

Pension Committee Supplementary Agenda



PART A

- 4a. **Croydon Council's Local Government Pension Scheme Employer Contribution Review 2021/2022 to 2022/2023** (Pages 3 - 6)

Changes to the Local Government Pension Scheme regulations allow scheme employers, of which the Council is one, to request a review of the contribution rate set out by the most recent actuarial valuation. The Chief Executive, as Head of Paid Service, has asked the Pension Committee to request such a review of the Scheme Actuary.

- 4b. **London Collective Investment Vehicle - amendments to Shareholder Agreement and Articles of Association** (Pages 7 - 10)

This report seeks agreement to changes to the Articles and Shareholder Agreement for London CIV.

PART B

16. **Croydon Council's Local Government Pension Scheme Employer Contribution Review 2021/2022 to 2022/2023** (Pages 11 - 18)

19. **London Collective Investment Vehicle - Amendments to Shareholder Agreement and Articles of Association** (Pages 19 - 24)

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REPORT TO:	Pension Committee 3 December 2021
SUBJECT:	Croydon Council's Local Government Pension Scheme Employer Contribution Review 2021/2022 to 2022/2023
LEAD OFFICER:	Nigel Cook - Head of Pensions and Treasury
CORPORATE PRIORITY/POLICY CONTEXT:	
Sound Financial Management: This report bears on the viability and affordability of the scheme to the Council.	
FINANCIAL SUMMARY:	
Financial risks relating to the Pension Fund are substantial and can impact on the General Fund of the Council.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1. RECOMMENDATIONS

The Committee is asked to:

- 1.1 Note the content of this report and the detail contained in the report in the closed part of this agenda.
- 1.2 Request that the Scheme Actuary certify the change in contribution rates via a revised Rates and Adjustments Certificate.

2. EXECUTIVE SUMMARY

- 2.1 Changes to the Local Government Pension Scheme regulations allow scheme employers, of which the Council is one, to request a review of the contribution rate set out by the most recent actuarial valuation. The Chief Executive, as Head of Paid Service, has asked the Pension Committee to request such a review of the Scheme Actuary.
- 2.2 This review may allow for a reduced contribution due from the Council and this will allow the Council to save £6.2 million over this and the next year. This will count as a saving towards balancing this year's and next year's budget.
- 2.3 The risks relating to this course of action are set out in the body of the report set out in the closed part of this agenda.

3 DETAIL

- 3.1 The detail of the risks involved in this proposal, the financial aspects and the risk analysis and impact on other proposals are commercially sensitive. They relate to the relationship between Scheme employer and the administrator and are therefore confidential. For this reason they are included in another report on the closed part of this agenda.

4. CONSULTATION

- 4.1 The Scheme Actuary has been consulted in the drafting of this report and the development of this proposal.

5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 5.1 There are no financial considerations arising from this report.

Approved by: Richard Ennis, Interim Corporate Director of Resources (Section 151) and Deputy Chief Executive

6. LEGAL CONSIDERATIONS

- 6.1 The actuarial content herein provides the legal basis for this report.

7. HUMAN RESOURCES IMPACT

- 7.1 There are no direct workforce implications arising from the recommendations within this report.

Approved by: Dean Shoesmith, Interim Director of Human Resources

8. EQUALITIES IMPACT

- 8.1 There are no equalities impacts arising from this report.

9. ENVIRONMENTAL IMPACT

- 9.1 There are no environmental impacts arising from this report.

10. CRIME AND DISORDER REDUCTION IMPACT

- 10.1 There are no crime and disorder impacts arising from this report.

11. DATA PROTECTION IMPLICATIONS

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

NO

The Director of Human Resources comments that this report relates to matters relating to the administration of the LGPS and the Croydon Pension Fund.

Approved by: Dean Shoesmith, Interim Director of Human Resources

CONTACT OFFICER:

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

APPENDIX:

These appendices are in the closed part of the agenda.

Appendix A: Croydon Council contribution rate review request", Hymans Robertson, April 2021

Appendix B: Croydon Council contribution rate review request", Hymans Robertson, November 2021

BACKGROUND DOCUMENTS:

None.

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REPORT TO:	Pension Committee 3 December 2021
SUBJECT:	London Collective Investment Vehicle - amendments to Shareholder Agreement and Articles of Association
LEAD OFFICER:	Nigel Cook - Head of Pensions and Treasury
CORPORATE PRIORITY/POLICY CONTEXT:	
Sound Financial Management:	
<p>The London CIV is a company owned by the 31 London borough pension funds and the City of London pension fund. London CIV's ability to deliver its original goal of collective investment on behalf of these funds, thus reducing the cost of investment management and improving risk adjusted returns will impact the financial performance of the pension fund and keep employer contributions low which will ensure the Council's contributions are stable and represent good value.</p>	
FINANCIAL SUMMARY:	
<p>This report contains commercially sensitive reports prepared to inform the Committee's discussions.</p>	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

Reason for urgency: this report is concerned with the management of the London CIV and requires that shareholders, of which Croydon Council is one, approve the signature of the written resolution and consent to vary the shareholder agreement. The deadline for this is 5 December but the last working day is 3 December. Work on the resolution by this authority was paused when the meeting was rescheduled and now the timeframe was been established this meeting represents the sole opportunity to address this in a timely basis.

1 RECOMMENDATIONS

The Committee is asked to:

- 1.1 Agree to the changes set out in the report to the London CIV's Articles of Association and Shareholder Agreement in principle set out in a report in Part B of the agenda; and
- 1.2 Delegate signing the amended Articles of Association and Shareholder Agreement to the s151 Officer.

2. EXECUTIVE SUMMARY

- 2.1 This report seeks agreement to changes to the Articles and Shareholder Agreement for London CIV. The need to do so arises following notification by the Financial Conduct Authority (FCA) that the current capital does not meet the definition of regulatory capital used by the FCA. This does not require London CIV to raise further

capital or for boroughs to contribute further capital. It is rather a case of amending the key constitutional documents to ensure that existing capital falls within the definition set out in regulations. The substance of this report is commercially sensitive and can be found in Part B, the closed part of the agenda.

3. DETAIL

3.1 The London CIV is a company owned by the 31 London borough pension funds and the City of London pension fund.

3.2 In 2015 the Government issued Guidance which set out how the Government expected funds to establish asset pooling arrangements. The stated objectives were to deliver:

- benefits of scale;
- strong governance and decision making;
- reduced costs and excellent value for money; and
- improved capacity and capability to invest in infrastructure.

3.3 By the time of the publication of this Guidance, Croydon had already voluntarily joined the London Collective Investment Vehicle (London CIV) as a founder member. The London CIV's stated objectives are aligned with the Government's Guidance, that is to deliver broader investment opportunities and enhanced cost efficiencies than funds can achieve individually and overall better risk adjusted performance. It is FCA regulated and was the first of the eight asset pools in England and Wales to become established. All the London borough funds are members.

3.4 This report concerns the requirement to hold regulatory capital. This is considered commercially sensitive and so is reported in the closed part of the agenda, to which the Committee is directed. In order to adequately address the issue, agreement by 75% of shareholders to a written resolution is required. The report in the closed agenda details the changes proposed to the Company's Articles of Association and to the Shareholders' Agreement.

5 CONSULTATION

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

6 FINANCIAL CONSIDERATIONS

6.1 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.

7 COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

7.1 The Interim Head of Commercial & Property Law comments on behalf of the Interim Director of Law and Governance and Interim Deputy Monitoring Officer that the Council as part owner and shareholder in The London CIV is acting with proper responsibility to maintain the constitutional documents of the CIV to ensure they

comply with FCA regulations.

- 7.2 External specialist legal advised in consultation with external financial advisors to prepare changes to the constitutional documents to satisfy FCA regulations.

Approved by: Nigel Channer, Interim Head of Commercial & Property Law on behalf of the Interim Director of Law and Governance and Interim Deputy Monitoring Officer.

8 OTHER CONSIDERATIONS

- 8.1 There are no Customer Focus, Equalities, Environment and Design, Crime and Disorder or Human Rights considerations arising from this report.

9 FREEDOM OF INFORMATION/DATA PROTECTION CONSIDERATIONS

- 9.1 This report contains confidential information which could be of a sensitive nature, disclosure of which could prejudice the commercial interest of the companies involved and those of the Council's Pension Fund.

CONTACT OFFICER:

Nigel Cook – Head of Pensions Finance, Investment and Risk
Corporate Resources Department, ext. 62552.

APPENDICES:

None.

BACKGROUND DOCUMENTS:

None.

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