. Development of IT and automation. Increase to Employer engagement.</p>	4	2	8
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<p><b>13</b></p>	<p>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, resulting in financial loss and /or service interruption.</p>	<p><b>Operational Risks</b></p>	<p>Actively review/assure in relation to bank controls. Automatic compensation paid for major interruptions</p>	<p><b>4</b></p>	<p><b>3</b></p>	<p><b>12</b></p>	<p>No future controls planned</p>	<p><b>4</b></p>	<p><b>3</b></p>	<p><b>12</b></p>
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14	<p>Risk of losing or being unable to recruit suitably experienced staff. The Head of Pensions and Treasury has retired and other positions within the Pension Team have been vacant for a while. Lack of resourcing and knowledge will have a detrimental impact on the performance of the fund.</p>	<p><b>Operational Risks</b></p>	<p>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.</p>	3	4	12	<p>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. Difficulties in recruiting suitably experienced personnel across the sector have resulted in the decision to appoint trainee staff, thus building in resilience and succession planning.</p>	3	3	9
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15	<p>Conflicts of interest This could lead to a lack of clarity around when it is necessary for Committee and Board members to declare / disclose interests that could impact on decisions they are taking. When acting in their capacity as Committee members their priority should be the interests of the Fund. Without appropriate scrutiny and transparency, the interests of the Fund could be compromised.</p>	<p><b>Governance Risks</b></p>	<p>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.</p>	4	2	8	<p>AON will be delivering a training session to the Committee and Board in the first half of 2024.</p>	4	1	4
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16	Climate Change	<b>Investment Risks</b>	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	<b>10</b>	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.	<b>1</b>	<b>5</b>	<b>5</b>
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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.

<b>15</b>	<b>Total Risks on Register</b>
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<b>8</b>	<b>Total Current Green Risks</b>
<b>7</b>	<b>Total Current Amber Risks</b>
<b>0</b>	<b>Total Current Red Risks</b>

<b>13</b>	<b>Total Future Green Risks</b>
<b>2</b>	<b>Total Future Amber Risks</b>
<b>0</b>	<b>Total Future Red Risks</b>

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.

<b>REPORT TO:</b>	<b>Pension Board 17 January 2024</b>
<b>SUBJECT:</b>	<b>Review of Breaches Log</b>
<b>LEAD OFFICER:</b>	<b>Matthew Hallett - Acting Head of Pensions and Treasury</b>

## 1. RECOMMENDATION

The Board is asked to:

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

## 2. EXECUTIVE SUMMARY

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

## 3. DETAIL

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

70 Duty to report breaches of the law

- (1) Subsection (2) imposes a reporting requirement on the following persons—
  - (a) a trustee or manager of an occupational or personal pension scheme;

- (aa) a member of the pension board of a public service pension scheme;
- (b) a person who is otherwise involved in the administration of an occupational pension scheme;
- (c) the employer in relation to an occupational pension scheme;
- (d) a professional adviser in relation to such a scheme;
- (e) a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme.

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

- (a) a duty which is relevant to the administration of the scheme in question, and is imposed by or by virtue of an enactment or rule of law, has not been or is not being complied with, and
- (b) the failure to comply is likely to be of material significance to the Regulator in the exercise of any of its functions,

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

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

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

In line with this legislation and the Pensions Regulator's Code of Practice a Breaches Log is maintained by the Fund. In their Governance Review Aon recommended that the log was reviewed regularly by the Pension Committee and Board. It was last reviewed by Board on 19 October 2023. The current log is attached (Appendix A).

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

- to do anything required under the Regulations;



- to do anything required under overriding legislation, applicable statutory guidance or codes of practice;
- to maintain accurate records;
- to act on any fraudulent act or omission that is identified;
- to comply with policies and procedures (e.g. the Fund's statement of investment principles, funding strategy, discretionary policies, etc.);
- of an employer to pay over member and employer contributions on time;
- to pay member benefits either accurately or in a timely manner;
- to issue annual benefit statements on time or non-compliance with the Code.

3.3 Since the Board last reviewed the Log 2 new entries have been added, 2 entries have been amended and 0 entries have been deleted. Breach 6 concerning failure to publish audited fund accounts has been amended and Breach 12 concerning the failure of the Council as a scheme employer to provide an employer discretions policy has been updated. Breaches 14 concerning failure to pay a refund within statutory timescales and 15 concerning failure to publish audited Fund accounts for year 22/23 by 30 September 2023 have been added.

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

#### **4. CONSULTATION**

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

#### **5. DATA PROTECTION IMPLICATIONS**

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

NO

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

#### **CONTACT OFFICER:**

Matthew Hallett, Acting Head of Pensions and Treasury

#### **APPENDIX:**

Appendix A: Breaches Log

**BACKGROUND DOCUMENTS:**

None.

Appendix A  
Pension Fund Breaches of the Law Log  
Board 17 January 2024

Number	<b>2</b>
Date	<b>Aug 21</b>
Category	<b>Administration - ABS</b>
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	<b>3</b>
Date	<b>Aug 22</b>
Category	<b>Administration - ABS</b>
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	<b>6</b>
Date	<b>Sep 21</b>
Category	<b>Finance - Accounts</b>
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	<p>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. <b>Update March 2023:</b> Due to the passage of time and the fact that 3 years of accounts are still outstanding, the Chairs of the Board and Committee and Officers have issued a joint report to The Pensions Regulator.</p>
Colour rating	
Outcome of report / investigation	
Outstanding actions	<p>The Fund Accounts form part of the Council Accounts and cannot be signed off separately. The Head of Pensions will continue to liaise with Audit on progress on signing off the Council accounts. 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 &amp; Treasury has provided and agreed to keep the Regulator informed of progress. <b>Update October 2023:</b> The 2019/20 accounts have been published and are expected to be signed off in February 2024.</p>
Comments	



Number	<b>7</b>
Date	<b>Sep 22</b>
Category	<b>Finance - Accounts</b>
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. <b>Update March 2023:</b> 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	

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

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	<p>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.</p> <p><b>Update March 2023:</b> Due to the passage of time and the fact that 3 years of accounts are still outstanding, the Chairs of the Board and Committee and Officers have issued a joint report to The Pensions Regulator.</p>
Colour rating	
Outcome of report / investigation	

Outstanding actions	<p>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.</p> <p>The Pension Regulator asked for a timetable for completion which the Head of Pension &amp; Treasury has provided and agreed to keep the Regulator informed of progress. <b>Update October 2023:</b> The Corporate Director of</p>
	<p>Resources and Section 151 Officer is expecting the 2021/22 accounts to be finalised by June 2024.</p>
Comments	

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

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	<b>10</b>
Date	<b>Mar 23</b>
Category	<b>Administration - Refunds</b>
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	<b>11</b>
Date	<b>Apr 23</b>
Category	<b>Administration - Refunds</b>
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	<b>12</b>
Date	<b>Sep 23</b>
Category	<b>Governance – Employer Discretions</b>
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	<p>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.</p> <p>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.</p> <p><b>Update December 2023:</b> 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.</p>
Reported / Not reported	<p>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. <b>Update December 2023:</b> 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.</p>
Colour rating	
Outcome of report / investigation	
Outstanding actions	<p>Officers to check that the policy is produced with a 2 month timeframe. <b>Update December 2023:</b> 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.</p>
Comments	

Number	<b>13</b>
Date	<b>Aug 23</b>
Category	<b>Administration - ABS</b>
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	<b>Nov 23</b>
Category	<b>Administration - Refunds</b>
Description and cause	<p>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.</p>
Possible effect and wider implications	<p>Member does not receive monies they are entitled to. Possibly causing financial hardship however the amounts due are relatively small. The impact to the Fund is insignificant.</p>
Reaction	<p>Under Regulation 18 (1) of the LGPS Regulations 2013 (as amended) when a member with less than 2 years qualifying service ceases active membership of the Fund they are entitled to receive a refund of contributions. Under 18(5) the administering authority must make the refund when the person requests payment or on the expiry of 5 years from the date active membership ceased if no request for payment has been received.</p>
Reported / Not reported	<p>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.</p>

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	<b>Finance - Accounts</b>
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 <b>ARE LIKELY</b> to be of material significance	Error has occurred	<b>PLUS</b>	Errors not recognised	<b>PLUS</b>	No action taken to rectify and tackle the cause	<b>MUST</b> report to TPR
	Cause, effect, reaction and wider implications considered together <b>MAY</b> be of material significance	Error has occurred	<b>PLUS</b>	Error rectified	<b>PLUS</b>	Systemic cause not addressed so issue may arise again	<b>MAY</b> report to TPR – consider the evidence and make a decision
	Cause, effect, reaction and wider implications considered together <b>ARE NOT LIKELY</b> to be of material significance	Error has occurred	<b>PLUS</b>	Error rectified	<b>PLUS</b>	Systemic causes addressed to mitigate against issue arising again	<b>DO NOT</b> report to TPR



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<b>REPORT TO:</b>	<b>Pension Board 17 January 2024</b>
<b>SUBJECT:</b>	<b>Progress on implementing findings of Governance Review</b>
<b>LEAD OFFICER:</b>	<b>Matthew Hallett, Acting Head of Pensions and Treasury</b>

## **1 RECOMMENDATIONS**

- 1.1 To note the progress achieved in addressing the list of recommendations as presented to the Committee on 11 October 2022.
- 1.2 To note the progress achieved in addressing the SAB Good Governance Review Phase 3 Report.

## **2. EXECUTIVE SUMMARY**

- 2.1 This report updates the Board on the progress made in completing recommendation actions to December 2023.

## **3. DETAIL**

- 3.1 A governance review carried out by AON, the Fund's governance advisors, was commissioned by the Fund and its findings were reported in September 2019. It was envisaged that completion of the actions identified would be delivered over a 3 year period. A follow up review was carried out in June 2021. A list of recommendations from both of these reviews and from a meeting between the Chairs of the Pension Board and Committee, The Head of Pensions, The Pensions Manager and the Fund governance advisers AON on 3 February 2022 was formulated.
- 3.2 At their 7 July 2022 meeting the Pension Board were asked to consider these recommendations and a Governance Review Action Plan was produced in September 2022.
- 3.3 The Board are asked to note the progress made against the agreed list of outstanding recommendations as shown in the Governance Review Action Plan attached as Appendix A.
- 3.4 The SAB Commissioned a Good Governance Review to be carried out by Hymans. The Phase 3 Report will be the version which is expected to be enacted. Officers have been working on addressing the recommendations and a table showing progress against these recommendations is also included in Appendix A.

## **4 CONSULTATION**

- 4.1 Officers have prepared this report in line with previous recommendations of the Pension Fund's advisers Aon in.

## **5 DATA PROTECTION IMPLICATIONS**

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

No.

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

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

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

### **CONTACT OFFICER:**

Matthew Hallett, Acting Head of Pensions and Treasury

### **BACKGROUND DOCUMENTS:**

None

### **APPENDICES**

**Appendix A:** Governance Review Action Plan

**Governance Review Actions Progress**

Status	Category	Action	Comments	Date Due
AC	Finance and Business Planning	That the Fund Annual Report and Accounts be reported to the Pension Committee prior to being reported to the General Purposes and Audit Committee	There are currently 3 years of accounts where the audit is still to be completed. When the backlog has been removed this will be incorporated in the normal cycle of reporting.	
AC	Finance and Business Planning	To report when the 2019/20 pension fund report and accounts have been signed off by audit	Not yet signed off	April 2024
C	Constitutional Actions	To review voting rights of categories of Pension Committee Members. Board would like to see inclusion of a non-council employer representative and a voting member representative	Agreed by Committee. Monitoring Officer to action	Completed
C	Constitutional Actions	To create a Fund wide Conflicts of Interest Policy covering Committee, Board and Senior Officers and incorporating work with the LCIV	Went to Cttee in June 23. Amendments requested. Discussed at Board July 23. Revised version going to cttee in Sep 23.	Completed
C	Constitutional Actions	Clearly documented Scheme of Delegation – to include greater detail regarding the delegation to the Director of Finance Investment and Risk and Section 151 Officer in the next update to the constitution		Completed
C	Constitutional Actions	That a small annual allowance should be paid to Pension Board members to reflect the increasingly onerous skills and training requirements	Agreed by Committee. Monitoring Officer to action	Completed
C	Constitutional Actions	To include LCIV relationships structures in the constitution	Agreed by Committee. Monitoring Officer to action	Completed
C	Constitutional Actions	Update Part 3 of the Constitution to be consistent to avoid any confusion around the responsibilities of the Pension Board	Agreed by Committee. Monitoring Officer to action	Completed
C	Policy and Process	Regularly review knowledge and skills requirements as a standing agenda item for Board and Committee meetings	Added to forward plan	Completed
C	Policy and Process	To review the Investment Strategy Statement- to include compliance statement against the Myners Principles	Will be done alongside the Triennial Valuation	Completed
C	Policy and Process	To review the Breaches of the Law Policy		Completed
C	Policy and Process	To review the Administration Strategy	In progress	Completed
C	Policy and Process	To review the Communications Policy		Completed
C	Policy and Process	To review the Governance and Compliance Policy		Completed



C	Policy and Process	To review the IDR procedure to include details on what is exempt (as per section 50(9) of the 1995 Pensions Act	Already included	Completed
C	Projects	That the Committee will carry out a check on how the Fund complies with the recommendations of the Good Governance and where work will be required to ensure compliance by March 2023	Some work on actions required by the Fund has already been undertaken. Officers will continue to progress actions required.	Completed
C	Resourcing	To review the operation of procurement and recruitment for the Fund	This will be worked on over the year and reported back.	Completed
C	Resourcing	Where services are provided by the Council, including the provision of payroll and meeting support services, to put in place service level agreements covering delivery times, volumes and price.	It was felt that the service had improved, so no formal SLA's were required at this stage. This is to be reviewed in six months	Completed
C	Resourcing	That the administering authority should proactively consider the use of third party suppliers to increase the resources available to the Fund	The Fund is using Hymans to assist with backlog work and continues to benefit from governance consultancy provision from AON. Additionally, Burges Salmon now undertake legal comment for reports.	Completed
C	Website	Consider adding additional information from Code of Practice paragraph 96 about the Pension Board and Pension Committee members onto the Fund website	Report going to Board January 2023	Completed
IP	Finance and Business Planning	To compile a 3-year financial plan covering admin, fund management and other overhead costs	This was presented to Committee in June 2022 and further enhancements will be incorporated into the next review.	Apr 24 Board
IP	Policy and Process	To create a Data Improvement Plan	Checks are currently carried out on data but officers will formalise this in a policy document	April 2024
IP	Policy and Process	To create a Record Management Policy		April 2024
IP	Resourcing	That the resourcing required in order to provide an efficient service be reviewed especially considering McCloud and Pension Dashboards. The Board receive a report on resourcing twice a year	This will be added to the agenda planner	April 2024

IP	Website	That the Committee receive a report on compliance with the Aon report on publication of the Fund's policies and documents by September 2023		March 2024
ND	Projects	That the Committee is provided with an evaluation against the new TPR Code requirements in due course and will address areas of partial compliance and noncompliance in a timely manner	The TPR Code is still in draft form and has not yet been agreed. Officers have begun to look at the draft document and will complete a full assessment of Fund compliance and carry out actions to address requirements in due course.	TBC
ND	Resourcing	The Board requested that an options appraisal of the Pensions Administration Function be carried out.		June 2024
NPOA	Non-Pension Officer Actions	That the Committee recommends that the Council looks at appointing members to the Committee and the Board for a period of 4 years within the electoral cycle	At the June 2022 Pension Committee, the Chair of the Board requested that Committee members committed to four-year terms to aid continuity.	
NPOA	Non-Pension Officer Actions	The Section 151 Officer to review the structure of the Pensions Function and how that sits within the Council structure.	This will be carried out when considering the plan for 2023/24	

Stats												
	AC	C	IP	ND	NPOA	OS	Q	Total	X NPOA	X ND	X AC	
No	2	18	5	2	2	0	0	29	27	25	23	
%	7	62	17	7	7	0	0	100				
% X NPOA	7	67	19	7		0	0	100				
X ND	8	72	20			0	0	100				
X AC		78	22			0	0	100				

Key	
AC	Accounts Issue beyond our control
C	Completed
IP	In Progress
ND	Not Yet Due for Action
NPOA	Non Pension Officer Action
OS	Outstanding
Q	Query

**SAB Good Governance Review Progress**

Status	Category	Re	Action
Completed	B. Conflicts of interest	B1	Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, with specific reference to key conflicts identified in the Guidance
Completed	C. Representation	C1	Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to voting rights for each party.
Completed	D. Knowledge and understanding	D3	Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements
Completed	E. Service Delivery for the LGPS Function	E2	Each administering authority must publish an administration strategy.
External Body to Action	A. General	A1	MHCLG will produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals below. ("the Guidance").
External Body to Action	B. Conflicts of interest	B2	The Guidance should refer all those involved in the management of the LGPS, and in particular those on decision making committees, to the guide on statutory and fiduciary duty which will be produced by the SAB – now updated
External Body to Action	D. Knowledge and understanding	D1	Introduce a requirement in the Guidance for key individuals within the LGPS, including LGPS officers and pensions committees, to have the appropriate level of knowledge and understanding to carry out their duties effectively.
External Body to Action	D. Knowledge and understanding	D2	Introduce a requirement for s151 officers to carry out LGPS relevant training as part of CPD requirements to ensure good levels of knowledge and understanding.
External Body to Action	D. Knowledge and understanding	D4	CIPFA should be asked to produce appropriate guidance and training modules for s151 officers.
External Body to Action	F. Compliance and improvement	F2	LGA to consider establishing a peer review process for LGPS Funds.
In Progress	A. General	A3	Each administering authority must publish an annual governance compliance statement that sets out how they comply with the governance requirements for LGPS funds as set out in the Guidance. This statement must be co-signed by the LGPS senior officer and S151.
In Progress	E. Service Delivery for the LGPS Function	E3	Each administering authority must report the fund's performance against an agreed set of indicators designed to measure standards of service.
In Progress	E. Service Delivery for the LGPS Function	E4	Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year.
In Progress	F. Compliance and improvement	F1	Each administering authority must undergo a biennial Independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified. IGR reports to be assessed by a SAB panel of experts
O/S	E. Service Delivery for the LGPS Function	E1	Each administering authority must document key roles and responsibilities relating to the LGPS and publish a roles and responsibilities matrix setting out how key decisions are reached. The matrix should reflect the host authority's scheme of delegation and constitution and be consistent with role descriptions and business processes
Other Council Officer / Dept to Action	A. General	A2	Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund. ("the LGPS senior officer").

<b>External Body to Action</b>			
<b>6</b>			
<b>Other Council Officer / Dept to Action</b>			
<b>1</b>			
<b>Total Pen Officer Actions</b>	<b>Completed</b>	<b>In Progress</b>	<b>O/S</b>
<b>9</b>	<b>4</b>	<b>4</b>	<b>1</b>
<b>Total Actions</b>			
<b>16</b>			
<b>% Pen Officer Actions Completed</b>	<b>44</b>		
<b>% Pen Officer Actions In Progress</b>	<b>44</b>		
<b>% Pen Officer Actions O/S</b>	<b>11</b>		

<b>REPORT TO:</b>	<b>Pension Board 17 January 2024</b>
<b>SUBJECT:</b>	<b>Local Government Pension Scheme: Next Steps on Investments</b>
<b>LEAD OFFICER:</b>	<b>Matthew Hallett – Acting Head of Pensions and Treasury</b>

## **1. RECOMMENDATION**

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

## **2. EXECUTIVE SUMMARY**

- 2.1 This report advises the Board of the progress in respect of the Government's consultation on various proposals contained in the "Edinburgh Reforms" and their response to that consultation. It also includes, so far as can be ascertained at this stage, the likely implications for the Council's Fund.

## **3 DETAIL**

### **3.1 Background**

- 3.1.1 On 9 December 2022, the Chancellor of the Exchequer announced a set of reforms (known as the "Edinburgh Reforms") intended "to drive growth and competitiveness in the financial services sector." Amongst the, roughly 30, proposals it was confirmed that the Government would be consulting in early 2023 on issuing new guidance on Local Government Pension Scheme (LGPS) asset pooling. It also became clear that the Government would also consult on proposals 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.
- 3.1.2 Immediately after the Chancellor's "Mansion House Speech," on 11 July 2023 the Department for Levelling Up, Housing and Communities (DLUHC) issued a consultation on a number of investment-related proposals for the LGPS. These included 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 ran for twelve weeks and closed on 2 October 2023.

3.1.3 At their meeting on 27 July 2023 the Board received a report discussing the consultation process in some detail.

## 3.2 Current Position

3.2.1 On 22 November 2023, alongside the Chancellor's Autumn Statement, the [response to the "next steps on investments" consultation](#) was published by DLUHC.

3.2.2 In paragraph 4 of the response the Government state:

*In our consultation we sought views on proposals in five areas:*

- *First, the government sets out proposals to accelerate and expand pooling, with administering authorities confirming how they are investing their funds and why. While pooling has delivered substantial benefits so far, we believe that the pace of transition should accelerate to deliver further benefits which include improved net returns, more effective governance, increased savings and access to more asset classes. We propose a deadline for asset transition by March 2025, noting we will consider action if progress is not seen, including making use of existing powers to direct funds. Going forward, we want to see a transition towards fewer pools to maximise benefits of scale.*
- *Second, the government proposes to require funds to have a plan to invest up to 5% of assets to support levelling up in the UK, as announced in the [Levelling Up White Paper \(LUWP\)](#). This consultation sets out in more detail how the Government proposes to implement this requirement and seeks views on its plans.*
- *Third, the government is proposing an ambition to increase investment into high growth companies via unlisted equity, including venture capital and growth equity. The government believes there are real opportunities in this area for institutional investors with a long-term outlook, such as the LGPS.*
- *Fourth, the government is seeking views about proposed amendments to the LGPS's regulations to implement requirements on pension funds that use investment consultants. These amendments are needed to implement the requirements of an order made by the Competition and Markets Authority (CMA) in respect of the LGPS.*
- *Finally, the government is proposing to make a technical change to the definition of investments within LGPS regulations.*

3.2.3 In paragraphs 5-7 the Government report that they received 152 responses. They acknowledge, that "The consultation received a broad range of responses" but appear minded to go ahead with the proposals. In paragraph 8 they put



forward the view that the LGPS is “.....in a favourable position to make a greater contribution to UK growth.” The whole of paragraph 8 reads as follows:

*The government also views the LGPS as being in a favourable position to make a greater contribution to UK growth. Scheme members are protected as their benefits are guaranteed in law and do not depend on investment returns. Many LGPS funds are in surplus, and the LGPS has over 2 million active members and remains open to new members. As a result, the LGPS has the freedom to invest for growth over the long term, unlike many private sector comparators. We encourage funds to consider what this should mean for their risk appetite and investment strategy, and to review the investment opportunities, particularly in private markets, which are available to them. We look to successes in Canada and Australia, where good pension outcomes have aligned with societal and economic benefits.*

Notwithstanding the comments in paragraph 8, paragraph 13 reads as follows:

*The government believes that whilst long term stable returns in order to pay pensions for its members are the primary purpose of the investments, there is scope at the same time to deliver substantial benefits to the UK as a whole.*

3.2.4 In paragraph 9 the Government confirm their position by stating 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 [1]*
- *revise pooling guidance to set out a preferred model of pooling including delegation of manager selection and strategy implementation [2]*
- *implement a requirement in guidance for administering authorities to set a training policy for pensions committee members and to report against the policy [3]*
- *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 [4]*
- *make changes to LGPS official statistics to include a standard asset allocation and the proportion of assets pooled and the net savings of pooling [5]*
- *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 [6]*
- *revise ISS guidance to require funds to consider investments to meet the government’s ambition of a 10% allocation to private equity [7]*

3.2.5 In paragraphs 10 and 11 the Government confirm their intentions in respect of objectives for investment consultants, amendments to the 2016 investment

regulations, reporting and other requirements of the Scheme Advisory Board and monitoring of progress.

3.2.6 When Regulations and Guidance are published, officers along with the Fund's Investment advisers, will consider how to implement the requirements and will recommend to the Committee accordingly. Meanwhile, a preliminary response to the 7 points referred to in section 3.2.4 based on the Fund's current circumstances is as follows (points numbered as at the end of each of the Government's proposals):

1. By 31 March 2025 the Fund will be in a position to report on which of its assets are pooled, under pool management and, where not pooled, the rationale, value for money and date for review. The table below shows the assets held at 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
<b>Equities</b>					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		
<b>Fixed Interest</b>					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		
<b>Infrastructure</b>					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		
<b>Private Equity</b>					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		
<b>Property</b>					11.9%	12%
Schroders	139,586	-	1,290	138,297		
M&G	64,075	347	44	63,772		
<b>Cash</b>					2.8%	1%
Legal & General FTSE4Good Cash	946	-	69	1,015		
Cash	51,901	5,601	-	46,300		
<b>Fund Total</b>	<b>1,701,733</b>	<b>- 4,679</b>	<b>1,246</b>	<b>1,698,300</b>	<b>100%</b>	<b>100%</b>

The current breakdown in accordance with the likely reporting requirements is:

Status	Manager	Valuation (£m)	Percentage of Fund
<b>Pooled</b>	LCIV RBC	76.53	4.50
<b>Pooled</b>	LCIV	0.15	0.01
<b>Pooled</b>	LCIV Global Bond	80.52	4.74
<b>Under Pool Management</b>	Legal and General	701.85	41.33
<b>Not Pooled</b>		839.25	49.42

There is currently a plan to transfer more of the Fund's fixed interest bucket to the London CIV. The Fund will be in a position to meet the requirement to either comply or explain for asset pooling.

2. Awaiting Government Guidance
3. Knowledge and Skills Policy agreed by Pension Committee on 14 June 2022
4. All items regularly reported to Pension Committee and/or Pension Board
5. Statistics can be provided as required
6. Officers will work with our Investment Advisers to initially identify our current assets which meet the definition of a 'levelling up' asset.
7. The Fund has a target allocation is 10.0% and current investment is 9.9%

#### **4. DATA PROTECTION IMPLICATIONS**

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

No.

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

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

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

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#### **CONTACT OFFICER:**

Matthew Hallett – Acting Head of Pensions and Treasury.

#### **BACKGROUND DOCUMENTS:**

Local Government Pension Scheme (England and Wales): Next steps on investments – government response.

#### **APPENDICES:**

None.

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<b>REPORT TO:</b>	<b>Pension Board 17 January 2024</b>
<b>SUBJECT:</b>	<b>The Audit Findings Report for the London Borough of Croydon Pension Fund for the year ended 31 March 2020</b>
<b>LEAD OFFICER:</b>	<b>Matthew Hallett, Acting Head of Pensions and Treasury</b>

**1. RECOMMENDATION**

The Board are asked to note this report.

**2. EXECUTIVE SUMMARY**

- 2.1 This report asks the Board to note “The Audit Findings Report for the London Borough of Croydon Pension Fund” for the year ended 31 March 2020, as prepared by Grant Thornton UK LLP and attached as Appendix A.

**3. DETAIL**

- 3.1 According to the Pension Scheme Regulations the audited Pension Fund Accounts and Annual Report are required to be completed and audited in the summer following the end of each financial year. However, in view of the Covid-19 pandemic the regulations in respect of the completion for 2019/20 were relaxed with the deadline for the preparation of the financial statements extended up to 31 August 2020 and the date for the audit to be completed to 30 November 2020. Due to further issues arising from the pandemic and matters pertaining to the Council’s Accounts the audit has not yet been completed.
- 3.2 At their meeting on 13 January 2022 the Board were advised that the Committee, on 3 December 2021 had received and noted the Fund’s Annual Report for 2019/20 which included the draft Pension Fund Accounts
- 3.3 At that time the Auditors indicated that, based on the draft Accounts they had received, they would not be requiring any significant adjustments and that they expected to provide an unqualified audit opinion.
- 3.4 The Committee and Board understood that when the Audit Findings Report was finalised it would be considered by the, then, General Purposes and Audit Committee as constituting those charged with governance under the regulatory framework.
- 3.5 At their meeting on 30 November 2023 the, now, Audit and Governance Committee noted “The Audit Findings Report for the London Borough of Croydon Pension Fund” attached as Appendix A. The final Report is expected to be reported to the Audit and Governance Committee on 1 February 2024.

3.6 The Report goes into some detail but some particular highlights which may interest the Board are as follows:

3.6.1 Headlines (Page 3)

*Our audit work was completed remotely between October 2020 and July 2021. Our findings are summarised on pages 4 to 11. To date we have not identified any adjustments which impact on the Net Assets of the fund available to fund benefits reported in the draft Accounts. Some minor adjustments have been identified in respect of some of the disclosures in the Accounts, which are documented in Appendix B.*

*Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (attached at Appendix D) or material changes to the financial statements, subject to the following outstanding matters;*

- completion of our outstanding testing (refer to Page 4 for more detail);*
- our final internal quality reviews; • receipt of management representation letter; and*
- review of the final set of financial statements.*

*Our anticipated audit report opinion will be unqualified including an Emphasis of Matter paragraph, highlighting the material uncertainty disclosed in respect of the valuation of your investments in Direct Property. An Emphasis of Matter paragraph is not a qualification.*

3.6.2 Significant audit risks (Pages 6 and 8)

*From the work performed to date, we have identified that there is a material uncertainty attached to the valuation of the Council's Illiquid Assets, due to the inherent uncertainty over the asset valuations at 31 March 2020. This has been reflected within the Accounts in Note 5, and will be reflected within our Audit Opinion as an Emphasis of Matter Paragraph, which is not a qualification.*

*Should any further issues be identified from our remaining testing, then we will provide an update to Management and Committee.*

3.6.3 Significant audit risks (Page 8)

*During the course of our work in this area, we identified that this transaction [transfer of properties from the Council to the Pension Fund] had not taken place during the course of the 2019/20 or the 2020/21 financial year. On the 25th May 2021 the proposed approach was formally withdrawn by the Pensions Committee and therefore there is no impact on the 2019/20 Statement of Accounts.*

3.6.4 Significant findings – key estimates and judgements (Page 9)

- Based on the work performed to date, we have been able to obtain sufficient assurance over the Level 3 valuations [of investments not traded on an open exchange/market with “highly subjective” valuations] included within the Accounts.*
- However, within this work we have identified that there is a material uncertainty attached to the valuation of the Council's Level 3 Investments, due to the*

*inherent uncertainty over the asset valuations at 31 March 2020. This has been reflected within the Accounts in Note 5, and will be reflected within our Audit Opinion as an Emphasis of Matter Paragraph, which is not a qualification.*

- *We have, on a sample basis, reviewed the basis on which the valuation of the Funds/Investments has been prepared, and where appropriate, considered the Audited Accounts of the Funds/Investments as well. To date, no issues have been identified from the work performed in this area.*

### 3.6.5 Significant findings – key estimates and judgements (Page 9)

- *Based on the work performed to date, we have been able to obtain sufficient assurance over the Level 2 valuations [of investments not actively traded on an open market but with underlying investments which are so traded] included within the Accounts.*
- *We have undertaken full triangulation of the closing valuations provided by the relevant Fund Managers to the values provided by the Fund's Custodian, and considered any significant variances identified from this work. No issues have been identified from the work performed in this area.*

3.7 The Board are invited to consider, comment on and note this Report.

## 4 DATA PROTECTION IMPLICATIONS

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

No.

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

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

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

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### CONTACT OFFICER:

Matthew Hallett, Acting Head of Pensions and Treasury,

### BACKGROUND DOCUMENTS:

None

### APPENDIX:

Appendix A - "The Audit Findings Report for the London Borough of Croydon Pension Fund" for the year ended 31 March 2020

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# The Audit Findings Report for the London Borough of Croydon Pension Fund

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10 November 2023  
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# Contents



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of the London Borough of Croydon Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2020 for those charged with governance.

<p><b>Covid-19</b></p>	<p>The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Pension Fund. This has had an impact on both the front-line services operated by the Council, along with those people who work behind the scenes, who have had to get used to a new way of working as the pandemic has progressed.</p> <p>Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020.</p>	<p>We presented our Audit Plan to the General Purposes and Audit Committee on 9 March 2020. We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an audit plan addendum on 24 November 2020. In that addendum we reported an additional financial statement risk in respect of Covid-19. Further detail is set out on page 6.</p> <p>Restrictions for non-essential travel has meant both the council's finance team and our audit team have had to adapt to remote working arrangements. Your finance team was well set up for remote working and there were no changes in key financial processes that impacted on our approach to your audit. Both teams have had to be flexible in approaches to sharing information. We agreed to use video calling to watch your finance team run the required reports to gain assurance over completeness and accuracy of information produced by you. We have made more use of conference calls and emails to resolve audit queries. Inevitably in these circumstances resolving audit queries has taken a little longer than face to face discussion. Regular meetings were held with the finance teams to highlight key outstanding issues and findings to date. We have used a query log to track and resolve outstanding items; ensuring that the process was as smooth as possible.</p>
<p><b>Financial Statements</b></p>	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Pension Fund's financial statements:</p> <ul style="list-style-type: none"> <li>• give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year; and</li> <li>• have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.</li> </ul>	<p>Our audit work was completed remotely between October 2020 and July 2021. Our findings are summarised on pages 4 to 11. To date we have not identified any adjustments which impact on the Net Assets of the fund available to fund benefits reported in the draft Accounts. Some minor adjustments have been identified in respect of some of the disclosures in the Accounts, which are documented in Appendix B.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (attached at Appendix D) or material changes to the financial statements, subject to the following outstanding matters;</p> <ul style="list-style-type: none"> <li>• completion of our outstanding testing (refer to Page 4 for more detail);</li> <li>• our final internal quality reviews;</li> <li>• receipt of management representation letter; and</li> <li>• review of the final set of financial statements.</li> </ul> <p>Our anticipated audit report opinion will be unqualified including an Emphasis of Matter paragraph, highlighting the material uncertainty disclosed in respect of the valuation of your investments in Direct Property. An Emphasis of Matter paragraph is not a qualification.</p>

## Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

## 2. Audit approach

### Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

### Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have had to alter our audit plan, as communicated to you on 24 November 2020, to reflect our response to the Covid-19 pandemic. This included the identification of a new significant Risk relating to Covid-19, which has been detailed on page 6 of this Report.

### Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the General Purposes and Audit Committee meeting on 24 August 2021, as detailed in Appendix E. These outstanding items include:

- completion of our outstanding testing in the following areas: Investments – focusing on Direct Property and Fund Manager Control Reports Review and Leavers Testing,
- our final internal quality reviews;
- receipt of management representation letter; and
- review of the final set of financial statements.

## 2. Materiality

### Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels have been updated from those reported in our Audit Plan to reflect the 2019-20 Draft Accounts, and the updated values are shown below.

	Pension Fund Amount (£) – Planning	Pension Fund Amount (£) – Final Accounts	Qualitative factors considered
<b>Materiality for the financial statements</b>	12,582,000	12,568,000	Our Headline Materiality is based on the prior year Gross Revenue Expenditure included in the Accounts.
<b>Performance materiality</b>	9,436,000	9,426,000	Performance Materiality is based on a percentage of the overall materiality.
<b>Trivial matters</b>	629,000	628,000	Triviality is based on a percentage of the overall materiality.

## 2. Significant audit risks

### Risks identified in our Audit Plan

#### Covid-19

The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;

Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation

Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation, and the reliability of evidence we can obtain to corroborate management estimates

For instruments classified as fair value through profit and loss there may be a need to review the Level 1-3 classification of the instruments if trading may have reduced to such an extent that quoted prices are not readily and regularly available and therefore do not represent actual and regularly occurring market transactions.

Whilst the nature of the Fund and its funding position (i.e. not in a winding up position or no cessation event) means the going concern basis of preparation remains appropriate management may need to consider whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and

Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.

We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.

### Auditor commentary

We have undertaken the following work in respect of this risk:

- Worked with management to understand the implications the response to the Covid-19 pandemic has on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications on our audit approach.
- Liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arose.
- Evaluated the adequacy of the disclosures in the financial statements in light of the Covid-19 pandemic, including management's assessment of the impact of Covid-19 on forecast cashflows.
- Evaluated whether sufficient audit evidence using alternative approaches could be obtained for the purposes of our audit whilst working remotely.
- Evaluated whether sufficient audit evidence could be obtained to corroborate management's fair value hierarchy disclosures.
- Evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as Level 3 asset valuations, including direct property.
- Discussed with management any potential implications for our audit report if we have been unable to obtain sufficient audit evidence.

From the work performed to date, we have identified that there is a material uncertainty attached to the valuation of the Council's Illiquid Assets, due to the inherent uncertainty over the asset valuations at 31 March 2020. This has been reflected within the Accounts in Note 5, and will be reflected within our Audit Opinion as an Emphasis of Matter Paragraph, which is not a qualification.

Should any further issues be identified from our remaining testing, then we will provide an update to Management and Committee.

## 2. Significant audit risks

### Risks identified in our Audit Plan

#### Improper revenue recognition

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including the London Borough of Croydon, mean that all forms of fraud are seen as unacceptable

Therefore we do not consider this to be a significant risk for the London Borough of Croydon Pension Fund.

#### Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.

### Auditor commentary

We have undertaken the following work in respect of this risk:

- reviewed and tested the Pension Fund's revenue recognition policies; and
- performed testing on material revenue streams

Our audit work has not identified any significant issues in relation to the risk identified.

We have undertaken the following work in respect of this risk:

- evaluated the design effectiveness of management controls over journals.
- analysed the journals listing and determined the criteria for selecting high risk unusual journals.
- tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration.
- gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence.
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Our audit work has not identified any significant issues in relation to the risk identified.

## 2. Significant audit risks

### Risks identified in our Audit Plan

#### Valuation of Level 3 Investments

The Fund revalues its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.

By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (£438 million) and the sensitivity of this estimate to changes in key assumptions

Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.

Management utilise the services of investment managers and/or custodians as valuation experts to estimate the fair value as at 31 March 2020.

We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement.

### Auditor commentary

We have undertaken the following work in respect of this risk:

- evaluated management's processes for valuing Level 3 investments
- reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met
- independently requested year-end confirmations from investment managers and/or custodian(s)
- for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciled those values to the values at 31 March 2020 with reference to known movements in the intervening period and
- in the absence of available audited accounts, we have evaluated the competence, capabilities and objectivity of the valuation expert
- where available, we have reviewed the investment manager service auditor report on design effectiveness of internal controls.

From the work performed to date, as mentioned earlier we have identified that there is a material uncertainty attached to the valuation of the Fund's Illiquid Assets, due to the inherent uncertainty over the asset valuations at 31 March 2020. This has been reflected within the Accounts in Note 5, and will be reflected within our Audit Opinion as an Emphasis of Matter Paragraph, which is not a qualification.

Should any further issues be identified from our remaining testing, then we will provide an update to Management and Committee.



#### Transfer of Properties from the Council to the Pension Fund

During the course of the year, the Council will have transferred senior head leases for 346 houses into the Pension Fund. These lease arrangements are in effect directing rental streams for a further 40-year period into the Council's Pension Fund, with the leases expiring between 2057 and 2059. As a result of this arrangement, the Council is seeking a reduced contribution rate which would be set by the Council's Actuary, Hymans Robertson LLP.





During the course of our work in this area, we identified that this transaction had not taken place during the course of the 2019/20 or the 2020/21 financial year. On the 25<sup>th</sup> May 2021 the proposed approach was formally withdrawn by the Pensions Committee and therefore there is no impact on the 2019/20 Statement of Accounts.



## 2. Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
<b>Level 3 investments</b>	<p>The Pension Fund has investments in Pooled Property Investments, Private Equity and Infrastructure Funds that in total are valued on the Net Asset Statement as at 31 March 2020 at <b>£459 million</b>.</p> <p>These investments are not traded on an open exchange/market and the valuation of these investments is highly subjective due to a lack of observable inputs. In order to determine the values, management rely on the valuation provided by the Fund Manager, which are usually based on an audited value of the fund as at 31 December 2019, with the valuation then rolled forward to March 2020, considering any cash movements which have taken place in the intervening period. These are new investments for the Fund in 2019-20.</p>	<ul style="list-style-type: none"> <li>Based on the work performed to date, we have been able to obtain sufficient assurance over the Level 3 valuations included within the Accounts.</li> <li>However, within this work we have identified that there is a material uncertainty attached to the valuation of the Council's Level 3 Investments, due to the inherent uncertainty over the asset valuations at 31 March 2020. This has been reflected within the Accounts in Note 5, and will be reflected within our Audit Opinion as an Emphasis of Matter Paragraph, which is not a qualification.</li> <li>We have, on a sample basis, reviewed the basis on which the valuation of the Funds/Investments has been prepared, and where appropriate, considered the Audited Accounts of the Funds/Investments as well. To date, no issues have been identified from the work performed in this area.</li> </ul>	 <b>Green</b>
<b>Level 2 investments</b>	<p>The Pension Fund have investments in Fixed Interest Funds and Pooled Global Equities Funds that in total are valued on the Net Asset Statement as at 31 March 2020 at <b>£715 million</b>.</p> <p>Whilst these investments themselves are not actively traded on an open market, the underlying investments are and the valuations of these investments will be based on the value of these underlying investments at 31 March 2020, or the closest trade date to year end.</p> <p>The valuation of these investments has decreased by <b>£83 million</b> from their value at 31 March 2019 (<b>£798 million</b>), which is largely down to a change in the Fund's investment focus in this period during the course of the year.</p>	<ul style="list-style-type: none"> <li>Based on the work performed to date, we have been able to obtain sufficient assurance over the Level 2 valuations included within the Accounts.</li> <li>We have undertaken full triangulation of the closing valuations provided by the relevant Fund Managers to the values provided by the Fund's Custodian, and considered any significant variances identified from this work. No issues have been identified from the work performed in this area.</li> </ul>	 <b>Green</b>

### Assessment

-  - **Red** - We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  - **Amber** - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
-  - **Yellow** - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
-  - **Green** - We consider management's process and key assumptions to be reasonable

## 2. Other matters for communication

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Auditor commentary
<b>Matters in relation to fraud</b>	We have previously discussed the risk of fraud with the General Purposes and Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
<b>Matters in relation to related parties</b>	We are not aware of any related parties or related party transactions which have not been disclosed.
<b>Matters in relation to laws and regulations</b>	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
<b>Written representations</b>	A letter of representation has been requested from the Pension Fund which is included in the General Purposes and Audit Committee papers.
<b>Confirmation requests from third parties</b>	We requested from management permission to send confirmation requests to all of the Pension Fund's counter parties. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation. We requested management to send letters to those solicitors who worked with the Pension Fund during the year. All responses have been received and no issues have been identified.
<b>Disclosures</b>	Our review identified a small number of disclosures which required amendment or expansion, and management agreed to amend all of the items identified. Further detail is provided within the Misclassifications and disclosure changes page, which is included later in the Report.
<b>Audit evidence and explanations/significant difficulties</b>	The Pension Fund produced a good set of Accounts and working papers in line with the agreed timeframes, and responded promptly to the queries raised during the course of the audit despite the challenges of remote working. The small number of amendments identified in this Report reflect the quality of the draft Accounts prepared by management.
<b>Matters on which we report by exception</b>	We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. Due to the delays in the completion of our work on the Accounts we have not yet completed our work on the Annual Report. We have therefore not given this separate opinion at this time and are unable to certify completion of the audit of the administering authority until this work has been completed.

### 3. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C.

#### **Audit and Non-audit services**

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. No non-audit services were identified which were charged from the beginning of the financial year to 24 August 2021.

# Follow up of prior year recommendation

We identified the following issue in the audit of the London Borough of Croydon Pension Fund's 2017/18 financial statements, which resulted in one recommendation being reported in our 2017/18 Audit Findings Report, which we considered further in 2018/19 and noted that the issue had not yet been resolved. We have since followed up further on the implementation of our recommendation and note that this area has now been resolved.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p><b>Statutory Notifications for New Members</b></p> <p>In the previous year we identified from our controls testing that the statutory notifications of joining the scheme had been sent to two new starters who joined the scheme in April and September 2017 respectively.</p> <p>The reason that the notifications were not sent were because the individuals in question were employed via external payrolls and the payroll providers in question had not notified the Council that they had joined the scheme.</p>	<p>From the Member Data Testing performed in 2018/19, we identified another two starters for whom we were able to confirm that they were valid starters but had not had the appropriate notification sent out to them upon joining the Scheme. Thus, this recommendation was rolled forward to the 2019/20 Accounts Audit.</p> <p>From the testing performed in 2019/20 we tested a sample of starters of new members and agreed back to supporting evidence to confirm that the individual subject to testing had joined the pension scheme in the financial year. We have not identified any instances of statutory notifications not being sent to the individual joining the scheme from testing performed and are therefore satisfied the control weaknesses previously identified has been resolved within the 2019/20 financial year.</p>

## Assessment

- ✓ Action completed
- X Not yet addressed

# Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted and unadjusted misstatements

No adjusted or unadjusted misstatements have been identified from the work performed during the course of the audit.

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements

Disclosure omission	Value (£000)	Impact on the Accounts	Adjusted?
<b>Note 15 – Fair Value Hierarchy</b>	31,803	The initial disclosure of Level 3 Investments excluded the Fund's Investment in Infrastructure Funds, which were new in 2019-20. These investments have subsequently been included in the disclosures in the revised Accounts.	✓
<b>Various Notes</b>	Various	A number of minor presentational and disclosure amendments have been made to the Accounts to enhance the transparency of the disclosures within the Accounts.	✓

# Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

<b>Audit fees</b>	<b>Proposed fee</b>	<b>Final fee</b>
Pension Fund	25,000	TBC
<b>Total audit fees (excluding VAT)</b>	<b>£25,000</b>	<b>TBC</b>

The fees reconcile to the financial statements.

No non-audit or audited related services have been undertaken for the Pension Fund.

# Audit Opinion

We anticipate we will provide the Pension Fund with an unqualified audit opinion with an Emphasis of Matter Paragraph

## Independent auditor's report to the members of the London Borough of Croydon on the pension fund financial statements of the London Borough of Croydon Pension Fund

### Opinion

We have audited the financial statements of the London Borough of Croydon Pension Fund (the 'pension fund') administered by the London Borough of Croydon (the 'Authority') for the year ended 31 March 2020 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2020 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### The impact of macro-economic uncertainties on our audit

Our audit of the pension fund financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Interim Director of Finance, Investment and Risk and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties. However, no audit should be expected to predict the unknowable factors or all possible future implications for a fund associated with these particular events.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Interim Director of Finance, Investment and Risk's use of the going concern basis of accounting in the preparation of the pension fund's financial statements is not appropriate; or
- the Interim Director of Finance, Investment and Risk has not disclosed in the pension fund's financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for the pension fund for a period of at least twelve months from the date when the pension fund's financial statements are authorised for issue.

In our evaluation of the Interim Director of Finance, Investment and Risk's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the pension fund financial statements shall be prepared on a going concern basis, we considered the risks associated with the fund's operating model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the fund's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the fund will continue in operation.

### Emphasis of Matter - effects of Covid-19 on the valuation of property investments

We draw attention to Note 5 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the pension fund's property investments as at 31 March 2020. As, disclosed in Note 5 to the financial statements, the ongoing impact of the COVID-19 pandemic has created even greater uncertainty in establishing the asset values

# Audit Opinion

**We anticipate we will provide the Pension Fund with an unqualified audit opinion with an Emphasis of Matter Paragraph**

of illiquid assets. It should be noted that at the reporting date 36.5% of the Fund's assets are illiquid. Our opinion is not modified in respect of this matter.

## Other information

The Interim Director of Finance, Investment and Risk is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report, the Annual Governance Statement and the Annual Report, other than the pension fund's financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our Report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the pension fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund's financial statements or our knowledge of the pension fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund's financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the pension fund's financial statements and our knowledge of the pension fund the other information published together with the pension fund's financial statements in the Statement of Accounts, the Narrative Report, the Annual Governance Statement and the Annual Report for the financial year for which the financial statements are prepared is consistent with the pension fund's financial statements.

## Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

## Responsibilities of the Authority, the Interim Director of Finance, Investment and Risk and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 11, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Interim Director of Finance, Investment and Risk. The Interim Director of Finance, Investment and Risk is responsible for the preparation of the Statement of Accounts, which includes the pension fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Interim Director of Finance, Investment and Risk determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund's financial statements, the Interim Director of Finance, Investment and Risk is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the pension fund will no longer be provided.

The General Purposes and Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting



# Audit Opinion

We anticipate we will provide the Pension Fund with an unqualified audit opinion with an Emphasis of Matter Paragraph

process.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the pension fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Sarah Ironmonger, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor  
London  
[Date]



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<b>REPORT TO:</b>	<b>Pension Board</b> <b>17 January 2024</b>
<b>SUBJECT:</b>	<b>Croydon Training Activity and Plan 2024/25</b>
<b>LEAD OFFICER:</b>	<b>Matthew Hallett, Acting Head of Pensions and Treasury</b>
<p><b>1. RECOMMENDATION</b></p> <p>1.1 The Board is asked to review the Aon paper titled ‘Croydon Training Activity and Plan’ and provide comment on the recommended actions as summarised on page 8 of the paper and specifically on the draft Training Plan for 2024/25 included as Appendix B to the paper.</p>	

## **2. EXECUTIVE SUMMARY**

- 2.1 This report asks the Board to comment on the proposed joint Pension Committee and Pension Board training plan for 2024/25 which is included as Appendix B to the paper prepared by Aon titled ‘Croydon Training Activity and Plan’. After consideration of comments raised by the Board, the joint training plan will then be presented to Pension Committee for agreement.

## **3 DETAIL**

- 3.1 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.
- 3.2 Following the introduction of Markets in Financial Instruments Directive (MiFID II) in January 2018, in order to be treated as a professional client (rather than a retail investor) a Fund, as a collective, must be able to demonstrate sufficient expertise, experience and knowledge to satisfy financial institutions that it is capable of making investment decisions and understanding the nature of potential risks by ensuring that levels of expertise, experience and knowledge are maintained to satisfy the MiFID II requirements.
- 3.3 All officers and Pension Committee Members charged with management operations and decision-making with regard to the Fund must be fully equipped

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

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

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

3.5 Working closely with Officers the Fund's governance advisers Aon have produced a paper for consideration by the Pension Board with view to agreeing a joint training plan for Pension Board and Pension Committee for 2024/25. The paper is attached as Appendix 1 to this report and includes reference to the National Knowledge assessment report 2022 carried out by Hymans (attached as Appendix A) and a draft Training Plan (attached as Appendix B).

3.6 Feedback from Committee members and the Board Chair have been incorporated into the draft plan.

#### **4. CONSULTATION**

4.1 Fund Officers have worked closely with our governance advisors Aon to create the draft training plan for 2024/25. Ongoing development of training events and a 3 year training plan is taking place and Fund Officers, Aon and Hymans are working together to further develop the application of the Hymans on-line platform to make it more targeted to individual user knowledge and requirements.

#### **5. DATA PROTECTION IMPLICATIONS**

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

No.

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

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

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

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**CONTACT OFFICER:**

Matthew Hallett, Acting Head of Pensions and Treasury

**BACKGROUND DOCUMENTS:**

None

**APPENDICES:**

Appendix 1: Aon paper titled 'Croydon Training Activity and Plan'.

Appendix A: National Knowledge Assessment Report 2022

Appendix B: Draft Training Plan 2024/25

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# Croydon Training Activity and Plan

Local Pension Board paper 17 January 2024

This paper sets out analysis undertaken by Aon relating to the training requirements for the London Borough of Croydon's Pension Fund ("the Fund") for 2024/25 and highlights observations from the recent Pension Committee meeting in December 2023.

## At a glance...

Fund Officers asked Aon to review the results of the National Knowledge Assessment provided to the Fund in December 2022, and to consider relevant hot topics and emerging areas of training required and to suggest updates for your Fund training plan in 2024/25. This paper sets out our views on these areas, puts forward several recommendations and sets out a draft Training Plan for 2024/25 for consideration.

Aon has also reflected on the comments shared by Pension Committee members on this subject at the Pension Committee meeting held 12 December 2023. The Fund's Local Pension Board is asked to consider the information set out in this paper.

## Introduction

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Knowledge and Skills Framework 2021 states that "Governance can be defined as a combination of the process of decision making, the means by which strategies and policies are decided, how those are implemented and delivered, and continuously monitoring the outcomes, including understanding the inherent risks." The importance of training and appropriate knowledge and skills for Pension Boards, Pensions Committees and Senior LGPS Officers to ensure that governance is effective is becoming increasingly evident as seen in the recommendations of the Scheme Advisory Board's (SAB) Good Governance Review (2021) as well as reference to Training / Knowledge and Skills Policies in the recent Department of Levelling Up, Housing and Communities (DLUHC) LGPS Pooling Consultation (which closed October 2023).

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Appendix A – National Knowledge Assessment Report 2022	9
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## Why bring you this paper?

This paper sets out Aon's analysis of training requirements for the Fund and sets out a number of recommendations in this area as well as a draft Training Plan for 2024/25 for consideration.

## Next steps

The Board is asked to:

- Consider the areas raised in this paper, and
- Identify any further areas that should be added to the draft Training Plan for 2024/25.

Prepared for: Local Pension Board, LB of Croydon Pension Fund  
Prepared by: Mary Lambe, Catherine Pearce and Kemba Cupid-Walker, Aon  
Date: 8 January 2024

There are a number of strands to managing and delivering training for all LGPS Funds. The CIPFA Knowledge and Skills Framework 2021 refers to “the need to have in place **formal and comprehensive objectives, policies and practices, strategies and reporting arrangements to effectively acquire and retain LGPS knowledge and skills** for those in the administering authority responsible for management and decision making”.

Aon was asked to consider the training needs of the Fund’s Pension Committee, Pension Board and Senior Officers for 2024 with specific requirements to consider:

- Review the findings of the National Knowledge Assessment (report dated December 2022) which the Fund took part in during 2022. (See appendix A provided as a separate document).
- Consider relevant hot topics and emerging areas of training required and to suggest updates for your Fund training plan in 2024/25.
- Consider how training is undertaken and in particular the engagement with the Fund’s online platform, LOLA.

In addition, a discussion took place at the Pension Committee’s last meeting on 12 December 2023 about training and Aon has provided some observations relating to the areas raised in the paper below.

There are a number of recommendations which Aon suggests the Board and Officers consider in order to progress this area further.



# Training activity analysis

The section details Aon's assessment of the Fund's training activity.

## National Knowledge Assessment

We were asked to review the findings of the LGPS National Knowledge Assessment which the Fund took part in during 2022 to identify any training requirements which emerged from the findings. The Fund was one of 16 LGPS funds which took part in the exercise, where the responses of Board and Committee members determine a score for the Fund against the CIPFA eight core technical areas. These areas include:

- pensions legislation and guidance
- pensions governance
- funding strategy and actuarial methods
- pensions administration and communications
- pensions financial strategy, management, accounting, reporting and audit standards
- investment strategy, asset allocation, pooling, performance and risk management
- financial markets and products
- pension services procurement, contract management and relationship management.

We have summarised the findings of the 2022 report below. We suggest that any areas scoring below 50% for either the Board or the Committee are included as part of the 2024/25 Training Plan to ensure they are addressed. We also suggest that any areas where the Board or the Committee is below the average level of knowledge are also included as part of the 2024/25 Training Plan.

In the table below it sets out in red areas below 50% and in amber areas that are below average. These are the areas we suggest form part of the 2024/25 Training Plan.

### Croydon Fund's National Knowledge Assessment Findings 2022

	Board	Average Board
Pensions Accounting and Audit Standards	36%	43%
Investment Performance and Risk Management	39%	51%
Pensions Governance	61%	73%

## What is the National Knowledge Assessment?



The LGPS National Knowledge Assessment is a report provided by Hymans Robertson to provide insight into the knowledge and skills of the Fund's Committee and Board and give the Fund a 'sense check' of its position against other participating funds.

In 2022 the Fund took part alongside 15 other Funds and the findings were reported in December 2022.

	Board	Average Board
Actuarial Methods, Standards and Practices	61%	70%
Procurement and Relationship Management	61%	56%
Financial Markets and Product Knowledge	64%	58%
Committee Role and Pensions Legislation	64%	64%
Pensions Administration	67%	64%

Source: National Knowledge Assessment Report December 2022

	Committee	Average Committee
Pensions Accounting and Audit Standards	24%	33%
Pensions Administration	29%	49%
Procurement and Relationship Management	30%	50%
Investment Performance and Risk Management	39%	46%
Committee Role and Pensions Legislation	41%	48%
Financial Markets and Product Knowledge	45%	61%
Actuarial Methods, Standards and Practices	47%	57%
Pensions Governance	58%	62%

Source: National Knowledge Assessment Report December 2022

### Recommended action

That the Fund ensures all current Committee Members, Reserve Committee Members and Board Members obtain training in areas highlighted as red and amber above, through the LOLA Online Training Platform.

## Hot topics 2024/25

In the draft Training Plan at **Appendix B** we set out a number of areas including:

1. Equality, Diversity and Inclusion
2. Conflict of Interest the Fund wide Policy has been approved)

3. LGPS Pooling update (covering implications from the recent LGPS Pooling consultation response)
4. TCFD/Carbon Foot printing
5. Cost Management Process
6. Pensions Dashboards

In addition to the above, given the areas that we expect to emerge or develop over 2024, we also suggest including:

7. TPR General Code requirements (suggest as a minimum the Board and Committee are provided with a training session to explain new areas of the Code and how the Fund will assess and demonstrate compliance)
8. Business Planning (noting Good Governance/TPR requirements)
9. Scams/Fraud

### Recommended action

Incorporate areas listed above in 2024/25 Training Plan.

## Delivery of training

Training can be delivered in a number of ways. The main ways for the Fund include internally in advance of Board and Committee meetings; training from Advisors, London CIV, and fund managers; and through the Online Training Platform (LOLA) as well as external events. We set out more on these final two areas below.

### Online Training Platform

In December 2023's update to the Committee on training it was confirmed that only 1 Committee member and no Reserve Committee members have completed or started the modules on the on-line training platform (LOLA). 3 of the 6 Board members had started or completed training to 30 December 2023. Login details were re-sent by Hymans and reminder emails were sent by officers to all members encouraging engagement.

Aon suggests the Fund consider alternative ways of supporting Members with the learning platform. For example, bringing the Committee and Board members who need to complete modules together (in person) to run a session (potentially 1/2 day) with the aim to improve the completion rate and improve knowledge and skills. We understand LOLA is likely to be updated ahead of April 2024 so perhaps setting a date after April 2024 for this session to ensure you are using the latest release on the platform would be best. Officers and Aon are currently working together to review how LOLA can be used in a more targeted way to better relate to the individual needs and knowledge levels of members.

### Recommended action

To bring the Committee and Board members who need to complete LOLA modules together (in person) to run a session (potentially 1/2 day after April 2024) with the aim to improve online training completion rate and improve knowledge and skills.

### External events

The Fund does share details of external events (training and conferences) with Committee and Board members. We have added these to the Training Plan in **Appendix B**. Members are regularly made aware that they need to notify Fund Officers of all training they have undertaken.

Members are made aware via the training plan, reports and email updates of which training events are compulsory and which events are optional for them, to attend.

### Recommended action

Members to ensure Fund officers are notified of any training they undertake in order for it to be added to the Fund training log.

## Induction Training

It is important that Democratic Services keep Fund Officers advised of new appointments to the Committee in order that Fund induction training can be provided as soon as possible.

### Recommended action.

Fund Officers to liaise with Democratic Services to ensure early notification of changes to membership of the Committee.

## Knowledge and Skills Policy

The latest Knowledge and Skills Policy was approved by the Committee in 2020 (with a 2022 update to reflect CIPFA's latest Framework and Code). Aon has reviewed the document and made some suggested changes for Officers to consider at the next review.

### Recommended action

Consider updating this Policy for review by the Board and then approval by the Committee in due course.

# December 2023 Pension Committee discussion

At the December 2023 Committee meeting there were a number of items raised by Committee members.

## Areas covered

Discussion regarding training activity took place including:

- A request for greater clarity on how information on external training is recorded and who should receive updates. Officers confirmed they provide this information regularly at Committee and Board meetings and via reports.
- The Online Training Platform (LOLA) viewed as less relevant by some Members who feel they have sufficient induction type training and LOLA viewed as difficult to access for those with less proficient IT skills. Officers are currently working with Aon and Hymans to take this forward.
- Concern over 'blanket approach' and keen to explore mapping exercise to ensure existing knowledge noted. Training Needs Analysis exercise suggested (mentioned individual conversations and scheduling training around those requirements).
- Discussed notice given and challenges of juggling training with other commitments. Officers have confirmed they always endeavour to give members as much notice as possible of upcoming training events. On occasion events may arise at short notice; Officers will try to offer these events to members if they are of benefit but recognising prior planned commitments may prevent take up of these opportunities.

## Recommended action

Consider these items as part of training related activity in 2024/25 but recognise that some of these are member actions.

# Recommended actions

Summary of the actions set out above.

## Summary of actions

Area	Recommendation
<b>Bring core technical areas knowledge up to date for all Members</b>	That the Fund ensures all current Committee Members, Reserve Committee Members and Board Members obtain training in areas highlighted as red and amber from National Knowledge Assessment, through the LOLA Online Training Platform,
<b>Training Plan</b>	Agree 2024/25 Training Plan.
<b>Online Training Platform (LOLA)</b>	To bring the Committee and Board members who need to complete LOLA modules together (in person) to run a session (potentially 1/2 day after April 2024) with the aim to improve online training completion rate and improve knowledge and skills.
<b>Induction Training</b>	Fund officers to remind Democratic Services for the need for early notification of changes to committee membership to allow Fund induction training to be provided as soon as possible.
<b>Knowledge and Skills Policy Update</b>	Consider updating this Policy for review by the Board and then approval by the Committee in due course.
<b>From Pensions Committee feedback</b>	<ul style="list-style-type: none"> <li>▪ Consider how to get the most engagement by Members with the <b>Online Training Platform (LOLA)</b>.</li> <li>▪ Concern over 'blanket approach' and keen to explore mapping exercise to ensure existing knowledge noted. <b>Training Needs Analysis exercise</b> suggested (mentioned individual conversations and scheduling training around those requirements).</li> </ul>

# Appendix A – National Knowledge Assessment Report 2022

Provided as a separate PDF document.

# Appendix B – Draft 2024 Training Plan

This appendix sets out a training plan covering internal training including hot topics and key areas for the Fund in 2024/25 as well as external events available to Committee and Board members. All Committee and Board members are expected to complete the Online Training Platform modules in LOLA too as part of the Fund’s Training Plan.

## Internal Training - Hot topics/awareness

Title of session	Training content	Suggested date	Audience	Additional comments
<b>Conflict of Interest Training</b>	Cover the requirements of the recently approved Fund wide Conflict of Interest Policy	19 March 2024 – ahead of Pension Committee meeting (all Board members to be invited)	Committee, Board, Senior Officers	This session needs to take place to ensure everyone is aware of their responsibilities relating to Conflict of Interest
<b>Equality, Diversity and Inclusion</b>	Cover requirements of new TPR guidance in this area (March 2023) and expected aspects of new TPR Code	11 April 2024 – ahead of Pension Board meeting (all Committee members to be invited)	Committee, Board, Senior Officers	
<b>New TPR General Code (expected January 2024)</b>	Consider the requirements of the new Code and what actions are needed to assess and demonstrate compliance	May 2024 –stand alone session date to be confirmed	Committee, Board, Senior Officers	Aon will be offering a free webinar to give an overview of new Code but we suggest the Board in particular have a more in depth consideration of the



				requirements (and sit alongside the LOLA updates in this area).
<b>All outstanding LOLA Online Training modules</b>	Hold a ½ day in person session for all those who haven't completed LOLA sessions to do so	TBC – Suggest after April 2024	Committee and Board	Would need own laptop / device to run through their account to ensure credit awarded but suggested training is lead
<b>LGPS Pooling</b>	Looking at changes emerging from the recent consultation due to take effect in 2025	June 2024 – ahead of Pension Committee meeting (all Board members to be invited)	Committee, Board, Senior Officers	This may need to link in with London CIV
<b>Pensions Dashboards</b>	Consider requirements of Dashboards and work required ahead of implementation in 2025	July 2024 – ahead of Pension Board meeting (all Committee members to be invited)	Committee, Board, Senior Officers	
<b>Task Force on Climate-related Financial Disclosures / Carbon Foot printing</b>	Expecting LGPS requirements to come into force in 2024	September 2024 – ahead of Pension Committee meeting (all Board members to be invited)	Committee, Board, Senior Officers	
<b>Cost Management Process Update</b>	Request for update on this process for the Board	October 2024 – ahead of Pension Board meeting (all Committee members to be invited)	Committee, Board, Senior Officers	
<b>Business Planning</b>	Ensuring clear understanding of TPR Code and Good Governance requirements	December 2025 – ahead of Pension Committee meeting (all Board members to be invited)	Committee, Board, Senior Officers	

<b>Scams/Fraud</b>	Ensuring clear understanding of requirements in this area	January 2025 – ahead of Pension Board meeting (all Committee members to be invited)	Committee, Board, Senior Officers	
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**Please note that other training items which have not been fully set out above will be provided in addition to the above as required particularly relating to Investment and Funding matters**



**External events**

<b>Title of event</b>	<b>Overview of expected content</b>	<b>Expected Date</b>	<b>Audience</b>	<b>Additional comments</b>
<b>LGA Annual Governance Conference (York and virtual)</b>	See <a href="https://lgpslibrary.org">LGPS Governance Conference 2024 Flyer (lgpslibrary.org)</a>	18-19 January 2024	Committee, Board and Senior Officers	
<b>Aon TPR General Code Webinar</b>	Details not yet available	Expected Spring 2024 (subject to new General Code being laid)	Committee, Board and Senior Officers	Overview of the new General Code
<b>LGC Investment Seminar (Carden Park)</b>	See <a href="https://lgcplus.com">LGC Investment Seminar 2024 (lgcplus.com)</a>	14-15 March 2024	Committee, Board and Senior Officers	
<b>PLSA Local Authority Conference (Gloucestershire)</b>	See <a href="#">Local Authority Conference   PLSA</a>	11-13 June 2024	Committee, Board and Senior Officers	
<b>CIPFA Board event</b>	Details not yet available	Normally May	Board members	Networking and engagement event on hot topics for Board members
<b>LGC Investment Autumn (Leeds)</b>	Details not yet available	Normally September	Committee, Board and Senior Officers	
<b>LGA Fundamentals training (London and virtual)</b>	Details not yet available - 3 day induction session	Normally October and November	Committee, Board and Senior Officers	Recommended for new joiners or those needing refresher training

**Please note that other external events will take place and be added as they become known to Fund Officers.**



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Training Plan

<b>REPORT TO:</b>	<b>Pension Board 17 January 2024</b>
<b>SUBJECT:</b>	<b>Review of Board Training</b>
<b>LEAD OFFICER:</b>	<b>Matthew Hallett, Acting Head of Pensions and Treasury</b>
<p><b>1. RECOMMENDATION</b></p> <p>1.1 The Board is asked to note the contents of the Pension Board Training Log.</p>	

## **2 EXECUTIVE SUMMARY**

- 2.1 This report advises the Board of training undertaken by the Pension Board members in Year 2023/24 up to 31 December 2023 and asks them to note the contents of the Logs in Appendix A and B attached to this report.

## **3 DETAIL**

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

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

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

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

3.5 This report provides the Board with a summary of the training undertaken by them in Year 2023/24 up to 31 December 2023 (attached as Appendix A and Appendix B).

3.6 Since the last report in October 2023 additional training has been undertaken by Board members on Cyber security, LGE Fundamentals, and the PLSA LA Forum.

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

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

3.9 The Board is asked to note the contents of this report.

#### **4. DATA PROTECTION IMPLICATIONS**

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

No.

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

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

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

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**CONTACT OFFICER:**

Matthew Hallett, Acting Head of Pensions and Treasury

**BACKGROUND DOCUMENTS:**

None

**APPENDICES:**

Appendix A: Training Log

Appendix B: Log for Completion of Hymans on- line training

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	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 + 23/11/2023	05/12/2023	11 + 19/12/2023	12/12/2023	14/12/2023
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	7.00	7.00	1.00	5.00	
Category	I	I	M	G	M	M	G	I	M	M	M	M	M	M	I	M	
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	Fundamentals Day 3 - in Person	Fundamentals Day 3 - On Line	Investment Training	PLSA LA Forum	
Board Cllr Margaret Bird	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	
Board Mike Ellsmore	0	1	0	1	0	0	1	0	0	0	1	0	0	0	0	0	
Board Richard Elliott	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	
Board Teresa Fritz	0	0	1	0	0	0	1	0	0	0	0	0	0	0	0	1	
Board Ava Payne	0	0	0	0	0	0	1	0	1	0	0	1	0	1	0	0	
Board David Whickman	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	
Board Vacant	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Sessions Completed	I	I	M	G	M	M	G	I	M	M	M	M	M	M	I	M	
Board	0	1	1	1	0	0	6	0	1	0	1	1	0	1	0	1	
Hours Completed	I	I	M	G	M	M	G	I	M	M	M	M	M	M	I	M	
Board	0	1.5	14	2	0	0	6	0	7	0	3.5	7	0	7	0	5	
Possible Attendance	I	I	M	G	M	M	G	I	M	M	M	M	M	M	I	M	
Board	0	6	1	1	3	0	6	0	3	3	1	3	3	3	6	6	
% of Possible Completed	I	I	M	G	M	M	G	I	M	M	M	M	M	M	I	M	
Board	#DIV/0!	17	100	100	0	#DIV/0!	100	#DIV/0!	33	0	100	33	0	33	0	17	
Total Sessions Comp	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	
Board	0	0	1	1	0	0	1	1	2	1	1	4	0	0	100	25	
Board	1	1	2	4	1.5	3.5	3	8	2	5	2	9	50	20	100	44	
Board	0	0	1	1	0	0	1	1	2	4	1	7	0	0	100	14	
Board	0	2	1	3	0	19	1	20	2	2	1	5	0	100	100	60	
Board	0	3	1	4	0	21	1	22	2	4	1	7	0	75	100	57	
Board	0	0	1	1	0	0	1	1	2	2	1	5	0	0	100	20	
Board	0	0	0	0	0	0	0	0	0	0	0	0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	
Total I	Total M	Total G	Total I	Total M	Total G	Total I	Total M	Total G	Total I	Total M	Total G	Total I	Total M	Total G	Total I	Total M	
Board	1	6	7	1.5	43.5	8	12	26	7	8	23	100	8	23	100		

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Modules Not Started

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

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

Pension Board	<b>Richard Elliott</b>	Module 7 - Financial Markets and Product Knowledge	<b>Enrolled</b>
Pension Board	<b>Richard Elliott</b>	Module 8 - Actuarial methods, Standards and Practices	<b>Enrolled</b>

**Modules Not Started Totals**

Status	Ful Name	LGPS Role	Total Possible	Total possible	% Not Started
Not Started	Ava Payne	Pension Board	8	8	100
Not Started	Davis Whickman	Pension Board	8	8	100
Not Started	Margaret Bird	Pension Board	7	8	88
Not Started	Richard Elliott	Pension Board	8	8	100

**Modules In Progress**

<b>LGPS Role</b>	<b>Fullname</b>	<b>Course Name</b>	<b>Course Enrolment Status</b>
Pension Board	<b>Margaret Bird</b>	Module 7 - Financial Markets and Product Knowledge	<b>In Progress</b>
Pension Board	<b>Teresa Fritz</b>	Module 3 - Pensions Administration	<b>In Progress</b>

**Modules In Progress Totals**

<b>Status</b>	<b>Ful Name</b>	<b>LGPS Role</b>	<b>Total In Progress</b>	<b>Total possible</b>	<b>% In Progress</b>
In Progress	Margaret Bird	Pension Board	1	8	13
In Progress	Teresa Fritz	Pension Board	1	8	13

**Modules Completed**

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

Pension Board	<b>Teresa Fritz</b>	Module 8 - Actuarial methods, Standards and Practices	<b>Completed</b>
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**Modules Completed Totals**

<b>Status</b>	<b>Ful Name</b>	<b>LGPS Role</b>	<b>Total Completed</b>	<b>Total possible</b>	<b>% Completed</b>
Completed	Mike Ellsmore	Pension Board	8	8	100
Completed	Teresa Fritz	Pension Board	7	8	88



<b>REPORT TO:</b>	<b>Pension Board</b> <b>17 January 2024</b>
<b>SUBJECT:</b>	<b>Local Government Pension Scheme Advisory Board / The Pensions Regulator Update</b>
<b>LEAD OFFICER:</b>	<b>Matthew Hallett – Acting Head of Pensions and Treasury</b>

## 1. RECOMMENDATION

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

## 2. EXECUTIVE SUMMARY

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

## 3. DETAIL

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

#### Statement on surpluses

On 20 December 2023 the Board issued a [full statement](#) on the topic of fund surpluses.

#### **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.

### **Publication of the 2022 Scheme Valuation Report**

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

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

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

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

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

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

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

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

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

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

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

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

- Part-time working patterns are closely related to gender pension (and pay) gaps for LGPS members. Controlling for differences between men and women in terms of both current and historic part-time working patterns reduces, but does not eliminate, these gender gaps. Possible explanatory factors include length of service and employer differences.
- Pay and pension gender gaps can be attributed to both differences for males and females working for the same employer ('within employer') and differences in the proportions of males and females working at higher or lower paying employers ('between employer') as well as between different categories of employers.

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

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

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

If you are interested in taking part in the working group, then please [contact the SAB Secretariat](#) directly.

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

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

### **Publication of the tenth Scheme Annual Report**

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

### **Climate risk reporting**

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

On 23 May 2023 the Board advised that [TPR have published a review](#) of climate-related disclosures by occupational pension schemes. The paper sets out TPR’s preliminary

observations and feedback to industry, based on their review of a selection of climate-related disclosures published by occupational pension schemes. The review relates to private pension schemes but contains observations which may be useful for LGPS funds ahead of the implementation of climate risk (TCFD) reporting in the LGPS – which is now expected to commence from 1 April 2024, with first reports due in late 2025.

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

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

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

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

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

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

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

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

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

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

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

### **2021/22 Annual Reports and Audit issues within the LGPS**

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

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

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

*Hopefully, this will now prevent the issue of pension valuations adding further to the delays in finalising accounts.*

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

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

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

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

On 23 May 2023 the Board issued the following statement:

*DLUHC has issued the final regulations and published its response to the consultation on reforming the SAB's own parallel process for reviewing scheme cost. This is the process set out in Regulation 116 of the 2013 Regulations, which runs during the HM Treasury-led quadrennial scheme valuation process. The changes take into account SAB's response to the consultation and better align the SCA with HMT's reformed cost control mechanism (CCM).*

*It helpfully re-iterates that the SAB process operates prior to the HMT CCM and gives the SAB greater flexibility in the making of recommendations to the Secretary of State where there is a breach. However, it leaves open for further discussion the link with the new "economic check" in the CCM.*

On 6 March 2023 SAB submitted its response to DLUHC's consultation. The SAB scheme cost assessment is the part of the cost management process which operates independently of, and prior to, the HM Treasury directed cost management process. The response is generally supportive of the Department's approach as they have taken on board many of the points made by the Board on how best to re-align the SAB process



with the HM Treasury process, which was reformed last year. SAB hope that an opportunity will be found to make the necessary amendments to the 2013 LGPS Regulations ahead of the 2020 scheme valuation process being undertaken. The full response [can be found here](#).

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

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

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

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

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

### **Changes to pensions taxation**

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

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were made to the Money Purchase Annual Allowance and Tapered Annual Allowance. More detail can be found in [the Budget document](#) and [the Pension Tax Limits policy paper](#).

### **DLUHC consultation on changing the revaluation date**

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

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

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

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

## **3.2 The Pensions Regulator (TPR)**

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

### **Equality, Diversity and Inclusion**

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

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

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

### **Pensions Dashboards compliance and enforcement policy**

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

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

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

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

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

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

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

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

## **4. DATA PROTECTION IMPLICATIONS**

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

No.

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

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

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

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### **CONTACT OFFICER:**

Matthew Hallett – Acting Head of Pensions and Treasury.

### **BACKGROUND DOCUMENTS:**

None.

### **APPENDICES:**

None.



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