

# APPENDIX A

## LONDON BOROUGH OF CROYDON PENSION FUND

### Pension Board Annual Report 2022/23

#### Introduction

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

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

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

#### Membership

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

##### Chair

Michael Ellsmore

##### Employer Representatives

Richard Elliott

Councillor Margaret Bird

##### Member Representatives

Teresa Fritz

Ava Payne (Union representative)

David Whickman (Union representative)

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

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

## **Activity during 2022/23**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **Looking Ahead**

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

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

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

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

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

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

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

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

Michael Ellsmore  
Chair  
October 2023