

Croydon Council

REPORT TO:	PENSION COMMITTEE 2 December 2014
AGENDA ITEM:	10
SUBJECT:	Local Government Pension Scheme Valuation and Funding
LEAD OFFICER:	Director of Finance and Assets (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 forms part of a broader suite of documents that supports the Committee in making appropriately informed decisions relating the Croydon Local Government Pension Scheme.	
FINANCIAL SUMMARY: The cost of this training is covered by the Framework Agreement with the Scheme Actuary and is charged to the Pension Fund.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1. RECOMMENDATIONS

- 1.1 The Committee is asked to note the appended guidance from the Scheme's Actuary.

If the

2. EXECUTIVE SUMMARY

- 2.1 This report outlines the role of the Scheme Actuary and explains why it is critical that the Committee has a thorough understanding of the role of liabilities in making policy.

3. DETAIL

- 3.1 The Croydon Pension Fund exists to meet the requirements of the Local Government Pension Scheme's (LGPS) benefit structure. The Scheme Actuary undertakes periodic assessments (triennial valuations) to calculate the Fund's liabilities, funding level, deficit, deficit recovery period and employer contribution

rates. The Pension Committee is charged with the management of the Council's Pension Fund, including matters related to employer liability and the investment of assets. When deciding upon an investment strategy it is important to understand the dynamics behind this liability as the two, assets and liabilities, represent two sides of an equation that must balance.

- 3.2 Hymans Robertson are the Croydon Scheme Actuaries and act on behalf of the Council and the other Scheme employers, including scheduled bodies, community and other admitted bodies. The appended guidance relates to one of three areas with which the Committee needs to be familiar in order to understand the dynamics of Scheme funding; the other two areas relate to the behaviour of assets and the governance around decision making.
- 3.3 This guidance, the presentation by the Scheme Actuary and the opportunity for the Committee to discuss the issues raised will serve to ensure that the Committee complies with the Myners Principles, with the CIPFA Knowledge and Skills Framework, and meet the requirements of good governance to be tested by the new local and national arrangements from April 2015. The Myners Principles ensure that stakeholders can be confident that the Scheme is properly managed and the Croydon Pension Fund Annual Report provides the reader with details of how compliance is achieved. Two of the principles apply here:

1: Effective decision making:

Administrating authorities should ensure that: Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation. Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

2: Risks and liabilities

In setting and reviewing their investment strategy, administrating authorities should take into account of the form and structure of liabilities. These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.

- 3.4 Best Practice requires that the Committee adhere to the CIPFA Knowledge and Skills Framework that sets out minimum standards for those involved in the management of the Scheme. The Framework expands on the Myners principles and identifies six areas of knowledge and skills that are core technical requirements for those working in public sector pensions finance. The sixth area on this list is: actuarial methods, standards and practices. The Framework states that the scheme actuary holds a key position in the financial management of a pension scheme. A successful pension scheme decision-making body will need to be able to do more than simply ensure that the relationship with the actuary is properly managed. It will need to understand the work of the actuary and the way in which actuarial information impacts both the finances of the scheme and the scheme employers

3.5 With the introduction of reforms to the LGPS Governance arrangements there will be greater focus on the process of making decisions and the potential for more rigorous scrutiny. Thus there should be more emphasis on the support provided to the Committee by professional advisors such as the Scheme Actuary.

4. RECOMMENDATIONS

4.1 The Committee is asked to note the appended document.

5 FINANCIAL CONSIDERATIONS

5.1 The cost of this training is covered by the Framework Agreement with the Scheme Actuary and is charged to the Pension Fund.

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 Council Solicitor comments that there are no direct legal implications arising from this report.

(Approved by: Gabriel MacGregor, Head of Corporate Law on behalf of the Council Solicitor & Monitoring Officer

CONTACT OFFICER:

Nigel Cook, Head of Pensions and Treasury,
Chief Executive's Department, ext. 62552.

BACKGROUND DOCUMENTS: none