

APPENDIX A

LONDON BOROUGH OF CROYDON PENSION FUND

Pension Board Annual Report 2021/22

Introduction

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

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

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

Membership

The Board consists of 6 voting members, comprising 3 member representatives and 3 employer representatives, plus an independent Chair, making 7 members in all. During 2021/22 there was an “Employer Representative” vacancy with the other posts held by:

Chair

Michael Ellsmore

Employer Representatives

Richard Elliott

Councillor Humayun Kabir

Member Representatives

Teresa Fritz

Ava Payne (Union representative)

David Whickman (Union representative)

The Board is supported by the Corporate Director of Resources (s151 Officer) the Head of Pensions and Treasury and the Investment, Governance and Administration teams.

Activity during 2021/22

Whilst we were able to hold four meetings, some of the challenges of the previous year continued with no meetings held until 21 July 2021 and all of them conducted remotely. Whilst it was disappointing that the vacant employer representative position remained unfilled and the Council representative was rarely able to attend the meetings there were at least four members present at each of the meetings. Councillor Pelling, Chair of the Pension Committee, continued his support for the work of the Board by attending and contributing to most of the meetings as a guest.

At three of our meetings we received a report on the performance of the Administration Team and sought to be satisfied that the service was being delivered to a high standard. We were happy to acknowledge difficulties arising from the pandemic which were exacerbated by the large number of queries from staff as to the consequences of the Council's financial difficulties.

Nevertheless, we were pleased to see that performance in relation to the key "retirements" and "deaths" indicators and the issue of Annual Benefits Statements remained at a very high level. The Board expressed concern over shortcomings in the promotion of the self-service functions and were assured that they would be further promoted when functionality improvements had been made. The Board also considered a report detailing the results of the quality assessment of common and scheme-specific data undertaken during the year. Whilst some concerns were acknowledged officers were confident that pension payments were accurate.

At various times over the previous three years the Board and its members had raised concerns over the Council's and Committee's decision to transfer property from Croydon Affordable Homes and Croydon Affordable Tenures to the Pension Fund. At our meeting on 21 July 2021, we received a report and agreed to recommend to the Committee that they rescind this decision. We were pleased to note that this process was completed by the Council at its meeting on 7 March 2022.

At most of our meetings the Board received a report on the Fund's breaches of the law. We understand that The Pensions Regulator expects us to play a key oversight role but are also keen to emphasise the importance of the role of the Pension Committee as the key decision maker. At our meeting in October, in this context we expressed concern over:

- The failure to publish audited accounts for either of the years since 2018-19 due to wider problems at Croydon Council. – officers were requested to ask the auditors whether it was possible to publish the Fund accounts independently of the Council;
- The criteria for reporting breaches of the law to The Pensions Regulator; and
- The failure to produce minutes of the Board in a timely manner;

We resolved that I should seek to write a joint letter with the Chair of the Committee to The Pensions Regulator which outlined the administration breaches and the steps being taken to resolve them.

We allocated the whole of our meeting in November to review the progress made in implementing the action plan arising from the Aon Governance Review of the Fund. We were generally satisfied as to progress though we raised the following:

- That a shortage of staff resources remained an issue and officers were asked to consider more innovative solutions including employing staff from out of the area who would work remotely;
- Whether a Code of Conduct for Members and a new Officer Protocol was required;
- Whether it would be possible to include a 3-year term for councillors on the Committee to reduce turnover and ensure greater continuity;
- Whether the Committee met on a sufficient number of occasions;
- Whether it would be possible to receive copies of London CIV reports;
- That the Committee consider creating a Head of Pension Fund post which would focus on the Fund with no other Council responsibilities;
- That an employer representative be invited to join the Committee;
- That in areas where the Council provided administrative services, service level agreements be drawn up;
- That bespoke procurement and recruitment policies for the Fund be created;
- That it be mandatory for the Annual Report and Accounts to be presented to the Committee before the General Purposes Committee; and
- That a small allowance be paid to those members of the Board who were not part of the Council.

The Board will be looking for early progress on many of these items.

Other significant items considered formally by the Board during the year included:

- Risk Register – Board members were particularly interested in cyber security and asked for a training session to be held;
- Governance Consulting contract;
- Report by Government Actuary's Department;
- Fund Medium Term Business Plan and Board Forward Plan;
- Progress on investment "pooling" arrangements;
- Updates from the Local Government Pension Scheme Advisory Board and The Pensions Regulator;
- Reporting and monitoring contributions by employers to the Fund;
- Environmental, Social and Governance Policy.
- Training Plan - Officers have procured an online training application which members can access at their convenience to supplement other training opportunities.

Looking Ahead

Firstly, we are looking forward to less disruption to the Board's work than occurred last year and, in particular, to holding face-to-face meetings again.

Training and keeping our knowledge and skills up-to-date will remain important to us and we shall be looking to take advantage of opportunities that become available. We have specifically asked for a more structured training plan and, specifically, for training on cyber security to take place as early as possible.

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

Pensions administration will continue to attract attention from The Pensions Regulator and the Board will be taking a particular interest in the administration of the Fund and the service provided to both employers and members. In particular we look forward to the clearance of outstanding issues currently being carried out by the Fund's external provider. We also expect to review the Fund's Administration Strategy and the Governance and Best Practice Statement and to see a report on procurement and recruitment.

The implications of the "McCloud" case for the LGPS are still being reviewed and we are keen to be involved in considering its effect on the Fund.

Until we see the audited Fund Accounts for the last three years we shall remain concerned and stand by our suggestion that they be produced independently of those of the Council. Coincidentally, we understand that the Scheme Advisory Board Chair has written to the Minister about problems 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.

Finally, whilst the Board is expecting 2022/23 to be another busy year for the Fund it may also see developments to the Scheme at a national level. Foremost amongst them could be proposals requiring LGPS funds to assess, manage and report on climate-related risks. We shall look at the implications of all the relevant legislation and reports and guidance issued by the Scheme Advisory Board and The Pensions Regulator.

Michael Ellsmore
Chair
October 2022

