

Pension Board Agenda



To: Mr Michael Ellsmore (Chair);

Employer Representatives:
Councillor Maggie Mansell
Mr Richard Elliott

Employee Representatives:
Mr David Whickman
Ms Ava Watt
Mrs Teresa Fritz

A meeting of the **PENSION BOARD** will be held on **Thursday 6th July 2017** at **2:45pm** in **Room F10, the Town Hall, Katharine Street, Croydon CR0 1NX**

JACQUELINE HARRIS-BAKER
Director of Law and Monitoring Officer
London Borough of Croydon
Bernard Weatherill House
8 Mint Walk, Croydon CR0 1EA

James Haywood
Members' Services Manager
020 8726 6000 X 63319
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28 June 2017

Members of the public are welcome to attend this meeting. If you require any assistance, please contact James Haywood as detailed above.

AGENDA - PART A

1. Apologies for absence

2. Minutes (Page 1)

To consider the minutes of the last meeting held on Thursday 20 April 2017

3. Disclosure of Interest

In accordance with the Council's Code of Conduct and the statutory provisions of the Localism Act, Members and co-opted Members of the Council are reminded that it is a requirement to register disclosable pecuniary interests (DPIs) and gifts and hospitality in excess of £50. In addition, Members and co-opted Members are reminded that unless their disclosable pecuniary interest is registered on the register of interests or is the subject of a pending notification to the Monitoring Officer, they are required to disclose those disclosable pecuniary interests at the meeting. This should be done by completing the Disclosure of Interest form and handing it to the Business Manager at the start of the meeting. The Chairman will then invite Members to make their disclosure orally at the commencement of Agenda item 3. Completed disclosure forms will be provided to the Monitoring Officer for inclusion on the Register of Members' Interests.

4. Urgent Business (if any)

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

5. Exempt Items

To confirm the allocation of business between Part A and Part B of the Agenda.

6. Review of Conflicts of Interest Policy (Page 7)

7. Review of Reporting Breaches in the Law Policy (Page 11)

8. Pension Board Business Plan and Training Undertaken

Report to follow

9. Pension Board Administration KPIs (Page 17)

10. Pension Board Annual report (Page 21)

11. **Agenda papers of the last Pension Committee** (Page 23)
12. **[The following motion is to be moved and seconded as the “camera resolution” where it is proposed to move into part B 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 item 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.

AGENDA - PART B

- B1. **Minutes** (Page 123)

To consider the Part B minutes of the last meeting held on Thursday 20 April 2017

- B2. **Agenda papers of the last Pension Committee** (Page 125)

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Pension Board
Minutes of the meeting held on Thursday 20 April 2017 in Room F10, the Town Hall, Katharine Street, Croydon, CR0 1NX

DRAFT

Present: Mr Michael Ellsmore (Chair);

Employer Representatives:
Councillor Humayun Kabir
Mr Richard Elliott

Employee Representatives:
Mr David Whickman
Ms Nana Jackson-Ampaw
Mrs Teresa Fritz

Reserve Members:
Councillor Maggie Mansell

Also present: Nigel Cook, Head of Pensions and Treasury; Freda Townsend, Governance And Compliance Manager; Fahar Rehman, Governance and Compliance Officer; Dave Simson, Pensions Admin Manager.

Apologies: Apologies were received from Nana Jackson-Ampaw. It was also noted that Jolyon Roberts had resigned from the Board and arrangements were being made to appoint a replacement.

A1 Minutes

The Board **RESOLVED** to approve the Part A minutes of the last meeting as a correct record.

A2 Disclosure of Interest

There were none.

A3 Urgent Business (if any)

There was no urgent business

A4 Exempt Items

The allocation of business between Part A and Part B of the agenda

was approved as stated.

A5 Pension Committee Forward Plan

The meeting was preceded by a training session hosted by the Pensions Regulator. At the conclusion of the training, the Chair commenced the formal part of the agenda.

The Chair introduced the item by inviting Board members to identify any areas of the Committee forward plan that should be considered by the Board.

The following items were identified:

- Risk Register
- Breaches of the Law
- Administration Strategy

The Board also alerted officers that the LGPS Scheme Advisory Board had announced that a template for disclosing asset manager fees and costs would be forthcoming and this should be considered by the Board.

The Head of Pensions and Treasury added that work on the Investment Strategy Statement had required a significant amount of effort. The current draft contained the necessary information however more work was required, particularly around the ethical investment aspect, which required further detail. The Board's guidance on the level of detail required was welcomed.

In response to a question from the Board, the Head of Pensions and Treasury stated that the strategies of other authorities had now been published and officers were looking at these for comparison and best practice.

The Board **NOTED** the contents of the report.

A6 Governance Policy and Compliance Statement

The Chair welcomed the policy and noted that it had been to the Pension Committee. The Chair requested an update on the situation regarding voting rights for some members of the Committee.

The Head of Pensions and Treasury informed the Board that the Committee had discussed the possibility of granting voting rights to the union representative and two pensioner representatives that sat on the Committee. The Chair and Vice-Chair of the Committee were

currently considering a proposal that the three representatives received one vote to be shared between them.

The Chair stated that the policy was a good document that reflected well on the scheme manager.

The Board **NOTED** the contents of the report.

A7 Update on the London CIV

The Head of Pensions and Treasury updated the Board on the latest developments with the London Collective Investment Vehicle (CIV). There had been developments with the sub-funds in the CIV which were looking to formulate funds based on predicted needs, moving beyond overlapping borough investments. However the Financial Conduct Authority (FCA) had placed limits on the number of sub-funds that could be set up per year, which was slowing down the progress of new CIV sub-funds. The sub-funds that were being considered by the CIV were not within the ambit of Croydon's investment strategy at the present time.

In response to questions from the Board the following was stated:

- The Croydon investments in Legal and General were not on the list of effected funds that would fall under the new precept and the fees were low.
- The Secretary of State had powers to take over funds which were deemed to be failing. However, in relation to pooling there had been mixed messages from central government regarding the requirements to pool. In any event, it was stated that it would take an extreme case for the Secretary of State's new powers to be used.
- One of the key aims of the CIV was to allow for more leverage in obtaining expertise on investment decision-making. The CIV had an FCA-authorized technical team who provided high quality advice for local authorities' funds. In addition, there was an investment advisory committee comprised of senior officers from the London authorities. Academic research supported the consideration that the more expertise invested in the decision making process, the better the returns gained.

The Board **NOTED** the contents of the report.

A8

MiFID II

The Head of Pensions and Treasury introduced the item, stating that the Markets in Financial Instruments Directive (MiFID II) was a European Union directive that required fund manager to evaluate potential investors through a three stage test: (i) the size of the fund, (ii) the experience of the fund's staff, and (iii) the number of transactions made by the fund. The Croydon would pass the threshold for the first test but fail to meet the two other limbs, and this would result in the Fund being classed as a retail investor. Some fund managers had already indicated that they would stop trading with Croydon Pension Fund if it were classed as such. There were exceptionally difficult circumstances forecast as the matter stood at that time. However, there was a consensus that a sensible solution would be delivered and it was clear that the government had begun to understand the scale of the impact the directive would have.

In response to a question from the Board, the Head of Pensions and Treasury stated that the Investment Managers Association were lobbying on the directive to the same concerns as those held by the Fund; investment managers had a considerable financial stake in the outcomes of the directive as it stood.

The Board discussed the origins of the directive and noted that it stemmed from concerns that emanated from continental Europe and that the UK's financial regulations were considerably more advanced than most other EU members states. The directive was aimed primarily at protecting consumers in member states with far less regulatory protection than the UK. There was a general consensus that good sense would prevail and a workable version of the directive would be implemented that avoided the issue of re-classification.

The Board **NOTED** the contents of the report.

A9

Procurement of the Scheme Actuary

The Head of Pensions and Treasury introduced the item and informed the Board that the procurement process had been used through the framework. The contract had been divided into three lots, with Hymans Robertson awarded lots one and two (valuation and contribution rates) and lot three was awarded to Aon Hewitt (governance) in what had been a very competitive process.

The Board **NOTED** the contents of the report.

A10

Admin KPIs

The Pensions Admin Manager described to the Board in detail the software and processes officers used to manage data. It was stated that the software worked reasonably well but there were still outstanding issues that the software provider were aware of and were addressing. There had been significant improvement in the process in the previous three months.

In response to questions from the Board the following was stated:

- The key issue was that the Fund relied on employers to inform officers when new staff were taken on or staff had left. The roll-out of iconnect would address this, with monthly updates generated on employee details to ensure the data held by Fund officers was up-to-date.
- Valuation of individual pension benefits also created difficulties as it required investigation, in some cases, of historic records for long-standing scheme members. This highlighted the importance of employers adopting the iconnect system; it would save Fund officers a significant amount of time and would ensure records are kept up-to-date and accurate.

The Compliance and Governance Manager, in response to questions from the Board, stated the following:

- There was a significant resource strain on the department for collating the data. Accessing historic data for schools was made further complex through the transitions from LEA-status to independent academy status.
- Automatic enrolment had doubled the number of active members in the Fund, and additional resources was needed to meet that significant increase in workload.

The Board considered the difficulties surrounding the issue, in particular that schools faced significant pressures and pensions administration would not necessarily be a high priority. The Board requested a progress update for the following meeting in July 2017.

The Board **NOTED** the contents of the report.

A11

Agenda papers of the last Pension Committee

The Head of Pensions and Treasury drew the Board's attention to the risk register item. The register flagged risks that were rated as 12 or higher, a value calculated by multiplying the likelihood of risk with

the level of risk.

The Board were also directed to the Funding Strategy Statement which had been completed with contribution rates set for the following three years. It was noted that some academies had seen their contribution rates go down, which was welcomed. In response to a question from the Board, it was stated that at the time of publication of the statement, there were a few employers who had not finalised their valuation, but these negotiations had since been concluded and the final rates published on the Fund website.

The Board raised a concern over the performance in the Property PRS asset category over the previous quarter. The Head of Pensions and Treasury responded that the category was for top-end residential properties – with high initial investment but significant returns following, expected to correspond to a “J-curve”.

The Board **NOTED** the contents of the Part A Pension Committee papers.

A12

[The following motion is to be moved and seconded as the “camera resolution” where it is proposed to move into part B of a meeting]

Teresa Fritz proposed, and Councillor Kabir seconded, the motion to move remainder of the meeting into Part B and thereby exclude the press and public.

The Board **RESOLVED** to move the remainder of the meeting into Part B and exclude the press and public.

The meeting finished at 4.09pm

REPORT TO:	LOCAL PENSION BOARD 6 July 2017
AGENDA ITEM:	6
SUBJECT:	Local Pension Board Review of Conflicts of Interest policy report
LEAD OFFICER:	Richard Simpson, Executive Director of Resources (Section 151 Officer)
LEAD MEMBER:	Councillor Andrew Pelling, Chair of Pension Committee
PERSON LEADING AT THE BOARD MEETING:	Nigel Cook Head of Pensions and Treasury

1. EXECUTIVE SUMMARY

- 1.1 This report is part of the Board's annual review of policy and is specifically concerned with the Local Pension Board's Conflicts of Interest Policy

2. REPORT

- 2.1 The Board is asked to review the Conflicts of Interest Policy as part of its annual review of the full suite of key policy documents. The purpose of this review is to ensure that the policy is still contributing towards meeting the objectives of the Board. This policy was adopted two years ago.

3. RECOMMENDATIONS

- 3.1 To agree the content of the Review of the Conflicts of Interest policy.

CONTACT OFFICER: James Haywood,
Members Services Manager (Scrutiny).
020 8726 6000 x63319

ATTACHMENTS: Appendix A: Conflicts of Interest policy

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Local Pension Board Conflicts of Interest Policy

This document should be read in conjunction with the Terms of Reference for the Local Pension Board of Croydon Council Pension Fund dated 15 July 2015. Unless stated otherwise, the defined terms used in this document have the same meaning as attributed to them under the Terms of Reference document.

Introduction

There are various legal requirements which need to be considered to make sure that sound governance principles are followed, and in particular that conflicts of interest are properly managed.

These include:

- 1) Section 5 (5) of the Public Service Pensions Act 2013, which defines “conflict of interest” for the purpose of a Local Pension Board;
- 2) Regulation 108 of the Regulations, which places duties on the Administering Authority to satisfy itself that Local Pension Board (“LPB”) members do not have a conflict of interest on appointment or whilst they are members of the Board;
- 3) The 2011 Act, requires Councillors to comply with the code of conduct of their authority and to disclose interest;
- 4) The ‘Nolan Principles’ with which any holder of public office is also expected to comply; and
- 5) The expectations are contained in the Regulator’s Code of Practice.

The Regulator’s Code of Practice on Conflicts of Interest

Whilst members of the LPB may be subject to other general legal requirements, when exercising functions as a member of the LPB, the Regulator expects the requirements which specifically apply by virtue of the 2013 Act to be met and the standards of conduct and practice set out in its Code of Practice to be complied with.

What is a Conflict of Interest?

The LPB does not make decisions in relation to the administration and management of the Fund (role of the Administering Authority) and it is not anticipated that any significant conflicts will arise. Nonetheless, the issues surrounding conflicts of interest needs to be considered.

There is a requirement for LPB members not to have a conflict of interest – the issue of conflict being considered in light of the LPB’s role, which is to assist the Administering Authority.

A conflict of interest is a financial or other interest which is likely to prejudice a person’s exercise of functions as a member of the LPB. However, a conflict does not include a financial or other interest arising merely by virtue of a person being a member of the LGPS and/or Fund (or any connected scheme).

By way of example, a conflict of interest may arise when a member of a LPB in fulfilling their legal duty to assist the Administering Authority has, at the same time, a separate personal interest (financial or otherwise) or another responsibility in relation to that matter which gives rise to a possible conflict with their initial responsibility (assisting the Administering Authority) as a LPB member.

The guidance issued by the Pensions Regulator and LGPS may be considered when presented with any situation involving a conflict of interest and members should make themselves familiar with the examples used in these documents.

Identifying, Monitoring and Managing Conflicts-The role of the Local Pension Board

- 1) The Local Pension Board should cultivate a culture of openness and transparency it should identify, monitor and manage dual interests and responsibilities which are or have the potential to become conflicts of interest.
- 2) The Local Pension Board should evaluate the nature of any dual interest and responsibilities and assess the impact on their operations and good governance were a conflict of interest to materialise.
- 3) A register for the declaration of interest will be provided to effectively record and monitor dual interests and responsibilities
- 4) The register will also capture decisions about how any identified potential conflicts should be managed.
- 5) The Local Pension Board's register of interests should be circulated to the Local Pension Board for ongoing review and should be published on the Fund's website. Any concerns should be reported to the Administering Authority and include in an annual report a section on good governance and management of conflicts.
- 6) Conflicts of interest should be included as an opening agenda item at Local Pension Board meetings, and revisited during the meeting where necessary. This provides an opportunity for those present, including non-Board members, to declare any dual interest and responsibilities, which have the potential to become conflicts of interest, and to minute discussions about how they will be managed so as to prevent an actual conflict arising.

Considering Conflicts of Interest – Responsibilities of Board Members

Individual members of the LPB need to know how to identify when they may have a potential conflict of interest which needs to be declared and which may also restrict their ability to participate in meetings or decision-making. To assist with this, members have a legal duty to provide information to the Administering Authority in relation to conflicts of interest.

REPORT TO:	LOCAL PENSION BOARD 6 July 2017
AGENDA ITEM:	7
SUBJECT:	Local Pension Board Review of Reporting Breaches in the Law policy report
LEAD OFFICER:	Richard Simpson, Executive Director of Resources (Section 151 Officer)
LEAD MEMBER:	Councillor Andrew Pelling, Chair of Pension Committee
PERSON LEADING AT THE BOARD MEETING:	Nigel Cook, Head of Pensions and Treasury

1. EXECUTIVE SUMMARY

- 1.1 This report is part of the Board's annual review of key policies. This policy is concerned with reporting breaches in the law.

2. REPORT

- 2.1 The Board is asked to review the Reporting Breaches in the Law Policy as part of its annual review of the full suite of key policy documents. The purpose of this review is to ensure that the policy is still contributing towards meeting the objectives of the Board. This policy was adopted two years ago.

3. RECOMMENDATIONS

- 3.1 To agree the content of the Reporting Breaches in the Law policy.

CONTACT OFFICER: James Haywood,
Members Services Manager (Scrutiny).
020 8726 6000 x63319

ATTACHMENTS: Appendix A: Breaches in the Law policy

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Reporting Breaches of the Law

This document should be read in conjunction with the Terms of Reference for the Local Pension Board of Croydon Council Pension Fund dated 2 July 2015. Unless stated otherwise, the defined terms used in this document have the same meaning as attributed to them under the Terms of Reference document.

Legal requirements

Certain people are required to report breaches of the law in writing to the Compliance and Governance Manager as soon as reasonably practicable and where they have reasonable cause to believe that:

- A legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with, e.g. keeping records/internal controls; and
- The failure to comply is likely to be of material significance to the regulator in the exercise of any of its functions.

Those subject to the reporting requirements in the context of public service pension's schemes are as follows:

- A Scheme Manager
- Members of Local Pension Boards ("LPB's")
- Any person who is otherwise involved in the administration of a public service pension scheme
- Employers. In the case of a multiemployer scheme, any participating employer who becomes aware of a breach should consider their duty to report, regardless of whether the breach relates to, or affects members who are its employees or those of other employers
- Professional advisers including auditors, actuaries, legal advisers and fund managers.
- Any person who is otherwise involved in advising the scheme manager in relation to the scheme.

Implementing adequate procedures

Identifying and assessing a breach of law is important in reducing risk and providing an early warning of possible malpractice. Those people with a responsibility to report breaches, including Scheme Managers and LPB members (reporters) should establish and operate appropriate and effective procedures to ensure that they are able to meet their legal obligations. Procedures should enable people to raise concerns and facilitate the objective consideration of those matters

Procedures will include the following features:

- Obtaining clarification of the law where it is not clear to those responsible for reporting
- Clarifying the facts around the suspected where they are not known
- Consideration of the material significance of the breach taking into account its cause, effect, the reaction to it, and its wider implications, including where appropriate, dialogue with the Scheme Manager or LPB
- The breach will be reported to the Governance and Compliance manager in the first instance, who will assess the cause, effect and the wider implications and determine if it is likely to be of material significance to the Pension Regulator and/or the Scheme Manager.
- A timeframe of 14 days for the procedure to take place that is appropriate to the breach and allows the report to be made as soon as reasonably practicable

Judging whether a breach must be reported

Breaches can occur in relation to a wide variety of the tasks normally associated with the administration function of the scheme such as keeping records, internal controls, calculating benefits, making investments, or investments related decisions.

Having 'reasonable cause' to believe that a breach has occurred means more than merely having a suspicion that cannot be substantiated. Therefore, it is imperative that where a breach is suspected, reporters still refer the matter to the Compliance and Governance Manager so that investigations can be undertaken to establish whether or not a breach has in fact occurred and if the matter requires escalation to the Scheme Manager.

In establishing whether there is reasonable cause to believe that a breach has occurred, it is not necessary for a reporter to gather all the evidence which the Scheme Manager or the Pension Regulator may require before taking legal action.

It is also important that a reporter is aware that any delay in reporting any potential breach may exacerbate or increase the risk of the breach causing further and more significant issues.

The cause of the breach

The breach is likely to be of material significance to the Scheme Manager or the Pension Regulator where it is for example, caused by (but not limited to):

- Dishonesty
- Poor governance, inadequate controls resulting in deficient administration, or slow or inappropriate decision-making practices
- Incomplete or inaccurate advice
- Acting (or failing to act) in deliberate contravention of the law

A breach will not normally be regarded as materially significant if it has arisen from an isolated incident, for example resulting from teething problems with a new system or procedure, or from an unusual or unpredictable combination of circumstances.

The effect of the breach

Evidence in relation to any of the following matters is particularly important and likely to be of material significance to the Scheme Manager and the Pension Regulator:

- Local Pension Board members not having the appropriate degree of knowledge and understanding
- Local Pension Board members having a conflict of interest
- Adequate internal controls not being established and operated
- The right money/contributions not being paid to the scheme at the right time
- Internal Dispute Resolution Procedures (IDRP) not having been made and/or implemented
- Information about benefits and other information about scheme administration not being disclosed to scheme members and others
- Information about Local Pension Boards not being published
- The scheme not being administered properly
- Appropriate records not being maintained
- Local Pension Board members having misappropriated any assets of the scheme or being likely to do so
- Repeated miscalculations or incorrect payment of benefits which have a detrimental impact on scheme members

The reaction to the breach

Where prompt and effective action is taken to investigate and correct the breach and its causes and, where appropriate, notify any affected members, the Pension Regulator will not normally deem it to be materially significant.

A breach is likely to be of concern and material significance to the Pension Regulator where a breach has been identified and those involved:

- Do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence.
- Are not pursuing corrective action to a proper conclusion or
- Fail to notify affected scheme members where it would have been appropriate to do so.

Submitting a report to the Scheme Manager

All reports of possible breaches must be submitted in writing to the Compliance and Governance Manager. However, if the matter is considered particularly serious by the reporter it can be preceded by a telephone call, and brought directly to the Scheme Manager's attention (if appropriate).

Reporting more serious concerns

Where sufficiently serious concerns exist or where a concern has been raised with the Pension Committee and the LPB consider that the Pension Committee have not taken appropriate action to rectify the issue it may be more appropriate for the LPB to report these directly, to the Pensions Regulator. Such concerns could include (but are not limited to) fundamental breaches of the Regulations or a fundamental failure by Croydon Council to ensure the effective governance of the fund.

In such situations reports should be made directly to the Governance and Compliance Manager who will then take the appropriate action and may refer the matter to the Pensions Regulator.

Reporting Procedure

Any member of the Scheme or member of staff is able to report a breach. The individual reporting such a breach will be referred to as the 'reporter'.

The reporter should, in the first instance, bring any concerns that a breach of the law has occurred to the Governance and Compliance Manager within 3 working days. To bring a suspected breach to the attention of the Governance and Compliance Manager, the reporter must submit the details of the suspected breach in writing by hard copy by post or by electric submission to the Governance and Compliance Manager.

Once received, the Governance and Compliance manager will undertake the necessary review of the reporting document and then decide whether this represents a breach in considering the above.

In line with guidance issued by the National Standards Board and any other guidance that may be applicable and introduced from time to time, the Governance and Compliance manager is able to:

1. Obtain clarification of the law if it is not clear;
2. Clarify the facts where they are not known; and
3. Consider the material significance of the breach.

This procedure allows for no more than 14 days to elapse from the time that the suspected breach is raised until the Governance and Compliance manager decides whether the breach must be reported further to the Scheme Manager and/or Pensions Regulator.

REPORT TO:	LOCAL PENSION BOARD 6 July 2017
AGENDA ITEM:	9
SUBJECT:	Local Pension Board Administration KPI's Report
LEAD OFFICER:	Richard Simpson, Executive Director of Resources (Section 151 Officer)
LEAD MEMBER:	Councillor Andrew Pelling, Chair of Pension Committee
PERSON LEADING AT THE BOARD MEETING:	Nigel Cook Head of Pensions and Treasury

1. EXECUTIVE SUMMARY

- 1.1 This report updates the Board on the performance statistics for the Local Government Pension Scheme Administration team for the quarter to the end of May 2017 and the progress of the exercise to clear the backlog.

2. REPORT

- 2.1 These performance statistics have been compiled from Altair, which is the Local Government Pension Scheme Pension Administration system.
- 2.2 The team's activities can be said to fall into two categories: Business As Usual (BAU) and Backlog. BAU refers to casework received after 5 November 2016. Backlog refers to all cases that were received prior to this date that have yet to be completed. Although it may sound alarming that there are outstanding items of work dating back over such a period of time much of this work relates to deferred employees, that is to say ex Croydon staff who are no longer in the Scheme. A large number of these cases were inherited when the outsourcing arrangements were ended.
- 2.3 Key Performance Indicators (KPI's) relate to the BAU casework and the team's performance is measured against them.
- 2.4 The main case types are as follow:
- 1) Starters - employees joining the scheme;
 - 2) Deferred benefits - members leaving the scheme but before pension age;
 - 3) Retirements - members leaving with an immediate entitlement to benefits;
 - 4) Transfers - members transferring in or out their pension benefits; and
 - 5) Deaths - Deceased members including survivor benefits.

Retirements and deaths are considered to be the main priority.

2.5 The table below shows the results for BAU Retirements and deaths; as well as a snap shot of the outstanding cases in Backlog.

2.6 The starters will in future be processed by Iconnect, which members of the Board will recall is the system that allows other Scheme employers to input membership data directly from remote locations. This is currently being introduced for the Council and will be rolled out to other employers throughout the year. This means all starters will be processed at the end of each month.

2.7 The June figures in BAU are as 8th June.

Table 1: Results for BAU

Case type	Month	KPI - days	Total cases processed	Average days taken to complete case	% within target
Deaths	April	5	20	4	100
Retirements	April	10	39	5	97.5
Deaths	May	5	15	8	93.33
Retirements	May	10	29	7	96.55
Deaths	Jun	5			
Retirements	Jun	10			
Deaths	QTR	5	6	7	50*
Retirements	QTR	10	7	4.5	100

*2 cases were 1 day overdue

2.8 The backlog has accrued over the years for a number of reasons including: performance issues when the pensions administration was previously outsourced; data issues not being resolved following various migrations to different payroll systems; delays in the publication of regulations (particularly affecting transfers); and volume of work that resulted in lower prioritised work being left.

2.9 There are currently over 100 employers in the Fund. They have varying experience in providing pension data. Many have also outsourced their payroll which again means the standard of data can vary enormously. All this adds to the time it takes for the pension’s team to process cases. A significant part of that time is carrying out “employer” duties often because the pension’s team is best placed to do the work. However, this reduces the time available on pure “pensions” work.

2.10 The main issue to be considered is that cases that are not processed results in poor member experience. In addition, delays will result in potential breaches of

the Disclosure regulations. There is an additional concern that the Pensions Regulator oversees data quality. Any backlog is likely to fall short of their expected standards. Another big factor is the effect on staff morale.

- 2.11 Over the last 6 months the team has reviewed its processes and systems to ensure that they are as efficient as possible. However, there are historic problems with the data which means clearing cases accurately and therefore ensuring members receive the benefits that they are entitled to takes longer than the ideal target. There are plans to reduce the backlog, however, volume of work, together with resource requirements to action other current projects - GMP reconciliation, move of pensions payroll from Oracle to Altair as well as rolling out Iconnect does mean it is a medium / long term ambition to clear the backlog. The table below shows the progress that has been achieved.

Table 2: Progress against backlog

	Deferreds	Transfers	Combined	Misc	Total
APR	1,381	462	271	274	2,388
MAY	1,356	431	271	261	2,319

3. RECOMMENDATIONS

- 3.1 To note the content of the Administration KPI's Report.

CONTACT OFFICER: James Haywood,
Members Services Manager (Scrutiny).
020 8726 6000 x63319

ATTACHMENTS: None

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REPORT TO:	LOCAL PENSION BOARD 6 July 2017
AGENDA ITEM:	10
SUBJECT:	Local Pension Board Annual Report
LEAD OFFICER:	Richard Simpson, Executive Director of Resources (Section 151 Officer)
LEAD MEMBER:	Councillor Andrew Pelling, Chair of Pension Committee
PERSON LEADING AT THE BOARD MEETING:	Nigel Cook, Head of Pensions and Treasury

1. EXECUTIVE SUMMARY

- 1.1 Local Pensions Boards (LPB) were established under the 2013 Pensions Act. The Croydon Council Board was established on the 1st April 2015. All Boards are required under the regulation to produce an annual report to explain the work that has been carried out during the year.

2. REPORT

- 2.1 This report explains the work and training the LPB has undertaken during the year 16/17.
- 2.2 The LPB is developing in its role and has commissioned a report from an independent provider to carry out a review of the governance of the Pension Fund and will be following up on the recommendations in the coming months.
- 2.3 This report covers the second year of the operation of the Local Pension Board. The Board has begun to establish itself as part of Croydon's governance structure in relation to the pension fund. Board members take their responsibilities seriously and readily engage in the training programme in order to develop their skills and knowledge.
- 2.4 The Board's core function is to provide an oversight of the governance and administration of the Fund. A key task in fulfilling the Board's core function was the commissioning of a governance review during our first year. The Board has continued to monitor the review's Action Plan and are pleased with the progress made. The Board also monitored the actuarial valuation process, and regularly received reports on the Pensions Committee's business plan and the Fund's Risk Register.
- 2.5 The Board also met with the Pensions Regulator who outlined their role in the governance of the LGPS.

2.6 Looking ahead, 2017/18 will see further transfers of assets to the 8 pools which are in the process of being established across England and Wales. The Board will continue to monitor this initiative. There is also a growing interest in the cost transparency of asset managers' fees and the Board will be interested to see how this develops and will follow closely the work of CIPFA and the Scheme Advisory Board.

3. RECOMMENDATIONS

3.1 To agree the content of the Annual Report.

CONTACT OFFICER:

James Haywood,
Members Services Manager (Scrutiny).
020 8726 6000 x63319

REPORT TO:	LOCAL PENSION BOARD 6 July 2017
AGENDA ITEM:	11
SUBJECT:	Agenda Papers of last Pension Committee
LEAD OFFICER:	Richard Simpson, Executive Director Resources and section 151 Officer
LEAD MEMBER:	Councillor Pelling, Chair of Pension Committee
PERSON LEADING AT THE BOARD MEETING:	Michael Ellsmore, Chair of Pension Board

1. EXECUTIVE SUMMARY

- 1.1 At every Pension Board meeting the agenda papers from the previous Pension Committee are submitted for review. Attached at **Appendix A** are the Part A agenda papers from the Pension Committee held on 20 June 2017.

2. RECOMMENDATION

- 2.1 To note the 20 June 2017 Pension Committee agenda papers attached to this report at **Appendix A**.

CONTACT OFFICER:

James Haywood,
Members Services Manager (Scrutiny).
020 8726 6000 x63319

ATTACHMENTS:

Appendix A: 20 June 2017 Pension Committee Part A
Papers

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Pension Committee Agenda



To: Councillor Andrew Pelling (Chair);
Councillor Patricia Hay-Justice (Vice-Chair);
Councillors Simon Brew, Simon Hall, Maddie Henson, Yvette Hopley, Dudley Mead, and John Wentworth

Reserve Members: Councillors Jamie Audsley, Robert Canning, Sherwan Chowdhury, Luke Clancy, Pat Clouder, Badsha Quadir and Donald Speakman.

Staff Side Representative; Mr Isa Makumbi
Pensioner Representatives: Ms Gilli Driver and Mr Peter Howard

A meeting of the **PENSION COMMITTEE** which you are hereby summoned to attend, will be held on **Tuesday 20th June 2017 at 10:00am** in **Council Chamber, the Town Hall, Katharine Street, Croydon CR0 1NX**

JACQUELINE HARRIS-BAKER
Director of Law and Monitoring Officer
London Borough of Croydon
Bernard Weatherill House
8 Mint Walk, Croydon CR0 1EA

James Haywood
Members' Services Manager
0208 7266000 ext.63319
james.haywood@croydon.gov.uk
www.croydon.gov.uk/agenda
12 June 2017

AGENDA - PART A

1. Apologies for absence

2. Minutes (Page 1)

To approve the Part A minutes of the last meeting held on Tuesday 7 March 2017.

3. Disclosure of Interest

In accordance with the Council's Code of Conduct and the statutory provisions of the Localism Act, Members and co-opted Members of the Council are reminded that it is a requirement to register disclosable pecuniary interests (DPIs) and gifts and hospitality in excess of £50. In addition, Members and co-opted Members are reminded that unless their disclosable pecuniary interest is registered on the register of interests or is the subject of a pending notification to the Monitoring Officer, they are required to disclose those disclosable pecuniary interests at the meeting. This should be done by completing the Disclosure of Interest form and handing it to the Business Manager at the start of the meeting. The Chairman will then invite Members to make their disclosure orally at the commencement of Agenda item 3. Completed disclosure forms will be provided to the Monitoring Officer for inclusion on the Register of Members' Interests.

4. Urgent Business (if any)

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

5. Exempt Items

To confirm the allocation of business between Part A and Part B of the Agenda.

6. Communications Strategy (Page 5)

7. Administration Strategy (Page 17)

8. Progress Report for Quarter Ended 31 March 2017 (Page 57)

9. Currency Hedging (Page 67)

10. Appointment of Actuary (Page 79)

11. Schedule of Visits (Page 83)

12. Training Policy (Page 87)

13. [The following motion is to be moved and seconded as the “camera resolution” where it is proposed to move into part B 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 item 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.

AGENDA - PART B

B1. Minutes (Page 95)

To approve the Part B minutes of the last meeting held on Tuesday 7 March 2017.

B2. Progress Report for Quarter Ended 31 March 2017 (Page 97)

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Pension Committee

Meeting held on Tuesday 7 March 2017 at 10:00am in the Council Chamber, the Town Hall, Katharine Street, Croydon, CR0 1NX

DRAFT MINUTES - PART A

Present: Councillor J Audsley, Councillor S Brew, Councillor R Canning, Ms. G Driver, Councillor S Hall (Vice Chair), Councillor Y Hopley, Mr. P Howard, Mr. I Makumbi, Councillor D Mead, Councillor A Pelling (Chair), Councillor J Wentworth

Also present: Nigel Cook, Head of Pensions and Treasury; Freda Townsend, Governance And Compliance Manager; Richard Simpson, Executive Director Resources and Section 151 Officer; Lisa Taylor, Director of Finance Investment and Risk; David Lyons, AON Hewitt; Richard Warden, Hymans Robertson; Michael Ellsmore, Croydon Pension Board Chair.

MINUTES - PART A

A1 Minutes of the last meeting

The Committee **RESOLVED** to approve the Part A minutes of the last meeting held on Tuesday 6 December 2016 as a correct record.

A2 Disclosure of Interest

There were none.

A3 Urgent Business (if any)

There was no urgent business to consider.

A4 Exempt Items

The allocation of business between Part A and Part B was agreed as stated in the agenda.

A5 Pension Committee Forward Plan

The Head of Pensions and Treasury introduced the item and stated that the report set out the Committee's work cycle for the municipal year.

The Committee considered the report and requested that an item on currency exposure be brought to the June meeting.

The Committee **NOTED** the business plan for the next year.

A6 Risk Register

The Head of Pensions and Treasury reported that the register provided to the Committee was filtered down to risks rated 12 or higher. The main risks to the Fund were identified as the implementation of the European Union Directive known as (MiFID II) and the ongoing geo-political uncertainty surrounding the election of President Trump and the outcomes of the Brexit referendum.

The Committee discussed in further detail the risks to the Fund from the MiFID II implementation and officers present stated that there was optimism that central government would respond to concerns from LGPS representatives. The Committee also asked questions related to the ongoing legal action undertaken to recover debts owed by some academies in the scheme.

The Committee **NOTED** the Pension Fund risk register.

A7 Funding Strategy Statement and Valuation Report

The Head of Pensions and Treasury stated that the attached report was the proposed final version to be adopted by the Committee. The schedule of rates had not been finalised in time to be included with the agenda but the Committee were informed that the schedule would be available by the end of the month.

Richard Warden added that the strategy had to be reviewed every three years. The valuation report was almost finalised however there were some employers who had joined the scheme after the valuation and these rates were being finalised and would be published when completed.

The Committee asked questions pertaining to maintained schools within the valuation and their lump sum contribution to the deficit. In addition, questions were asked on the logistics of staff within the scheme who leave then return at a later date. Officers elaborated further on current legislation in Parliament that would affect higher-earning staff members in the scheme and the proposed limitations to benefits that would be received from early retirement.

The Committee **RESOLVED** to:

- 1.1 Note the outcome of the recent consultation on the Funding Strategy Statement.
1.2 Adopt the Funding Strategy Statement and Valuation Report.

A8 Investment Strategy Statement

The Head of Pensions and Treasury introduced the item and informed the Committee that the purpose of the statement, formerly referred to as the Statement of Investment Principles, was primarily to ensure that the Fund had sufficient assets to meet its liabilities.

The Committee **RESOLVED** to adopt the Investment Strategy Statement.

A9 Pensions Governance Policy and Compliance Statement

The Head of Pensions and Treasury reported that the governance policy was due for review and renewal by the Committee. The Local Pension Board had concluded a governance review of the Pension Committee which had reported to the Committee in the summer of 2016. Committee Members were invited to provide feedback to officers for ensuring that the compliance standards were being met.

The Chair of the Pension Board stated his approval of the policy and welcomed the focus on governance.

The Committee **RESOLVED** to adopt the Pensions Governance Policy and Compliance Statement.

A10 Progress Report for Quarter Ended 31 December 2016

The Committee **NOTED** the contents of the Part A papers then moved into Part B.

A11 [The following motion is to be moved and seconded as the “camera resolution” where it is proposed to move into part B of a meeting]

Councillor Pelling proposed, and Councillor Mead seconded, that the press and public be excluded for the remainder of the meeting.

The Committee **RESOLVED** to move into Part B of the agenda and exclude the press and the public for the remainder of the meeting.

The meeting finished at 11.39am.

Croydon Council

REPORT TO:	PENSION COMMITTEE 20 June 2017
AGENDA ITEM:	6
SUBJECT:	Review of the Croydon Council Local Government Pension Scheme Communication Policy Statement
LEAD OFFICER:	Executive Director of Resources and (Section 151 Officer)
CABINET MEMBER	Councillor Simon Hall Cabinet Member for Finance and Treasury
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management: The Pensions Committee is reviewing 'Communication Policy Statement' as part of an annual review of the Fund's policy documents.	
FINANCIAL SUMMARY: There are no financial considerations arising from this report.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1. RECOMMENDATIONS
1.1 The Committee is asked to approve the Communication Policy Statement.

2. EXECUTIVE SUMMARY

- 2.1 The regulations governing the Local Government Pensions Scheme (LGPS) state that the administering authority has to publish and keep under review a Communication Policy. This policy describes how the administering authority communicates with all of its stakeholders.

DETAIL

- 3.1 The Local Government Pension Scheme Regulations requires each administering authority to prepare, formulate and publish a statement setting out its policy on communications to its stakeholders. The aim of this communication policy is to make sure that all stakeholders are kept informed of developments within the Pension Fund. Publication of such a policy document should go

towards ensuring greater transparency for all stakeholder groups, including Scheme members, employers and tax payers. Effective communications will help to ensure the efficient running of the Scheme.

3.2 Due to a number of factors, such as relative stability in the regulation of the Scheme, there are no immediate plans to hold an open day. Consequently reference to this channel of communications has been removed from this version of the policy. Other changes are cosmetic.

3.3 The revised Communication Policy document is attached to this report at Appendix A. It describes the way that the Council, as administering authority for the LGPS, intends to communicate with stakeholders. The Council aims to use the most appropriate communication method for the audiences receiving the information. This may involve using more than one medium of communication. Reviewing the policy has provided an opportunity for minor amendments to the text but the substantive policy remains the same as previously adopted by this Committee, with the exception of the reference to open days mentioned above..

4. RECOMMENDATIONS

4.1 The recommendation is that the Pension Committee approve the revised Communication Policy Statement, subject to any comments.

5 FINANCIAL CONSIDERATIONS

5.1 There are no further financial considerations flowing from this report.

6. OTHER CONSIDERATIONS

6.1 Other than the considerations referred to above, there are no customer Focus, Equalities, Environment and Design, Crime and Disorder or Human Rights considerations arising from this report

7. COMMENTS OF THE SOLICITOR TO THE COUNCIL

7.1 The Solicitor to the Council comments that there are no direct legal implications arising from the recommendations within this report.

7.2 (Approved for and on behalf of Jacqueline Harris-Baker, Director of Law, Council Solicitor and Monitoring Officer)

CONTACT OFFICER:

Nigel Cook, Head of Pensions Investment and Treasury,
Resources department, ext. 62552.

BACKGROUND DOCUMENTS:

None

Appendices

Appendix A: Communication Policy Statement



2017/18

Pensions

Communication

Policy Statement

Your Local Government
Pension Scheme Guide

Your Guide to the London Borough of Croydon Communication Strategy

As the Administering Authority we have prepared this guide to help you understand the various Communication strategies that Croydon Council (as the Administering Authority) offers to all of its stakeholders

Communication Policy Statement

The Regulations require each administering authority in England and Wales to prepare, maintain and publish a statement setting out its policy on communicating with the following stakeholders and organisations:

- ▶ Contributing Scheme Members
- ▶ Prospective Scheme Members
- ▶ Pensioner Scheme Members and deceased dependents
- ▶ Deferred Scheme Members
- ▶ Admitted & Scheduled Scheme Employers participating in the Fund
- ▶ Communication with Elected Members
- ▶ Communication with the Local Pension Board
- ▶ Communication with Other Bodies

This document sets out the mechanisms which are used to meet our communication needs. We aim to use the most appropriate communication method for the audiences receiving the information. This may involve using more than one medium of communication.

Objectives

The aim of this communication strategy is to make sure that all stakeholders are kept informed of developments within the Pension Fund. We want to ensure transparency and an effective communication process will help maintain the efficient running of the Scheme.

General Communications

We use a range of methods to communicate including a variety of paper-based and electronic means. The fund has a dedicated Pensions website www.croydonpensionscheme.org/

We will accept communications electronically and will respond electronically where possible. For security reasons, we will not use email for communicating sensitive information or where it is necessary to verify the address or identity of the sender.

Website

Communication in the form of a dedicated Pension Fund website is available which contains a wide range of information for not only scheme members but also scheme employers and other interested parties. The website can be accessed via the pensions website. The website contains copies of newsletters and other relevant information pertaining to the LGPS.

Policy Documents

These are available for all stakeholders to access on the website.

▶ **Contributing Scheme Members**

Member Self Service

All members can request their own password to view their record. Amendments can be made to update certain details and calculations can be performed.

Annual Benefit Statement

Members can access their individual information via the Member Self Service facility at their convenience. The Statement details information held on the Pension Section database and provides estimates of the current and future value of the members' benefits.

Pensions Newsletter

A newsletter is produced once a year and is sent to Members by email, it is also available on the Council website. The publication informs members of LGPS regulation changes and other related topics. The publication is also used to remind members of keeping the Pensions Section up-to-date with their details. Croydon Council have formed a collaborative working group with a number of other London Boroughs through a Framework Agreement. Communications and reducing cost are a key objective in our service to our membership.

Pensions Updates

When there are scheme changes there will be additional communication to Members, these will be sent via work email addresses, on the intranet and available on the website.

Scheme Guides

Scheme guides are available on the website.

Pensions Helpline

Members can call the Pensions Section on one central helpline number, which is consistently advertised on all our literature. The number is 0208 760 5768 x62892.

► Prospective Scheme Members

Initial Contact

All permanent new members of staff are automatically enrolled to the scheme. Each new member is sent a welcome letter statutory notice confirming membership of the LGPS along with our LGPS Scheme Guide, and contact information.

Inductions Seminars

Presentation on the scheme and its benefits are incorporated in the seminars held for all new employees of the Council, which are facilitated by H R, providing prospective new members of the scheme information in order for them to make an informed decision in regard to membership of the scheme.

Pensions Helpline

Prospective Scheme Members can call the Pensions Section on one central helpline number, which is consistently advertised on all our literature. The number is 0208 760 5768 x62892.

► Pensioner Scheme Members and deceased dependents

Pensioner's Payslip

All pensioners receive a payslip in March, April, May along with their P60 at the end of the year. A payslip will also be received where the amount of net pension changes by more than £20.

Pensioner's Newsletter

All Pensioners receive an annual newsletter which is sent out in April and sent to their home address. This publication includes the pensions increase, and other relevant information. advertised on all our literature. The number is 0208 760 5768 x62892.

Life Certificates

The Fund will undertake an annual exercise, for U K pensioners over the age of 80, through correspondence in order to establish the details held are up-to-date.

For pensioners living abroad (outside the UK) this exercise will be conducted through Western Union, in order to establish the details held are up-to-date.

Croydon Council also participates in the National Fraud Initiative every 2 years.

Pensions Helpline

Members can call the Pensions Section on one central helpline number, which is consistently advertised on all our literature. The number is 0208 760 5768 x62892.

► Deferred Scheme Members

Annual Benefit Statement

Once a year all members benefits are sent out in an Annual Benefit Statement direct to home addresses. The Statement summarises the details of your LGPS pension scheme benefits.

Update of Information

If there are any changes to the LGPS regulations which are relevant to Deferred Scheme Members correspondence will be sent directly to their latest home address held on the pensions database.

The Council also use a tracing agency to contact members who have lost contact with the Council.

Pensions Helpline

Members can call the Pensions Section on one central helpline number, which is consistently advertised on all our literature. The number is 0208 760 5768 x62892.

► Admitted & Scheduled Scheme Employers participating in the Fund

Employer Forums

Meetings are held quarterly for Employers; specifically this has been used as a mechanism for communicating major strategic issues, significant LGPS legislation changes, tri-annual valuation matters and the Funding Strategy Statement.

Employers are kept informed throughout the process of the tri-annual valuation which is carried out by the Councils Actuaries. The Employers' comments are always encouraged and welcomed and where appropriate taken into consideration.

Pensions Administration Strategy

the administration strategy sets out the roles and responsibilities of the Administering Authority (Croydon Council) the third party payroll providers and employers in the Pension Fund and can be found on the website at insert link It sets out the service level agreement and targets which all are expected to meet.

Employers' Guide

An Employers' guide has been produced to assist the smaller employers in discharging their pension administration responsibilities.

► **Communication with Elected Members**

Information will be provided to Council Members in order for them to be able to fulfil their duties under the role of administering authority.

Access to Pensions Committee

The Pensions Committee is the Committee which has delegated power to review, administer and monitor the Pension Fund.

The committee meets a minimum of four times a year or more frequently, as required. Meetings are open to members of the public, although there may be occasions when members of the public are excluded due to the confidential nature of matters under discussion. The agenda, reports and minutes of the meeting are available on the council's website <https://secure.croydon.gov.uk/akscroydon/users/public/admin/kabmenu.pl?cmte=PEN>

Committee Reports

Reports to Pensions Committee and to other Committees as necessary. Members are kept informed of developments in relation to Pension Fund issues and the impact that these can have on overall Council policies and procedures.

► **Communication with the Local Pension Board**

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

Reports to the Local Pensions Board

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

► **Communication with Other Bodies**

There are a number of other interested parties with who we will communicate with as required, these include:

AVC Provider

AVC's (Additional Voluntary Contributions) are a way to top up your tax free lump sum and pension from your Local Government Pension Scheme. Croydon Council's AVC provider is Prudential. Contact details are available from Croydon Council's website.

Trade Unions/Employer Representatives

We will work with the relevant Trade Unions and Employer Representatives to ensure the Scheme is understood by all interested parties. All efforts will be made to ensure that all pension related issues are communicated effectively with the Trade Unions.

Pension Fund Investment Managers, Advisers and Actuaries

Regular meetings with Fund Managers who invest funds on behalf of the Fund.

Regular meetings with Investment Advisers who provide help and advice on asset allocation and investment of the Fund.

Regular meetings with the Fund Actuary to discuss funding levels, employers contributions and valuation of the assets and liabilities of the Fund

Pension Fund Custodian

The Fund's Custodian is Bank of New York Mellon, who ensures the safekeeping of the Funds investment transactions and all related share certificates.

Pensions and Lifetime Savings Association (PLSA)

The Fund is a member of PLSA, which provides an opportunity for administering authorities to discuss issues of common interest and share best practice.

Local Authority Pension Fund Forum (LAPFF)

The fund is a member of LAPFF. The LAPFF was established to help local authorities funds share information and ideas about socially responsible Investing.

London Pension Officers Group (LPOG) and London Pension Officers Forum (LPOF)

the Fund is a member of these voluntary groups. Meetings are held on a quarterly basis to share information and ensure standardised interpretation of LGPS regulations and best practice.

Requests for Information (FOI)

Requests for information either under the Freedom of Information Act or otherwise, will be dealt with as openly and swiftly as allowed providing that such information does not breach confidentiality.

Consultations

There are occasions when administering authority will consult with interested parties whether as a result of potential changes to the regulations governing the LGPS or specific policy changes relating to Croydon Council Pension Scheme. In these instances, the most effective way of communicating with interested parties is to hold a period of consultation, during which, they are given the opportunity to respond to specific changes. Interested parties and representative groups will be approached to provide feedback to the policy changes before amendments are enacted.

Minority Groups

It is recognised that there may be occasions when some minority groups may not be able to access all the information available to others. The Pension Fund will try to ensure that information available to the widest possible audience and as such will try to ensure that minority groups do have access to information. This is however, a developing area, but feedback on how to promote better access for all minority groups is welcome.

Review of Communication Policy

This policy document will be reviewed annually and updated as required.

Adopted June 2016 Pension Committee approved Minute No: A 23/16

The table below shows the availability of Fund publications along with their publication frequency and review periods.

Communication Material	Paper based	Electronic form	Internet for all to view	When published	When reviewed
Pension Scheme Guide	✓	✓	✓	Constantly available	Annually
Topping up Benefits	✓	✓	✓	Constantly available	Annually
Annual Benefits Statements	✓	✓	✗	Annually	Annually
Statutory Notifications	✓	✗	✓	On joining & Annual Benefit Statement	Annually
Members Self Service	✗	✓	✓	On joining	Continually
Pension Updates	✓	✓	✓	As required	After each publication
Annual Pension Fund Report	✓	✓	✓	Annually	Annually
Newsletter to Active Member	✓	✓	✓	Annually (if not more)	After each publication
Early Leaver information	✓	✓	✓	Sent with Deferred benefits statement	Annually
Retirement information	✓	✓	✓	Sent with retirement details	Annually
Pension Increase incorporated in the Pensioners Newsletter	✓	✓	✓	Annually	Annually
Actuarial valuation report	✓	✓	✓	Tri-annually	Tri-annually
Pension Fund Committee	✓	✓	✓	Quarterly	Quarterly
Communication Policy	✓	✓	✓	Upon request	Annually
Governance Compliance Statement	✓	✓	✓	Upon request	Annually

While these publications are reviewed within our timescales, these are also reviewed in conjunction with LGPS and other related legislation changes.

Further Information

This document is available in large sight and Braille upon request.

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

Pensions Section

5A, Bernard Weatherill House

8 Mint Walk

Croydon

CR0 1EA

Tele: 020 8760 5768 x 62892

Email: pensions@croydon.gov.uk

Website: www.croydonpensionscheme.org



Croydon Council

REPORT TO:	PENSION COMMITTEE 20 June 2017
AGENDA ITEM:	7
SUBJECT:	Review of Croydon Council Administration Strategy Statement
LEAD OFFICER:	Executive Director of Resources and (Section 151 Officer)
CABINET MEMBER	Councillor Simon Hall Cabinet Member for Finance and Treasury
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management: This report is to inform the Pensions Committee that the policy described by the 'Administration Strategy Statement' has been reviewed as part of an annual review of the Fund's policy documents.	
FINANCIAL SUMMARY: There are no financial considerations arising from this report.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1. RECOMMENDATIONS

- 1.1 The Committee is asked to approve the updated 'Administration Strategy Statement'.

2. EXECUTIVE SUMMARY

- 2.1 The regulations governing the Local Government Pensions Scheme (LGPS), the Scheme, call for the Administering Authority to prepare a written statement for all scheme employers covering the administration of the Scheme; reviewing this statement is part of our annual process.

DETAIL

- 3.1 The Local Government Pension Scheme Regulations requires each administering authority to prepare, formulate and publish a statement setting out its policy on Administration. The aim of this policy statement is to ensure that all

Scheme employers are kept informed of the administering authority's responsibilities and procedures and the responsibilities of all the employers in the Fund.

- 3.2 The Council, as the Administering Authority, has amended the existing policy in light of the pension team moving to electronic collection of data from the employers in the Fund, which it is hoped will improve the member experience and be a downward force on the cost of administering the Scheme. This system is called I-Connect and it allows employers to input the data required to assess Scheme members' benefits entitlement. Accurate information received in a timely fashion is key to ensuring an excellent service. Having data input where the Scheme member works, reduces the risk of errors and limits the need for additional staff resources, thus lowering costs.
- 3.3 As use of I-Connect becomes standardised the administration strategy must reflect this way of delivering this service. The policy statement, which is appended to this report, reflects those ways of working.
- 3.4 The document attached as Appendix A to this report sets out the detail of the entire administration of the LGPS by Croydon Council, updated to reflect this innovation.
- 3.5 The use of I-Connect involves employers inputting data (including personal data) about Scheme members therefore the Data Protection Act 1998 (DPA) is engaged. From 25th May 2018 the DPA will be replaced by the General Data Protection Regulation (GDPR) and the GDPR will place various obligations on both the Administering Authority and Scheme Employers in their respective roles as Data Controller and Data Processors. The Council as the Administering Authority and Data Controller will ensure it complies with the DPA and the GDPR when it comes into force. The Council as Data Controller also recognises rights of its scheme members (data subjects) under both the DPA and the GDPR and will ensure it has policies and processes in place to support these rights

4. RECOMMENDATIONS

- 4.1 This report recommends that the Pension Committee approves the Administration Strategy Statement.

5 FINANCIAL CONSIDERATIONS

- 5.1 There are no further financial considerations flowing from this report.

6. OTHER CONSIDERATIONS

- 6.1 Other than the considerations referred to above, there are no customer Focus, Equalities, Environment and Design, Crime and Disorder or Human Rights considerations arising from this report

7. COMMENTS OF THE SOLICITOR TO THE COUNCIL

7.1 The Solicitor to the Council comments that there are no direct legal implications arising from the recommendations within this report.

7.2 (Approved for and on behalf of Jacqueline Harris-Baker, Director of Law, Council Solicitor and Monitoring Officer)

CONTACT OFFICER:

Nigel Cook, Head of Pensions Investment and Treasury,
Chief Executives department, ext. 62552.

BACKGROUND DOCUMENTS:

None

Appendices

Appendix A: Administration Strategy Statement

The cover features a large, light gray graphic consisting of several concentric, overlapping circles. Two large, semi-transparent arrows are positioned on the cover: one pointing downwards from the top left, and another pointing upwards from the bottom right. The text is centered over this graphic.

Administration Strategy Statement

London Borough of Croydon Pension Fund

July 2017

CONTENTS

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

1 Introduction

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

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

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

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

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

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

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

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

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

2 Regulatory framework

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

- Procedures for liaison and communication with Scheme employers.
- The establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions under the LGPS by -
 - (i) the setting of performance targets;
 - (ii) the making of agreements about levels of performance and associated matters; or
 - (iii) such other means as the administering authority consider appropriate;
- Procedures which aim to secure that the administering authority and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance.
- Procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions.
- The circumstances in which the administering authority may consider giving written notice to any of its Scheme employers on account of that employer's unsatisfactory performance in carrying out its Scheme functions under these Regulations when measured against levels of performance.
- Such other matters as appear to the administering authority to be suitable for inclusion in that strategy.

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

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

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

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

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

3 Responsibilities and procedures

PROCEDURES FOR LIAISON AND COMMUNICATION WITH EMPLOYERS

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

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

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

A brief summary is set out in Appendix 1.

ESTABLISHING LEVELS OF PERFORMANCE

Performance standards

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

Quality

Overriding legislation

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

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

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

Internal standards

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

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

TIMELINESS

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

External providers

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

Procedures for ensuring compliance with statutory requirements and levels of performance

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

Audit

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

Performance monitoring

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

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

Employer liaison meetings

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

Employer forums

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

Employer liaison officers

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

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

Communication policy statement

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

Procedures for improving communication between administering and employing authorities

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

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

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

Service improvement plan

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

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

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

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

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

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

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

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

Scheme employer procedural guide

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

Newsletters

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

Technical bulletins

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

Training sessions

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

Employer forums

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

Employer liaison meetings

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

Continual review

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

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

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

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

Circumstances where costs might be recovered

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

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

Approach taken by administering authority

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

- write to the Scheme employer, setting out area(s) of poor performance;

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

4 Review process

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

5 Consultation

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

Appendix 1 - Summary of communication and liaison

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

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

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

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

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

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

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

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

Appendix 2 - Performance standards

By the administering authority

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

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

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

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

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

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

By the Scheme employer

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

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

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

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

Appendix 3 - New entrants and current Scheme members

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

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

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

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

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

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

5.1 Opting out of the pension Scheme over 3 months membership

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

LGPS Opt Out Forms

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

5.2 Auto-Enrolment Employer Duties

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

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

All employers should therefore familiarise themselves with their responsibilities

5.3 Academies

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

Appendix 4 - Early leavers

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

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

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

Notification of Cessation of Membership/Employment

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

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

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

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

Appendix 5 - Retirements

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

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

OR

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

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

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

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

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

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

Appendix 6 - Early retirement costs recharged to the Scheme employer

When do they arise?

Early retirement costs arise when an employee retires –

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

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

The costs will be recovered as follows:

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

Appendix 7 - Deaths in Service

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

Dependents includes –

Married Spouse

Cohabitees (certain provisions apply)

Civil Partners

Children (certain provisions apply)

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

Please retain a copy for your records.

Appendix 8 - Additional Voluntary Contribution Scheme

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

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

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

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

Appendix 9 - Ill health Retirement

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

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

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

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

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

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

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

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

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

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

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

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

Appendix 10 – Examples of instances where costs may be recharged

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

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

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

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

Appendix 11 - Cohabiting Partners

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

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

Appendix 12 – Payment of monthly contributions by Scheme employers

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

LGP31B - Remittance advice for payments to the Fund

Payment by BACS

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

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

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

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

Note:

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

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

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

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

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

Appendix 13 - Year end procedures

Financial Returns

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

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

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

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

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

Appendix 14 - Additional pension contributions (APCs)

Benefits purchased

Employee only APCs and employee/employer shared cost APCs

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

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

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

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

Employer only APCs

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

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

Appendix 15 - The 50:50 Option

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

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

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

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

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

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

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

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

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

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

Croydon Council

REPORT TO:	PENSION COMMITTEE 20 June 2017
AGENDA ITEM:	8
SUBJECT:	Progress Report for Quarter Ended 31 March 2017
LEAD OFFICER:	Richard Simpson Executive Director of Resources
CABINET MEMBER	Councillor Simon Hall Cabinet Member for Finance and Treasury
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management: Reviewing and ensuring that the performance of the Council's Pension Fund investments are in line with their benchmark and in line with the assumptions made by the Actuary.	
FINANCIAL SUMMARY: This report shows that the market value of the Pension Fund (the Fund) investments as at 31 March 2017 was £1,091.5m compared to £1,021.4m at 31 December 2016, an increase of £70.1m and a return of 3.45% over the quarter. The performance figures in this report have been compiled from data provided by each fund manager and are quoted net of fees. Independent information and analysis on the fund managers and markets have been provided by the Fund's independent investment advisor AON Hewitt.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1 RECOMMENDATIONS
1.1 The Committee are asked to consider and note the contents of this report.

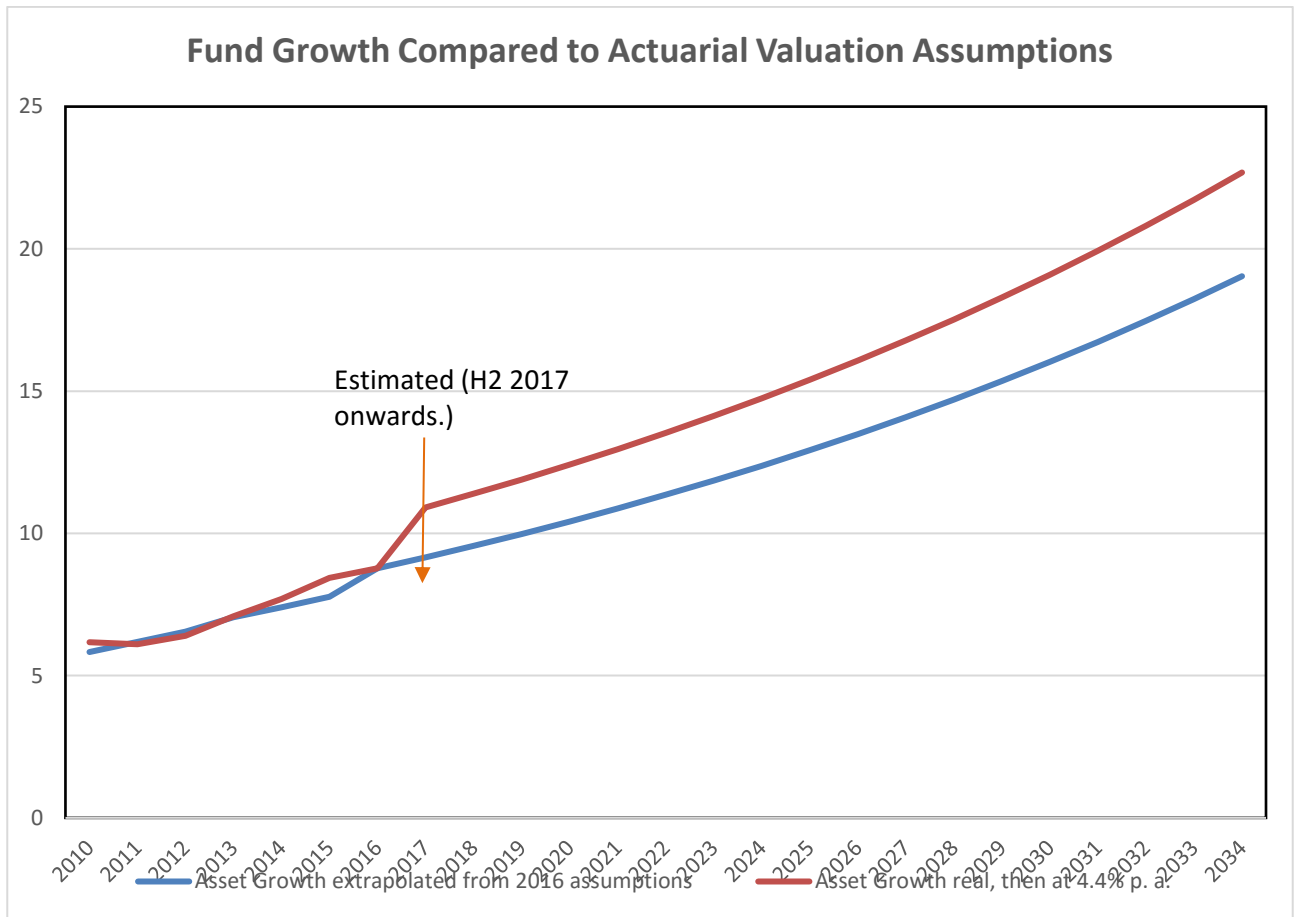
2 EXECUTIVE SUMMARY

- 2.1 This report provides an update on the London Borough of Croydon Pension Fund's (the Fund's) performance for the quarter to 31 March 2017. The report falls into three parts. Section 1 addresses performance against strategic goals. The second section considers the asset allocation strategy and how that is being applied. The third and final section deals with risk management. Detailed numeric data and commentary from the Fund's advisors is included as appendices to this report for readers.

3 DETAIL

Section 1: Performance

- 3.1 The 2016 Triennial Actuarial Valuation has recommended an asset outperformance assumption of 2.2% over gilt yields, meaning an asset return assumption, otherwise described as the discount rate, of 4.4%. The valuation also assumes that the funding gap will be closed over a 22 year period. However, as a risk based model has been adopted, the recovery period is less critical. In setting the Pension Fund's investment strategy, performance is measured against a benchmark return of CPI + 4% for the whole fund. Achieving this benchmark return will ensure the investments achieve a higher return than as calculated in the valuation and assuming other assumptions remain constant, the funding gap will reduce.
- 3.2 The following graph has been compiled from this information. The blue line shows the expected track of the value of assets growing in line with the 2016 valuation assumptions. This will be adjusted after subsequent valuations. The orange line shows the actual value of the Fund to date and plots the course of growth over subsequent years using the same assumptions. This is a simplistic measure of the success of the strategy which does not take account of other variables, such as changes in demographic factors, wage inflation forecasts and other assumptions and that does not reflect changes in cash contributions nor movements in the gilt yield curve. However it is valuable as a tool to help track whether the direction of travel is in the right direction.



3.3 Details of the performance of individual components of the portfolio are summarised in Appendix A. The returns for L&G, Standard Life, Wellington and Schrodgers are calculated on a time series basis. This basis negates the effect of any cash flows made to and from a manager’s portfolio (the reason being that the timing of investments and disinvestments is not the manager’s decision) and so allows the performance of those managers to be compared fairly with their benchmarks and peers. The returns for Equitix, Temporis, GIB, Knightsbridge, Pantheon, Access and M&G are calculated using the Internal Rate of Return (IRR). Using the IRR considers the effect of cash flows and this is deemed appropriate for these managers as the timing of investments is determined by the manager. Due to the nature of these investments, little attention should be paid to the performance for immature investments; Temporis, GIB, Access and M&G, and more attention should be made to the performance since inception for the more mature investments; Equitix, Knightsbridge and Pantheon. The whole of fund return uses the IRR as this is in line with the Actuary when calculating the valuation. It should be noted that the portfolio has been built on the premise that diversification mitigates the impact of return volatility, the performance of individual investments is less important than the return of the Fund in aggregate and certainly cannot be assessed over less than a full cycle, and the duration of the cycle will vary from asset to asset.

Section 2: Asset Allocation Strategy

3.4 A new asset allocation strategy was approved at the Committee meeting held on 8 September 2015 (Minute .A29/15 refers). Recognising that there are a number of factors dictating the delivery timeframe for the asset allocation, namely: the selection process and time taken to undertake due diligence; the revision of the LGPS

investment regulations; and the role of the London CIV; delivering the revised asset allocation remains a work in progress.

3.5 This asset allocation will give rise to a portfolio which can be broken down as follows:

Equities including allocation to emerging markets.	42%	+/- 5%
Fixed interest	23%	+/- 5%
Alternates	34%	+/- 5%
<i>Comprised of:</i>		
Private Equity	8%	
Infrastructure	10%	
Traditional (Commercial) Property	10%	
Private Rental Sector (Residential Property)	6%	
Cash	1%	
	100%	

3.6 Progress towards revised asset allocation

3.6.1 **Private Equity** – A net investment of £4.2m has been made with our existing private equity managers; although returns over the quarter were negative due to immature funds and negative currency effects and this has led to our allocation decreasing from 8.1% to 7.8%. The allocation is considered on target.

Allocation: achieved target allocation early.

3.6.2 **Infrastructure** – During the quarter a net investment of £10.4m was drawn: being the remaining commitment to the Green Investment Bank Offshore Wind Fund and Equitix. The allocation percentage increased from 6.8% to 7.5%. Officers are looking at committing a further £50m to £70m to another three infrastructure funds. This will enable the Fund to meet the target asset allocation as set out in the original timetable.

Allocation: on target to meet allocation by 31 December 2019 as planned.

3.6.3 **Traditional Property** – The target allocation has slipped 1% below the target allocation and Officer are actively engaging with our property fund manager in order to fill this gap.

Allocation: Now below target due to weak performance when compared to other assets.

3.6.4 **Private Rental Sector** - The Fund signed a commitment of £25m to the M&G UK Residential Fund in January 2016 and during the quarter ending 31 December 2016 signed a commitment for a further £35m with M&G. We are expecting the first tranche of £25m to be fully drawn by 30 September 2017 and the second tranche to be drawn throughout 2018. During the quarter £10.5m was drawn by M&G. We had an opportunity to buy more units within the fund valued at about £4m. Unfortunately our bid was unsuccessful, although the successful bid was well above the bid valuation which is the price we use for the valuation of the asset in our accounts.

Allocation: on target to meet allocation by 31 December 2018 as planned.

3.6.5 **Global Equities** – The Fund’s allocation to equities remained overweight at 53.2% when compared to the previous quarter of 56.4%, a movement of 3.2 % points. Equities again outperformed the rest of the portfolio over the quarter and the 1 year return has been 32.4% and this has contributed significantly to the overall 1 year performance of the Fund which was 21.56%. During the quarter a further £26.7m was divested from equities and is currently being held in cash. Members will be aware that the asset allocation strategy recognized that moving from the previous asset allocation would be a gradual process, driven by the availability of opportunities. It is also recognized that the preservation of returns is important. Consequently the current over-weight position in equities represents a positive benefit to the Fund. This must intentionally be a short-term position and the transfer of funds to other alternate asset classes, as described above, is part of the process of locking in some of the recent returns. The Fund’s view is that this beneficial environment will persist for a while yet. Officers will continue to identify opportunities within the asset allocation strategy which will be funded by taking some of the growth in value from the equity allocation. Paragraph 3.109 below provides more detail on the progress towards achieving this goal.

3.6.6 **Fixed Interest** – The Fund has moved to below the lower end of the target range in its fixed income allocation and this is largely due to outperformance of other assets. Officers are exploring alternate opportunities to our traditional bond portfolio including debt managers.

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

London Borough of Croydon Pension Fund
Fund valuation and asset allocation for the quarter ending 31 March 2017

	Valuation at 31/12/2016 £'000	Net Cashflow £'000	Gain/loss £'000	Valuation at 31/03/2017 £'000	Asset Allocation Fund Percentage	Asset Allocation Target Percentage
Equities					53.2%	42%
Legal & General World DB	25,359	- 26,692	1,333	-		
Legal & General FTSE4Good	550,778	-	30,015	580,793		
Fixed Interest					17.5%	23%
Standard Life	126,902	-	1,175	128,077		
Wellington	62,109	-	970	63,079		
Infrastructure					7.5%	10%
Temporis	9,848	-	-	9,848		
Equitix	40,022	5,153	1,584	46,758		
Green Investment bank	19,282	5,272	168	24,722		
Private Equity					7.8%	8%
Knightsbridge	17,997	507	738	17,766		
Pantheon	56,845	990	519	57,316		
Access	7,846	1,621	57	9,410		
North Sea	-	965	110	855		
Markham Rae	-	127	129	2		
Property					8.9%	10%
Schroders	94,697	-	2,075	96,772		
Property PRS					1.8%	6%
M&G	9,462	10,488	31	19,981		
Cash					3.3%	1%
Cash	237	35,851	76	36,164		
Fund Total	1,021,385	34,282	35,874	1,091,541	100%	100%

3.8 Members should note that at present, none of the investments comprising the asset allocation strategy feature on the London CIV’s project plan to establish sub-funds

and accommodate transferred investments. Nevertheless one of the core objectives for the pooling project has been achieved as the London CIV has negotiated a significant discount for equity fees.

- 3.9 Members' attention is drawn to the relative performance of equities compared with property. As the impact of Brexit worked its way through the markets, the fall in the value of Sterling gave a lift to equities whilst property was quite severely marked down, although this has since recovered slightly. Thus the strategy of diversification across asset classes protected the portfolio from excess volatility and provided a degree of downside protection.
- 3.10 At the time of drafting this report the Fund remains over-weight to equities to the extent that the proportion in this asset class is outside the allowable variance. This is set out in paragraph 3.6.5 above. Whilst officers believe that this over-weight position benefits the Fund in the short- to medium-term, this position is not consistent with the Fund investment strategy. The opportunities outlined above will result in around £81m being invested in alternate asset classes, although £31m of that will be funded from employer contributions. A further £45m could be transitioned from equities into fixed interest and this option is being actively pursued. Most of the recent growth experienced in equity markets can be attributed to currency: sterling has weakened over a prolonged period of time against the dollar and the Euro. This issue is addressed in a report elsewhere on this agenda.

Section 3: Risk Management

- 3.11 The principle risk addressed by the Funding Strategy is that returns on investment will fall below the target asset outperformance assumption to ensure that the Pension Fund matches the value of liabilities in the future. Dependent upon that are of course a number of issues.
- 3.12 The global economy will always represent a specific risk and opportunity for the Fund and will effectively be impossible to quantify or evaluate. As each asset class, investment strategy and characteristic will be impacted differently by any number of macroeconomic scenarios it is critical to ensure that the portfolio is sufficiently diversified. This will ensure that opportunities can be exploited and downside volatility reduced as far as possible.
- 3.13 In terms of the Pension Fund investment strategy in relation to the global picture, officers believe:
- The domestic US economy will continue to grow at a healthy rate.
 - China will also continue to demonstrate strong growth and this will be critical in stoking the continued expansion of emerging markets. By and large emerging market revenue account issues have been resolved.
 - There remain concerns about the European economy, especially around German and Italian banks and the unresolved Euro question.
 - While the Brexit negotiations are ongoing sterling will remain at depressed levels.

- 3.14 However there are equally many opportunities that can be exploited by very focused fund managers. The wave of elections culminating in the German Chancellor in October 2017 will create conditions of volatility that can be opportunities to capture returns.
- 3.15 The role of Central Banks in guiding local economies and that specific impact on the global economy remains an area for concern. Interest rates and inflation both represent significant headwinds impacting on the valuation of liabilities and the investments designed to match them. Specifically Officers are concerned by the increasing threat of inflation and all infrastructure investments the Fund has committed to have an inflation linkage built into the return profile.
- 3.16 Concentration risk is a particular concern, especially considering the extent to which the Fund is over-weight in equities. 9% of the value of the portfolio is invested in the top 10 stocks and arguably these are heavily correlated.
- 3.17 The portfolio term Brexit encompasses a number of risks. Immediate concerns that the UK economy would register a shock have not materialised. However, risks remain and the outcome of the snap election has done little to quieten concerns. The fall in the relative value of sterling has masked a long term issue around productivity and actually benefitted the portfolio. Other concerns may manifest themselves in the future. One issue that seems certain to impact the fund is that of passporting and the cost of accessing investment opportunities. Although it is unlikely that performance will suffer there is a greater risk that costs, incurred by fund managers, as a function of being a custodian, and officer time, will increase. It is unlikely that these costs could be mitigated by negotiation or the use of pooling arrangements.
- 3.18 AON Hewitt, the Fund's investment advisor, have drafted a Manager Monitoring Report, a Market Review for the 3 months to 31 March 2017 and a Quarterly Investment Outlook which provides context for this risk analysis. These reports are included in Part B papers.

4 CONSULTATION

- 4.1 Officers have fully consulted with the Pension Fund's advisers in preparing this report.

5 FINANCIAL CONSIDERATIONS

- 5.1 This report deals exclusively with the investment of the Council's Pension Fund and compares the return on investment of the Fund against the benchmark return.

6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

- 6.1 The Acting Council Solicitor comments that there are no additional legal considerations arising other than those already highlighted in relation to the previous report to members on 6 December 2016.

(Approved for and on behalf of Jacqueline Harris Baker, Director of Law, Council Solicitor and Monitoring Officer.)

7. FREEDOM OF INFORMATION/DATA PROTECTION CONSIDERATIONS

- 7.1 This report contains only information that can be publicly disclosed. The confidential information is reported in the closed part of the agenda.

CONTACT OFFICER:

Nigel Cook – Head of Pensions and Treasury
Resources Department, ext. 62552.

BACKGROUND DOCUMENTS:

Quarterly reports from each fund manager (circulated under separate cover)

Appendices

Appendix A: Fund Returns

Please note there are no Appendix B and C

The following appendices are considered commercially sensitive:

Appendix D: AON Hewitt Manager Monitoring Report

Appendix E: AON Hewitt Market Review: 3 months to 31 December 2016

Appendix F: AON Hewitt Quarterly Investment Outlook

Appendix A

London Borough of Croydon fund returns for the period ending 31 March 2017

EQUITIES					
L&G FTSE 4GOOD	Quarter	1 year	3 year	5 year	inception
Fund	5.4%	32.4%			11.5%
Benchmark	5.5%	32.5%			11.6%
L&G World Index	Quarter	1 year	3 year	5 year	inception
Fund	5.3%	32.4%			16.6%
Benchmark	5.3%	32.4%			16.7%
FIXED INTEREST					
Standard Life	Quarter	1 year	3 year	5 year	inception
Fund	0.9%	5.9%	4.1%	4.7%	5.0%
Benchmark	0.9%	4.7%	4.7%	4.7%	5.1%
Wellington	Quarter	1 year	3 year	5 year	inception
Fund	1.6%	6.7%	7.7%	5.7%	7.2%
Benchmark	1.7%	7.6%	8.0%	6.0%	6.9%
INFRASTRUCTURE					
Equitix	Quarter	1 year	3 year	5 year	inception
Fund	3.9%	7.4%	13.0%	15.1%	15.6%
Benchmark	1.4%	7.3%	5.9%	6.4%	7.0%
Temporis	Quarter	1 year	3 year	5 year	inception
Fund	0.0%				1.1%
Benchmark	1.4%				7.3%
GIB	Quarter	1 year	3 year	5 year	inception
Fund	-1.5%				-1.5%
Benchmark	1.4%				1.4%
PRIVATE EQUITY					
Knightsbridge	Quarter	1 year	3 year	5 year	inception
Fund	-3.8%	16.9%	18.3%	17.4%	14.8%
Benchmark	1.4%	7.3%	5.9%	6.4%	7.0%
Pantheon	Quarter	1 year	3 year	5 year	inception
Fund	-0.9%	28.1%	17.3%	13.9%	12.6%
Benchmark	1.4%	7.3%	5.9%	6.4%	7.2%
Access	Quarter	1 year	3 year	5 year	inception
Fund	-0.7%	6.4%			6.4%
Benchmark	1.4%	7.3%			7.3%
PROPERTY					
Schroders	Quarter	1 year	3 year	5 year	inception
Fund	2.2%	1.1%	9.9%		10.1%
Benchmark	2.0%	3.7%	10.2%		9.3%
PROPERTY PRS					
M&G	Quarter	1 year	3 year	5 year	inception
Fund	1.16%				-4.26%
Benchmark	2.00%				2.70%
Total Fund					
	Quarter	1 year	3 year	5yr	inception
Fund	3.45%	21.56%	12.37%	10.62%	8.16%
CPI + 4%	1.13%	6.33%	4.92%	5.44%	6.34%

Returns are net of fees and annualised apart from for the last quarter

Returns for Equity, Fixed Interest and Property Funds are calculated on a time weighted basis.

Returns for Infrastructure, Private Equity ,Property PRS funds and the Total return are calculated on an Internal rate of return basis.

Croydon Council

REPORT TO:	Pension Committee 20 June 2017
AGENDA ITEM:	9
SUBJECT:	Currency Hedging
LEAD OFFICER:	Nigel Cook Head of Pensions and Treasury
CABINET MEMBER	Councillor Simon Hall Cabinet Member for Finance and Treasury
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT:	
Sound Financial Management: This report provides the Committee with context around the implications of adopting a currency hedging strategy.	
FINANCIAL SUMMARY:	
A currency hedging strategy will come at a cost but may reduce volatility and be an effective risk management tool.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1. RECOMMENDATIONS

- 1.1 Foreign currency denominated equity component of the portfolio should be hedged, with an upper limit of no more than 50% of the value of foreign currency denominated listed equities;
- 1.2 Execution of any decision relating to currency hedging, including timing, is delegated to the Executive Director of Resources in consultation with the Chair of the Pensions Committee and the Cabinet Member for Finance and Treasury.

2. EXECUTIVE SUMMARY

- 2.1 This report considers the factors to be taken into account regarding a currency hedging strategy for the equity investment component of the Pension Fund portfolio.

3. DETAIL

- 3.1 The Pension Committee considered adopting a currency hedging strategy in 2009 (Minute A17/09 refers) and at that time took the view that hedging 50% of the overseas equity portfolio might be appropriate, but delegated the decision to act to officers because of the sensitivity to volatile market factors.

- 3.2 The factors considered at the time of that discussion remain relevant. The Pension Fund is exposed to movements in the value of overseas currencies against sterling: typically the US dollar and the Euro but also the Canadian and Australian dollar, the Chinese renminbi, Japanese yen and other minor world currencies like the Mexican peso. Currency hedging is a way of reducing this currency risk where this risk is not expected to add to expected returns materially in the long run. In this case currency risk is considered to be an unrewarded risk. In periods of currency volatility this risk is emphasized. At present sterling has fallen against the US dollar and the Euro which has benefitted the portfolio. It might be a reasonable view to assume this situation will persist over the period of negotiating the UK's exit from the European Union and the US re-negotiating trade deals.
- 3.3 As a strategy, currency hedging is only practical for asset classes such as equities and fixed interest and rather more challenging, and hence unrewarding, for alternate, more illiquid asset classes. The fixed interest portfolio is bench-marked against a sterling index and therefore currency hedging is already built in to their investment process.
- 3.4 When investing overseas, the investor has two exposures: exposure to the local market and exposure to the local currency. Currency hedging, when fully employed, strips out the foreign currency exposure in a portfolio. That is to say, if the Fund features a US equity position and fully covers it with a dollar to sterling hedge, the scheme will receive the return on the US equity market in dollar terms (less hedging costs). The additional effect of changes in the dollar / sterling exchange rate is removed. To implement a currency hedge, a series of transactions in forward foreign exchange contracts or in over the counter securities are made. Typically, the manager responsible for implementing the currency hedge will enter into a series of three-month contracts, against the net value of any overseas currency positions, in order to negate the effects of currency movements.
- 3.5 This hedge could be put in place by the fund manager, or the Fund's custodian, by an external service provider and in-house, by the Fund investment team.
- 3.6 By having investments in a range of geographical regions the Fund achieves market diversification and currency diversification, which is a useful risk management device. Hedging this exposure back to sterling eliminates the risk associated with the volatility of overseas currencies relative to the sterling liabilities (i.e. pension benefits) but at the same time introduces a further risk which is the lack of diversification from sterling. As domestic inflation relates to relative movements in sterling – such as the cost of oil which is valued in US dollars – this diversification can be beneficial.
- 3.7 As referenced above, market factors impacting the performance of the equity portfolio are driven by a macro-economic landscape that has featured significant uncertainty for a lengthy period. It is reasonable to suggest that weak GDP growth in western economies, irresolution of the Euro crisis, political instability and a low interest rate environment will persist for at least the medium term, say 3 to 5 years. What this means for the equity portfolio is that, although stock indices continue to be a record levels, much of this performance is due, at least for domestic markets, to a weak sterling exchange rate.

- 3.8 In summary, if the Fund's domestic currency (sterling) appreciates relative to the currencies of its overseas assets, hedging is beneficial. Should the domestic currency depreciate, hedging can have a negative effect on asset returns. Officers' current thinking is that sterling will only begin to appreciate when uncertainty around the removal of the UK from the European Union is resolved and this may take 5 to 10 years. Other factors will almost certainly persist for a comparable period of time.
- 3.9 Hedging is one way of locking in some of the returns from equities achieved over the last couple of years. Another way is to liquidate some of the investments to invest in other asset classes: this latter approach has been adopted for the Croydon Fund.
- 3.10 AON Hewitt, the Fund's professional investment advisors, have provided advice on hedging. This advice is appended to this report. AON Hewitt are also able to advise on costs and the component of recent returns due to foreign currency exchange rates.

4 FINANCIAL CONSIDERATIONS

- 4.1 There are no further financial considerations flowing from this report.

5. OTHER CONSIDERATIONS

- 5.1 Other than the considerations referred to above, there are no customer Focus, Equalities, Environment and Design, Crime and Disorder or Human Rights considerations arising from this report

6. COMMENTS OF THE SOLICITOR TO THE COUNCIL

- 6.1 The Solicitor to the Council comments that there are no direct legal implications arising from the recommendations within this report.
- 6.2 (Approved for and on behalf of Jacqueline Harris-Baker, Director of Law, Council Solicitor and Monitoring Officer)

CONTACT OFFICER:

Nigel Cook, Head of Pensions Investment and Treasury,
Resources department, ext. 62552.

BACKGROUND DOCUMENTS:

Currency hedging of equities, AON Hewitt, 23 November, 2016

Appendix

Appendix A: Currency Hedging, AON Hewitt, June 2017

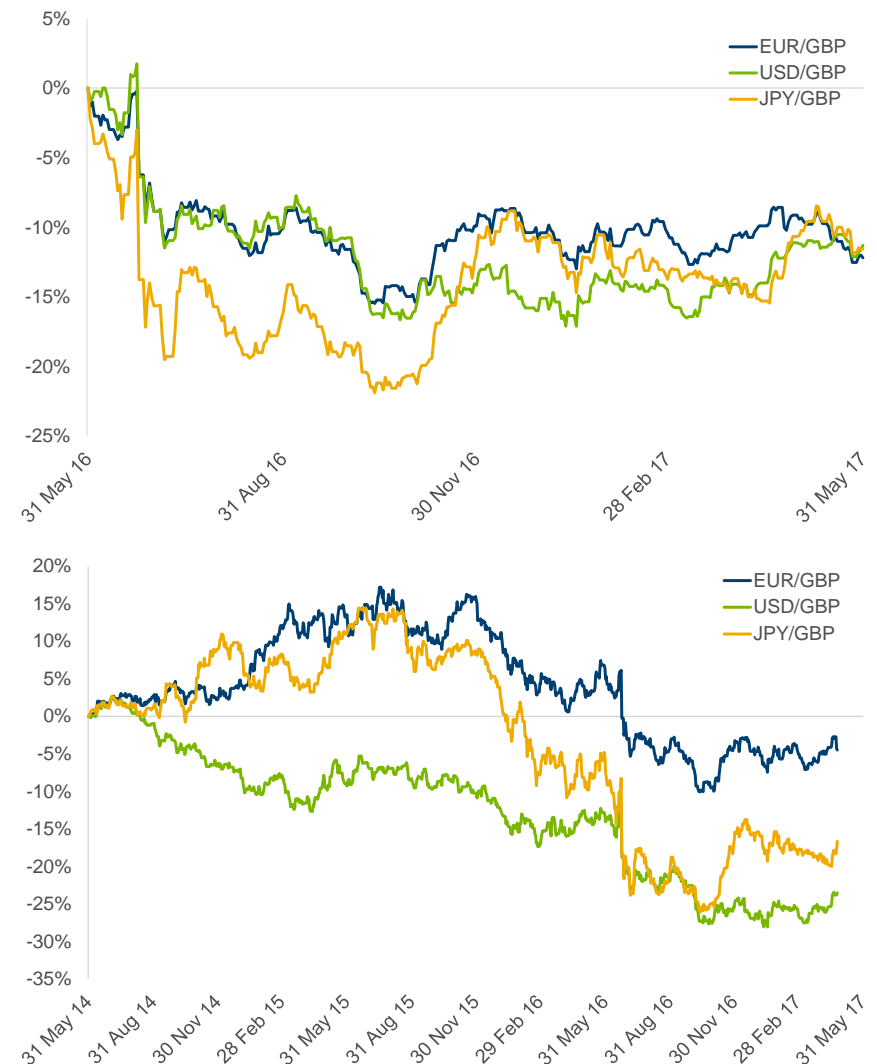


Currency Hedging

Prepared by Aon Hewitt
Retirement & Investment
Presentation to London Borough of Croydon

Sterling Depreciation

- Since the Brexit vote on 23 June 2016, Sterling has seen a sharp depreciation against the US Dollar and other major currencies
- However, weakening Sterling has been a trend for a number of years, falling around 20% against both the US Dollar and Japanese Yen
- Although the pound has seen somewhat of a rebound versus the dollar since the announcement of the General Election, it remains well below its pre-Brexit levels



Currency Exposure

	LGIM World (ex UK) (£'000)	Total (%)
UK	54,302	9.5
North America	284,570	49.8
Europe	155,202	27.2
Japan	44,648	4.8
Other	28,461	5.0

Source: LGIM

Note: excludes cash

- The table above shows the currency exposure of the Fund's overseas equities as at 30 April 2017
- The Scheme has significant exposure to US dollar, which has benefitted returns over the last twelve months

Impact of Currency Movements

- The table below shows the approximate impact of the fall in Sterling versus the US Dollar on the Fund's equity portfolio between 31 May 2016 and 31 May 2017 (latest available)

	USD Exposure 23 June 2016 (£m)	USD/GBP 23 June 2016	USD/GBP 31 May 2017	Gain (%)	Gain (£m)
LGIM	245.3	1.4807	1.2910	7.2	36.1

- For reference, the table below shows the impact of the fall in Sterling from 31 May 2016 to 16 January 2017, when the exchange rate hit its lowest point

	USD Exposure 23 June 2016 (£m)	USD/GBP 23 June 2016	USD/GBP 16 Jan 2017	Gain (%)	Gain (£m)
LGIM	245.3	1.4807	1.2065	11.2	55.8

Longer Term Impact

- The following table shows the approximate impact of the depreciation of Sterling versus the US Dollar from 30 June 2014 to 31 May 2017. Please note the calculations do not take into account any contributions or redemptions that may have taken place over this period

	USD Exposure 30 June 2014 (£m)	USD/GBP 30 June 2014	USD/GBP 31 May 2017	Gain (%)	Gain (£m)
LGIM	194.0	1.7099	1.2910	15.7	63.0

Aon Hewitt View

- The recent devaluation of Sterling leads us to see this as an opportune time for consideration of hedging currency exposure
- Although Sterling has seen a small rebound against the US Dollar since the announcement of the General Election on 8 June 2017, we maintain our view that Sterling is below fair value, although we see levels of \$1.20 as “cheap”
- We also maintain our view that Sterling looks below fair value against the Euro and Yen (which together with the US Dollar comprise the majority of the Fund’s overseas exposure)
- We recommend that the Pension Committee consider hedging a portion of their overseas equity exposure to capitalise on gains that have been made over the past twelve months

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London Borough of Croydon Pension Fund

Date: 23 November 2016
Prepared for: The Pension Committee
Prepared by: Daniel Carpenter
Dave Lyons

Currency Hedging of Equities

Introduction

The weakness of Sterling over the last couple of years has benefitted the Fund's allocation to overseas equities, as the appreciation of other currencies relative to Sterling has provided an additional contribution to returns.

However, with Sterling now much lower, we believe that the Pension Committee should consider hedging some of the Fund's overseas equity exposure in order to protect gains that have been experienced to date.

Sterling's ultimate floor is highly uncertain as it is so dependent on the trade deals the UK agrees and how long negotiations take. It is possible that Sterling overshoots on the way down. However, we believe there is an argument to put some hedging on at the current time.

Executive Summary

- Even though Sterling has fallen significantly already on the back of a negative outlook for UK growth and inflation under a Brexit scenario, we expect that Sterling could continue to weaken in the wake of the decision by the UK to leave the European Union (EU). Negative news flow and reduced capital inflows will keep Sterling weak.
- However, limited monetary easing implications and some valuation support indicate that the greater part of Sterling's depreciation has now occurred.
- Sterling will remain at the mercy of uncertain economic and political developments for several years which obscures the outlook but we regard levels of US\$1.20 as cheap.
- Sterling's ultimate floor is highly uncertain as it is so dependent on the trade deals the UK agrees and how long negotiations take. It is possible that Sterling overshoots on the way down.
- However, we believe that the Pension Committee should consider hedging some of the Fund's equity exposure in order to protect gains that have been experienced to date.

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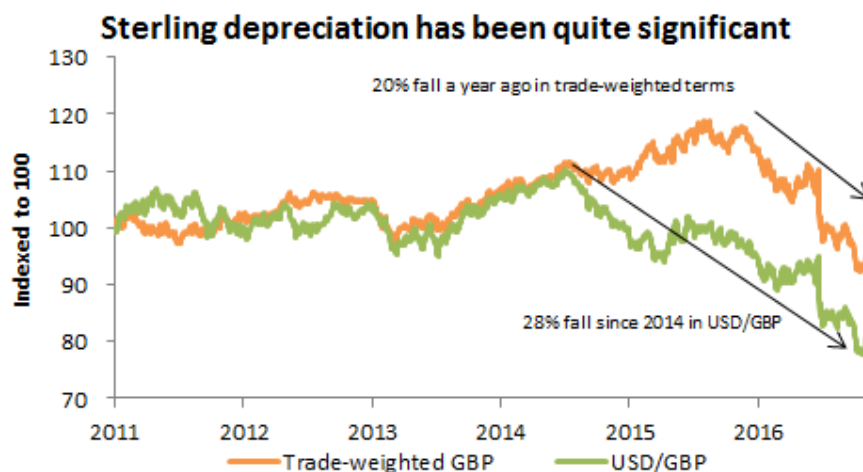
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Sterling – the story so far

Sterling has fallen by almost 16% against the US dollar (US\$1.48 to US\$1.24 currently) and a little less against the euro, with an 11% drop (€1.30 to €1.17 currently), since the EU referendum result was announced on 24 June 2016 to 17 November 2016.



Source: Bloomberg, Bank of England Calculated Effective UK Narrow Exchange Rate

However, Sterling's weakness pre-dates the EU referendum. The pound has now depreciated by 28% against the US dollar since 2014, due to a tighter US monetary stance, concern over a widening UK current account deficit and, in the past year, by Brexit worries. In broad trade-weighted terms, the fall is smaller but still a sizeable 20% since its 2015 peak (see chart).

The Fund's overseas equity exposure

The table below shows the approximate currency exposures of the FTSE 4 Good Global Index, the benchmark for the Fund's global equity holdings.

Currency	FTSE 4 Good Global Index (%)
GBP	10.2
USD	47.8
EUR	16.4
JPY	8.7
Other	16.9
Total	100.0

Source: Aon, FTSE 4 Good Global Index. Data as at 31 October 2016.

Around 90% of the Fund's equity portfolio is denominated in non-GBP currencies, with the USD accounting for the largest proportion of this (48%). All of the Fund's equity exposure is unhedged.

There are good reasons why Sterling has weakened on Brexit fears

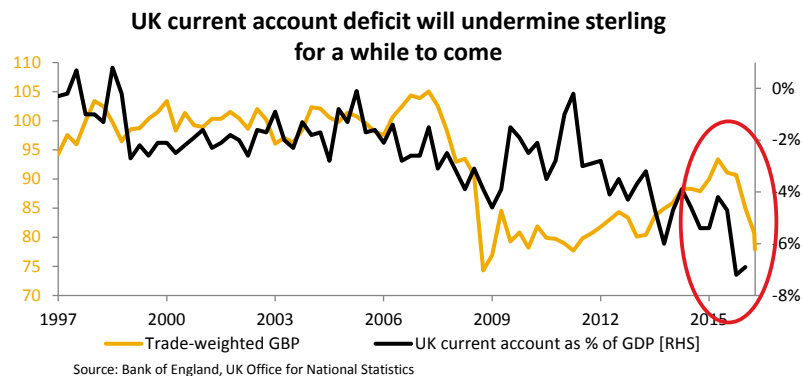
The current path of a potential 'Brexit' is less than clear. However, we think it likely that Brexit will cause the UK to fall into a mild recession in 2017. Conversely, whilst Eurozone growth will suffer it is expected to remain above 1% and US growth will be only marginally impacted by the referendum result.

UK productivity will likely take a hit as weak business confidence and lower foreign investment into the UK take their toll. UK inflation will rise temporarily above the 2% target, as a result of more expensive imports due to Sterling depreciation, but this should not start a trend given weaker UK growth and global deflationary forces.

An improving current account will ultimately provide Sterling support but not in the shorter-term

The size of the UK current account deficit was instrumental in bringing Sterling down in advance of the EU referendum as it made Sterling vulnerable to a Brexit vote. The current account is likely to improve from the existing deficit of 6.9% of GDP in the coming years as a cheaper pound makes exports more competitive and imports more expensive.

However, we do not expect this driver to support Sterling in the near-term for two reasons. Firstly, the current account will not shrink immediately and it is then dependent on how well UK trade negotiations go. Secondly, the high levels of uncertainty surrounding the UK will discourage the capital inflows that have been financing the deficit to date. Foreign direct investment inflows are likely to reduce from both EU and non-EU sources as the UK loses its direct access to the single market. The longer Brexit negotiations take, the greater could be the negative impact from financial flows.



Can Sterling fall further?

Sterling exchange rates are impacted by growth and policy decisions in other regions, not just the UK, and the ties between global financial markets and the global growth implications of a strong dollar mean that Sterling depreciation against the dollar has its limits.

The key question, however, is how much of Brexit's total impact has already been incorporated into Sterling's current level, given the steep falls we have seen both before the referendum and since the result at the end of June. We look at monetary policy outlook and exchange rate valuations to provide some guidance.

But Sterling doesn't look cheap quite yet

Sterling has experienced large shock depreciations in the past – the most recent was in 2008 after the Global Financial Crisis when Sterling fell by 35% against the US dollar in just over a year. However, Sterling was extremely overvalued at an exchange rate above US\$2 before this collapse.

The situation is very different today. Sterling was close to fair value against the US dollar before the Brexit vote and the current fall in Sterling has not been large enough to reach extreme undervalued levels. OECD purchasing power parity (PPP), based on relative inflation considerations, indicates fair value at US\$1.43, less than 15% above current levels.

We believe that the near-term risks are still to the downside from the uncertainties forced by Brexit, but we are getting to a point where Sterling is starting to look cheap.

We regard an exchange rate against the US dollar of US\$1.20 as cheap, while levels around US\$1.30 could attract some hedging. A fall to US\$1.20 is 30% below 2014 highs, 19% below Brexit announcement levels and only 3% below current levels.

Hedging implications

We have been supportive of the Fund's unhedged currency exposure to their overseas assets for the last few years. Even though we did not expect that the UK would vote to leave the EU, earlier this year, in March 2016 we felt that sterling wasn't on a strong footing given some risk of Brexit.

We now regard an exchange rate against the US dollar of US\$1.20 as cheap, while levels below US\$1.30 could attract some hedging. A fall to US\$1.20 is 30% below 2014 highs, 19% below Brexit announcement levels and 7% below current levels. For other major currencies, €1.10 (5.5% from current levels) and the current ¥130 level appear attractive to hedge euro and yen exposure respectively.

Sterling's ultimate floor is highly uncertain as it is so dependent on the trade deals the UK agrees and how long negotiations take. It is possible that sterling overshoots on the way down. However, given that the US weight in the MSCI World Index is as high as 59%, the threshold for having some initial hedging in place is closer to current levels.

Implementation considerations

The Pension Committee may wish to consider hedging some of the Fund's overseas equity exposure in order to protect gains that have been experienced to date. A shift from unhedged to hedged share classes is usually the simplest way to hedge, however this option is not available to the Fund. Alternatively, the hedging can be provided either through the investment manager (Legal & General Investment Management) or the custodian (BNY Mellon), as long as there are best execution checks. We can work with the Officers to explore the most appropriate implementation mechanism from both an efficiency and cost perspective.

Summary

- Sterling has weakened markedly against a number of major currencies since the EU referendum was announced, continuing a trend of general weakness seen earlier this year and beyond.
 - The risk posed by the Fund's USD exposure is more significant than all other currencies and represents a more stable base against which to consider currency hedging.
 - Sterling is below "Fair Value" but not yet cheap. We believe there are policy actions, and just as importantly international policy *divergences*, which could see Sterling weaken further against the Dollar in the near term before possibly returning to something approaching Fair Value.
 - We believe that the Pension Committee should consider hedging some of the Fund's overseas equity exposure in order to protect gains that have been experienced to date.
 - We look forward to discussing this paper with the Pension Committee at the upcoming meeting on 6 December 2016.
-

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Calculations may be derived from our proprietary models in use at that time. Models may be based on historical analysis of data and other methodologies and we may have incorporated their subjective judgement to complement such data as is available. It should be noted that models may change over time and they should not be relied upon to capture future uncertainty or events.

Croydon Council

REPORT TO:	Pensions Committee 20 June 2017
AGENDA ITEM:	10
SUBJECT:	Contract for the Provision of Actuarial, Benefits & Governance Consulting Services
LEAD OFFICER:	Nigel Cook, Head of Pensions and Treasury
CABINET MEMBER	Councillor Simon Hall Cabinet Member for Finance and Treasury
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT:	
<p>Sound Financial Management: The regulatory framework supporting the Local Government Pension Scheme requires access to actuarial advice by administering authorities. Procurement of Pension Fund Services through the National LGPS Framework has delivered an OJEU compliant process faster, more efficiently and cheaper than using an individual authority procurement route.</p>	
FINANCIAL SUMMARY:	
<p>The expenditure in this area is estimated to be £450,000 over the life of the contract for Actuarial Services. This will be a four-year contract. This contract will deliver crucial Consultancy Services which will add value to the overall administration of the Local Government Pension Scheme in Croydon. Use of the National Framework will deliver significant procurement savings and the most competitive fee structure on offer to the LGPS.</p>	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

<p>1. RECOMMENDATIONS</p> <p>1.1 The Committee is asked to note the award under the National Local Government Pension Scheme Framework of the following Lots by the Executive Director of Resources (Section 151 officer):</p> <p>Lot 1: Actuarial Services, to Hymans Robertson; Lot 2: Benefits Consultancy, to Hymans Robertson; and Lot 3: Governance Consultancy, to AON Hewitt.</p> <p>Each contract is for a period of 4 years.</p>

2. EXECUTIVE SUMMARY

- 2.1 Croydon Council, as administering authority for the Local Government Pension Scheme, established a framework agreement for the provision of professional support services to the Scheme. Through this framework agreement the Council let a contract for an Actuarial and Benefits Consulting Service. The current contract is for a single supplier, Hymans Robertson. To secure the best value for money and make most effective use of the National Local Government Pension Scheme Framework, all future contracts for professional support services will be called off from the National Framework.

DETAIL

- 3.1 National Local Government Pension Scheme (LGPS) frameworks were established by a group of administering authorities, including Croydon Council, to build on the procurement frameworks developed by this Council. The goal of the project was to enable key, universal pension fund services, to be procured faster, more efficiently and cheaper and to ensure that costs were bench-marked across the LGPS. This would lead to both savings in procurement costs and savings against fees for professional services.

- 3.2 In summary, the benefits of using the National Framework to administering authorities include:

- Access to a fast, efficient, easy to use OJEU compliant procurement frameworks that removes the need to undertake costly and time-consuming full OJEU procurement processes;
- A significant reduction in procurement timescales;
- Reduced procurement costs;
- Flexibility in the planning and running of tender processes via mini-competition;
- Robust frameworks resulting from thorough professional due diligence;
- Benefits to the LGPS community at large - the more money that is spent through the framework, the better prices are available for Funds using it;
- Pre-agreed terms and conditions, which means less expenditure on legal costs and a better understanding of the nature of the contract;
- Ceiling prices that have been further reduced by competition;
- Detailed and easy to use guides, support and templates; and
- Additional benefits, for example allowing user groups to optimise the LGPS buying power.

- 3.3 The benefits of procuring services through Framework purchasing agreements are well-understood. They include savings on procurement costs; competitive fees and charges; shorter project timelines; reliance on thorough due diligence and legal reviews; and bulk discounts. Ceiling costs have been negotiated for all services provided through the Framework but individual authorities can negotiate these costs down and bulk rebates are built into the contracts. Croydon has invested time and effort in the establishment of the National LGPS Framework, has confidence in the team, and can place reliance on their documentation, much of which originates from work on the Croydon Frameworks.

- 3.4 The procurement process, managed by, Norfolk County Council's pensions

service, has applied the Public Service (Social Value) Act 2012 when establishing the Framework and have determined that it meets the requirements of Economy.

3.5 The National LGPS Framework for Actuarial Services consists of 4 Lots with 7 service providers across the four Lots:

Lot 1: Under this contract the Actuarial Services Provider will deliver the tri-annual valuation of the Pension Fund, new employer contributions rates and deal with employer rate enquiries.

Lot 2: This encompasses Benefits Consultancy, including managing the Internal Dispute Resolution Procedure (IDRP), on behalf of the Council, dealing with Pensions Ombudsman's complaints, and responding to member related benefit enquiries.

Lot 3: Governance Consultancy provides support on policies, local discretions under the Scheme Regulations and advises on the good governance of the Fund.

Lot 4: The final lot under the Framework is concerned with consultancy to support special projects that will arise as and when in response to events such as changes in the legislative context of the Scheme.

3.6 The contract term for Lots 1, 2, and 3 will be fixed for four years. The Fund will call off from Lot 4 as on an ad hoc basis. The award of the contract has been considered and approved by the Contracts Compliance Board (CCB): the CCB reference number is CCB1213/16-17.

3.7 Norfolk County Council conducted a full Open OJEU process (for which the official reference is OJEU2016/S 131-236723) on behalf of the Council for these services. As per the National LGPS Framework instructions, the Council (on behalf of The Fund), have run a further mini competition via its e-tendering portal in order to access Lots 1, 2, and 3.

3.8 Four bidders expressed interest in providing these services and were invited to tender. These companies were:

- Aon Hewitt
- Barnett Waddingham
- Hymans Robertson
- Mercers

3.9 The evaluation criteria used to assess each bid were quality, service fit, and price. It should be noted though that the process by which these bidders have been included in the National Framework is a far more detailed and exhaustive ensuring that the pool of potential bidders each exceed a high hurdle for quality, service delivery and fees.

4. RECOMMENDATIONS

4.1 The recommendation is for the Pension Committee is to note the appointment of Hymans Robertson for Lots 1 & 2 to provider the Actuarial and Benefits

Consulting Services and Aon Hewitt for Governance Consulting Services to Croydon Council for the next 4 years.

5 FINANCIAL CONSIDERATIONS

- 5.1 All expenditure on this contract will be met by the Pension Fund. As the costs will be fixed for the period of the contract, in comparison with the fees relating to the current contract the cost of individual projects will be lower. However, with a growth in the level of complexity associated with managing the Scheme and a sharp increase in the number of Scheme employers the overall costs relating to professional services may increase.

6. OTHER CONSIDERATIONS

- 6.1 Other than the considerations referred to above, there are no customer Focus, Equalities, Environment and Design, Crime and Disorder or Human Rights considerations arising from this report

7. COMMENTS OF THE SOLICITOR TO THE COUNCIL

- 7.1 The Solicitor to the Council comments that there are no direct legal implications arising from the recommendations within this report.
- 7.2 (Approved for and on behalf of Jacqueline Harris-Baker, Director of Law, Council Solicitor and Monitoring Officer)

CONTACT OFFICER:

Nigel Cook, Head of Pensions Investment and Treasury,
Chief Executives department, ext. 62552.

BACKGROUND DOCUMENTS: None

Croydon Council

REPORT TO:	Pension Committee 20 June 2017
AGENDA ITEM:	11
SUBJECT:	Engagement with Pension Fund Investment Managers
LEAD OFFICER:	Nigel Cook Head of Pensions and Treasury
CABINET MEMBER	Councillor Simon Hall Cabinet Member for Finance and Treasury
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management: This report sets out a schedule for members of the Pension Committee to engage with fund managers.	
FINANCIAL SUMMARY: In order to fulfil their fiduciary responsibilities the Committee needs to engage with the fund managers with whom the assets of the Pension Fund are invested.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1. RECOMMENDATIONS

- 1.1 The Committee is asked to note the report

2. EXECUTIVE SUMMARY

- 2.1 The Committee has agreed to rebalance the Pension Fund portfolio and its members should have the opportunity to acquaint themselves with new fund managers. This is to be facilitated by an engagement day at the Council. To ensure continued engagement with existing managers a series of off-site visits is being arranged.

3. DETAIL

- 3.1 Following last year's asset allocation review and the current requirement to rebalance the Pension Fund cash has been allocated to a number of fund managers. A number of these managers have only recently been added to the roster. Other fund managers have been allocated additional sums, to seed new investments or add to existing allocations. In each case officers, advised by the Fund's professional investment advisers, have undertaken extensive due diligence to ensure that the investment goals for the Fund have the greatest

chance of being met within an acceptable risk envelope.

- 3.2 These two groups of managers, existing fund managers investing in listed equity, debt, property and unlisted businesses, and new managers investing in infrastructure, private equity and residential property, manage over £1 billion of assets on behalf of the Pension Fund. As agreed by the Committee, investment decisions have been taken by the Executive Director for Resources (S. 151 Officer) in consultation with the Chair and Vice-Chair of the Committee. A considerable amount of supporting information and legal documentation exists to inform each of these decisions.
- 3.3 In order for the Committee to better understand the dynamics of the portfolio, expectations of performance in different environments and the overall allocation of the risk budget, these managers are providing the Committee with an Information Day. Each have been invited to present to the Committee, providing an opportunity for members to better understand each offering and, as most of the funds are now drawing down funds, to discuss anticipated performance and track records, where relevant.
- 3.4 Six fund managers have made themselves available. The Information Day has been scheduled for Wednesday 28th June, for a 10:00 am start at the Town Hall, Room F10.
- 3.5 The funds are as follows:
- **Temporis Capital** – Infrastructure – Renewable Energy. Their investment strategy is to target UK based wind projects and solar projects post-construction in the early stages of their operating life.
 - **Access Capital Partners** – Infrastructure. Real Infrastructure assets. The fund focuses primarily on operational and cash yielding infrastructure assets in Europe. The Fund typically invests alongside established fund managers, institutional investors or corporates across a broad spectrum of opportunities including transportation, utilities, renewable energy and social infrastructure.
 - **Green Investment Bank** – Infrastructure. Off-shore wind farms.
 - **North Sea Capital** – Private Equity - The core investment strategy will invest in expansion/growth capital, buyout capital and special situations. It is anticipated that the majority of the capital will be deployed in the US and Europe with some exposure to emerging markets in Asia and Latin America.
 - **M & G Real Estate** – Private Rental Sector (Residential Property). The investment objective is to invest mainly in residential real estate assets in the UK predominantly in the private rented sector.
 - **Markham Rae** – Private Equity. The objective is to generate predominantly contractual returns by assuming a series of priority loss exposures that are linked to the trade finance operating platform of primarily European banks.
- 3.6 For the more established fund managers officers have arranged for a series of off-site visits. This will allow representatives of the Committee to have a more detailed discussion about investment philosophy and execution, market forecasts and projected returns as well as having the opportunity to meet the investment teams.
- 3.7 This is the calendar of proposed visits:

LGIM (Listed equity)
Standard Life (Fixed interest)

26th July
27th September

Schroders (Commercial property)	26 th October
Wellington (Fixed interest)	29 th November
Pantheon (Private Equity)	24 th January 2018
Equitix (Infrastructure)	21 st February
Knightsbridge (Private Equity)	21 st March

4. RECOMMENDATIONS

- 4.1 The report recommends that the Committee notes the report

5 FINANCIAL CONSIDERATIONS

- 5.1 There are no further financial considerations flowing from this report.

6. OTHER CONSIDERATIONS

- 6.1 Other than the considerations referred to above, there are no customer Focus, Equalities, Environment and Design, Crime and Disorder or Human Rights considerations arising from this report

7. COMMENTS OF THE SOLICITOR TO THE COUNCIL

- 7.1 The Solicitor to the Council comments that there are no direct legal implications arising from the recommendations within this report.
- 7.2 (Approved for and on behalf of Jacqueline Harris-Baker, Director of Law, Council Solicitor and Monitoring Officer)

CONTACT OFFICER:

Nigel Cook, Head of Pensions Investment and Treasury,
Resources department, ext. 62552.

BACKGROUND DOCUMENTS:

None

Croydon Council

REPORT TO:	Pension Committee 20 June 2017
AGENDA ITEM:	12
SUBJECT:	Training Log
LEAD OFFICER:	Nigel Cook Head of Pensions and Treasury
CABINET MEMBER	Councillor Simon Hall Cabinet Member for Finance and Treasury
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management: This report considers an important component of the governance arrangements for the Pensions Committee.	
FINANCIAL SUMMARY: Investment decisions supported by an appropriate level of training and experience should reduce the risk of poor investment decisions and ultimately increase the likelihood of meeting long-term investment goals.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1. RECOMMENDATIONS

- 1.1 The Committee is asked to note the report

2. EXECUTIVE SUMMARY

- 2.1 There is a requirement for Pension Committee members to satisfy themselves that they possess the necessary knowledge and skills for effective decision making. Maintaining a training log ensures transparency and allows monitoring of compliance with this requirement.

3. DETAIL

- 3.1 The CIPFA Knowledge and Skills Framework sets out what is required of Pension Committee's members for effective decision making, one of the Myners' Principals that this authority has adopted. The requirement set out by the Framework is that the Council should ensure that:

- decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their

- implementation; and
 - those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.
- 3.2 These are necessary but challenging expectations in what is a complex area of activity within a sophisticated web of relationships and interests. Stakeholders range from scheme members (both in employment and retired) and their representatives, employing authorities, government departments, actuaries, auditors, external assessors of various kinds, the press, the pensions industry (including other pension funds), the money markets and, last but by no means least, the taxpayer (local and national).
- 3.3 Members of decision-making bodies have significant responsibilities, both individually and collectively. In regard to investment, for example, members have a fiduciary duty to the fund, scheme members and local council tax payers in relation to the LGPS. They can delegate functions to officers but they retain overall responsibility for the management of the fund and its investment strategy, and for individual decisions about investments.
- 3.4 The 2009 CIPFA guidance on the Myners principles stresses, among other things, the importance of the training and development of members of pension fund committees in local government. It advises that, wherever possible, appointments to the committee should include considerations of relevant skills and experience and continuity. This is desirable, but sometimes difficult to achieve. However, the guidance also stresses the importance of organised and continuous development of members, through regular forward training and development plans and skills and knowledge audits.
- 3.5 The Guidance recommends that the Committee should agree and ensure the provision of a rolling training programme for members, and review progress against the programme and its effectiveness annually. For this Committee this involves a sound grounding in the basics for new members, specific training on topical issues, such as the Actuarial Valuation, advice and guidance from the Fund's investment advisors, and sessions from key post-holders within the governance structures, such as the Pensions Regulator.
- 3.6 The Training Log, which is appended to this report, is an attempt to capture this detail. The final version will form part of the Pension Fund Annual Report. The version attached is a work in progress. One additional area of information that would be valuable would be to include background detail relating to relevant professional experience and qualifications.
- 3.7 The Pension Fund Annual Report will be published in September, 2017.

4. RECOMMENDATIONS

- 4.1 The report recommends that the Committee notes the report

5 FINANCIAL CONSIDERATIONS

5.1 There are no further financial considerations flowing from this report.

6. OTHER CONSIDERATIONS

6.1 Other than the considerations referred to above, there are no customer Focus, Equalities, Environment and Design, Crime and Disorder or Human Rights considerations arising from this report

7. COMMENTS OF THE SOLICITOR TO THE COUNCIL

7.1 The Solicitor to the Council comments that there are no direct legal implications arising from the recommendations within this report.

7.2 (Approved for and on behalf of Jacqueline Harris-Baker, Director of Law, Council Solicitor and Monitoring Officer)

CONTACT OFFICER:

Nigel Cook, Head of Pensions Investment and Treasury,
Resources department, ext. 62552.

BACKGROUND DOCUMENTS:

None.

Appendix

Appendix A: Training Log, 2016/2017



2016

Pensions Training Log

Your Local Government
Pension Scheme Guide

Your Guide to the London Borough of Croydon Training Log

As the Administering Authority we have prepared this guide to log the training of the Pension Committee Members for the year that Croydon Council (as the Administering Authority) has taken place in April 2015 to Mar 2016

Pension Committee Members Training Log

The Pensions Committee's training strategy takes account of the requirements of the Pensions Act 2004. The Act requires that trustees of occupational pension schemes should have knowledge and understanding of the law relating to pensions and role of trustees, the principles of scheme funding and investment, and the management and administration of pension scheme benefits. The training needs of Pension Committee members are assessed on an individual basis and take account of members' existing expertise, and interests in specific areas. Within this flexible framework the following structure is operated. New members receive a comprehensive Pensions Committee Handbook, a half-day induction session before attending their first meeting, attend a three day LGE Fundamentals course and a Hymans/CIPFA Introduction to the LGPS.

In each subsequent year of membership they are expected to undertake training aimed at building or refreshing their knowledge and skills in specific topics in greater depth. A self assessment training needs questionnaire has been developed to help members to focus on the most important areas for their training. A detailed log of all training undertaken and planned by Committee members is maintained and is available for inspection on request. Also during 2012/13 two separate training sessions were given to the Committee by the Pension Funds Investment Advisors.

The Pension Committee receives training and development as required and is commissioned from a variety of sources such as:

- ▶ External courses
- ▶ The Pensions Regulatory Trustee On-line tool kit
- ▶ Training courses delivered by investment consultants
- ▶ Training courses sponsored by the Investment Managers
- ▶ Training included as part of the service received from the performance measurement provider and Actuary
- ▶ National Seminars and conferences

A training log will be maintained for each member of the Panel to record the actual training undertaken during the year. The log will be kept by the Head of Pensions & Treasury and will include details of all relevant training courses, seminars and events attended by each member, based on information available to the Head of Pensions & Treasury from arranging training events or booking attendance.

Panel members will be responsible for notifying the Head of Pensions & Treasury of other training activities on Pension Fund matters. Training logs will be circulated to members at the end of the financial year to confirm accuracy and to complete where necessary the evaluation section. The training logs will then be published as part of the training plan for the following year to provide evidence of the Committee's commitment to training.

The training log will include an assessment of whether each training event has fulfilled the need it was intended to meet.

Pension Committee 16/17 Training Log:

Name	Job	Voting	TPC 7 June 2016	TPC 18 October 2016: Valuation Training	TPC 6 December 2016	TPC 7 March 2017	Introduction to the LGPS (CIPFA) 28 Sept 16	LGE Fundamentals Course (Oct, Nov, Dec 16)
Councillor Andrew Pelling	Chair	✓	✓	✓	✓	✓		*
Councillor Simon Hall	Vice-Chair	✓	✓	✓	✓	✓		*
Councillor John Wentworth	Member	✓	✓		✓	✓		*
Councillor Patricia Hay-Justice	Member	✓	✓	✓	✓		✓	✓
Councillor Maddie Henson	Member	✓	✓	✓	✓			*
Councillor Dudley Mead	Member	✓	✓	✓		✓		
Councillor Simon Brew	Member	✓	✓	✓	✓	✓		✓ ♦
Councillor Yvette Hopley	Member	✓	✓	✓	✓	✓		*
Councillor Jamie Audsley	Reserve Members	✓	✓	✓			✓	✓
Councillor Robert Canning	Reserve Members	✓				✓		*
Councillor Pat Clouder	Reserve Members	✓		✓				
Councillor Mike Selva	Reserve Members	✓						
Councillor Jason Cummings	Reserve Members	✓				✓		
Councillor Donald Speakman	Reserve Members	✓						*
Councillor Badsha Quadir	Reserve Members	✓						
Ms Gilli Driver	Pensioner Rep		✓		✓	✓		*
Mr Peter Howard	Pensioner Rep		✓	✓	✓	✓		*
Mr Isa Makumbi	Staff Side Rep		✓	✓	✓	✓		*

* previously attended



Further Information

This document is available in large sight and Braille upon request.

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

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