

Pension Board Agenda



To: Michael Ellsmore (Chair)
Richard Elliott, Teresa Fritz, Daniel Pyke, Ava Watt and David Whickman
Councillor Jerry Fitzpatrick

A meeting of the **Pension Board** which you are hereby summoned to attend, will be held on **Thursday, 11 July 2019 at 2.00 pm in Town Hall**

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

Annette Wiles 0208 8726 6000 x64877
annette.wiles@croydon.gov.uk
www.croydon.gov.uk/meetings
Wednesday, 3 July 2019

Members of the public are welcome to attend this meeting.
If you require any assistance, please contact the person detailed above, on the righthand side.

N.B This meeting will be paperless. The agenda can be accessed online at www.croydon.gov.uk/meetings

AGENDA – PART A

1. Apologies for Absence

To receive any apologies for absence from any members of the Board.

2. Minutes of the Previous Meeting (Pages 5 - 10)

To approve the minutes of the meeting held on 26 March 2019 as an accurate record.

3. Disclosure of Interests

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 to the value of which exceeds £50 or multiple gifts and/or instances of hospitality with a cumulative value of £50 or more when received from a single donor within a rolling twelve month period. 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 Democratic Services representative at the start of the meeting. The Chair 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 of any business not on the agenda which in the opinion of the Chair, by reason of special circumstances, be considered as a matter of urgency.

5. Pension Fund Annual Report (Pages 11 - 36)

For Members to receive the Croydon Council Pension Fund Annual Report for 2018/19.

6. Local Pension Board Annual Report (Pages 37 - 42)

For Members to receive the Local Pension Board Annual Report for 2018/19.

7. Good Governance Structures for the LGPS: Separation of Responsibilities Project (Pages 43 - 48)

For Members to receive a report on the options for responsibility for

administering the Local Government Pension Scheme including consideration of adequate resources.

8. Update on Developments in Respect of the McCloud/Cost Cap Case (Pages 49 - 50)

For Members to be provided with an update on the McCloud case and consider the potential implications on the valuation of the Croydon Council Pension Fund.

9. Croydon Local Government Pension Scheme Administration Team Performance Report for May 2019 (Pages 51 - 56)

For Members to receive an update report on the administration of the Pension Fund.

10. LGPS Governance Updates - Items Under Consideration by the Scheme Advisory Board (Pages 57 - 60)

For Members to receive a report on governance updates to the Local Government Pension Scheme.

11. Pension Board Forward Plan 2019/20 (Pages 61 - 64)

For Members to receive a report on the Board's forward plan looking at its schedule of work for the remainder of this municipal year.

12. Exclusion of the Press and Public

The following motion is to be moved and seconded where it is proposed to exclude the press and public from the remainder 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 items 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.”

PART B

13. Minutes (Part B) of the previous meeting (Pages 65 - 66)

To approve the minutes (Part B) of the meeting held on 26 March 2019 as an accurate record.

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Pension Board

Meeting held on Tuesday, 26 March 2019 at 2.00 pm in F10, Town Hall, Katharine Street, Croydon CR0 1NX

MINUTES

Present: Michael Ellsmore (Chair);
Richard Elliott, Teresa Fritz, Ava Watt and David Whickman

Also Present: Councillor Andrew Pelling
Nigel Cook (Head of Pensions and Treasury)

Apologies: Councillor Jerry Fitzpatrick

PART A

13/19 Minutes of the Previous Meeting

The minutes of the meeting held on 10 January 2019 were agreed as an accurate record.

It was noted that the governance review would be presented to the Board at its meeting in July 2019. The purpose of the review was to fulfil the self-assessment required for the administration of the fund. Councillor Pelling, the Chair of the Pension Committee, who was in attendance at the meeting of the Board, noted that whilst his name was on the review report he was yet to see it and review its contents.

14/19 Disclosure of Interests

There were no disclosures of pecuniary interests made.

15/19 Urgent Business (if any)

There were no items of urgent business.

16/19 Administration Update

The Head of Pensions and Treasury introduced the item highlighting that since the Pensions Manager had left the post there had been a dilution of reporting. Challenges were being faced in recruiting and retaining good staff; once new staff had received a good grounding in Local Government Pension Scheme they tended to move on. However, it was also reported that the volume of current cases was being well managed. The backlog of cases had resulted from the previous provider. A new provider was being considered which would allow a surplus of resource in addition to the recruitment of a new Head of Service being progressed. It was still being explored whether there

could be a technical solution allowing other scheme employers to update details to address some of the resourcing difficulties.

In response to a Member question it was established that recruitment to the Head of Service position was being brought together with the recruitment to a number of other vacant posts. There was support for this approach from Members although concern was expressed by the Chair regarding the lack of monitoring information provided.

RESOLVED: for the Chair of the Pension Board to write on behalf of Members to the Section 151 Officer to encourage recruitment to the Head of Service position.

17/19 Cost Cap and the McCloud Case

The Head of Pensions and Treasury briefly introduced the item. This was about the costs of the scheme being lower than expected. As a result, there was a need to determine whether to reduce contributions or increase benefits. It had been decided to do a mix – contributions were less at the lower end of pay scales. However, this had been challenged in the High Courts as it had been determined that this was benefitting one group of staff whilst disadvantaging others. As a result there was a chance that this would change the charging structure.

The Board noted the report.

18/19 Scheme Advisory Board Horizon Scanning

The Head of Pensions and Treasury introduced the item highlighting the letter from The Pensions Regulator on page 17 of the agenda pack. It was noted that that the regulator's approach to compliance was through education and improvement as opposed to enforcement.

In response the Chair highlighted the need to be compliant with the Public Service Pension Scheme Code of Practice 14. It was noted that this would be verified through the governance review and that it was important to check performance was not affected by other employers involved in the scheme (especially where other employers were responsible for any element of the scheme administration).

The Board noted the report.

19/19 Consultation: draft statutory guidance on pooling assets

The Head of Pensions and Treasury introduced the item explaining an informal consultation had been conducted on draft statutory guidance on asset pooling with a response drafted from the Section 151 Officer and Pension Committee. The report provided in the agenda pack looked at the likely consequences resulting from this change in the guidance.

It was noted that the guidance assumed passive rather than active management with assumptions around the size of investments not accurate. Also, that it had previously been rebutted that the Local Government Pension Scheme could invest in other pools.

It was reported how other funds had previously been redefined to make them acceptable to pooling. However, the draft guidance suggested an approach that would put these funds outside of pooling. The implications of the draft guidance may mean that the Council would move from a situation of having everything pooled to a position where just 10% of assets would be regarded as pooled. Concern was expressed that the Pension Fund may have incurred costs for pooling that may no longer be relevant.

The Head of Pensions and Treasury also noted that the London CIV was not covered by the terms of the Financial Services Compensation Scheme. However, it had new governance arrangements in place with a new CEO appointed with previous LGPS experience. A chief investments officer was being recruited along with another 20 additional posts – mostly to manage asset classes.

The Board noted the report.

20/19 Risk Register Review

The Head of Pensions and Treasury introduced the item. It was noted that there were no risks classed as red. A Board Member raised the issue of other employers potentially posing a risk to the scheme and asked officers to consider if the wording of the risk register needs to be update for this to be reflected.

The Board Members noted the report.

21/19 Currency hedging

The Head of Pensions and Treasury introduced the item highlighting that this was where income was being gained based on the difference in value of various currencies as opposed to the original value of the assets. However, it was thought that volatility in money markets would cease at some point and that there was a desire to capture some of the value gained before this occurred. It was reported the that Pension Committee had agreed to a 50/50 approach which was already being implemented by Legal & General – assets were being moved into a mirrored fund with a currency overlay. On this basis it would be possible to increase or decreased the size of the fund held in this way.

The Chair noted that it was likely that market volatility would continue for some time and that therefore some gain was potentially being deferred.

The Board noted the report.

22/19 Pension Board Forward Plan

The Chair noted that the Board would take an item on the governance review at its meeting in July 2019 and that the item on Environmental, Social and Governance issues would be pushed back to the meeting in January 2020. With the actuarial review forthcoming, training for Board Members would be provided to dovetail with training to be provided to Members of the Pension Committee. Officers were to finalise the timing.

The Board noted the report.

RESOLVED: The Members of the Board delegated the production of the Board's Annual Report to the Chair and the Head of Pensions and Treasury.

23/19 Brexit: planning scenarios

The Head of Pensions and Treasury introduced the item highlighting the difficulties of outlining the risks when there was no clarity on Brexit; if this was to be implemented and if so, how. In response to a Member question about the implications of a no deal scenario reassurance was provided based on passporting being available to the City of London. However, this might require additional resource and expertise to implement.

Additionally it was noted that there were pensioners who were resident in the EU with payment of their pensions made into British high street banks. In a no deal scenario, it may be that their fees would increase or would be subject to additions. It was unclear what could be done in such a scenario.

The Board noted the report.

24/19 Audit Plan for the Local Government Pension Fund

The Head of Pensions and Treasury introduced the item. The audit plan had the same timetable and covered the same areas as in previous years. Whilst this was again to be delivered by Grant Thornton this would be through a new team and at a reduced cost. It was intended that the audit report would be presented to the Board at its meeting in July 2019.

It was described how a layered approach is taken to the delivery of the audit. The work undertaken by the internal audit team over the year was reviewed. The audit would also review systems and processes. This was a risk based approach that sought to minimise the reliance on either internal or external audit processes. The General Purposes and Audit Committee was the reporting body which received a quarterly report.

It was noted that the audit of the Pension Fund was to be conducted in May 2019.

The Board noted the report.

25/19 Exclusion of the Press and Public

“That, under Section 100A(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following items 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.”

The motion was put and it was agreed by the Committee to exclude the press and public for the remainder of the meeting.

26/19 Property Asset Transfer

The Board discussed the implications of the property asset transfer.

RESOLVED: To chase a response from the Section 151 Officer to gain reassurance that the Board had adequately discharged its duties.

The meeting ended at 3.16 pm

Signed:

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Date:

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Croydon Council

REPORT TO:	Croydon Pension Board 11 July 2019
SUBJECT:	Pension Fund Annual Report
LEAD OFFICER:	Nigel Cook, Head of Pensions and Treasury

1. RECOMMENDATIONS

- 1.1 The Committee is invited to note the Croydon Council Pension Fund Annual Report. This is attached as Appendix A to this report.

2. EXECUTIVE SUMMARY

- 2.1 This report asks the Committee to note the draft Croydon Council Pension Fund Annual Report (Appendix A).

3. DETAIL

- 3.1 The draft Croydon Council Pension Fund Annual Report for 2018/2019 is attached as Appendix A to this report. The Annual Report includes references to other key policy documents, including the Investment Strategy Statement and the Funding Strategy Statement. Once the audit process is completed, at the end of July, the Pension Fund Statement of Accounts and the audit findings report will be incorporated into this document.
- 3.2 The statement of accounts together with the audit findings report will be considered by the General Purposes and Audit Committee (23rd July 2019) as constituting the body charged with governance under the regulatory framework. The audited accounts and the audit findings report, as part of the Annual Report, is published on the Croydon Pension Fund website. The link to the draft Pension Fund accounts is included below as a background document to this report.
- 3.3 The Board is invited to note the progress towards concluding the final accounts exercise and comment, if required, on the form and contents of the appended report. The Board should note that this report is in draft form and that the final version will be updated to comply with the current CIPFA guidance.

CONTACT OFFICER:

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

BACKGROUND DOCUMENTS:

Draft unaudited statement of accounts for the Croydon Pension Fund: can be found here: <https://www.croydon.gov.uk/democracy/budgets/financial-accounts>

Appendix

Appendix A: Draft Pension Fund Annual Report

Croydon Pension Scheme

Annual Report 2018/2019



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Foreword to be updated by Councillor Pelling

1. Management & Advisers

Pension Committee:

The Council is the administering authority for the Pension Fund and discharges its duties in respect of managing the Fund through the Pension Committee. The Committee is responsible for investments, administration and strategic management of the Fund, including but not limited to:

- Setting the long term objectives and strategy for the Fund;
- Setting the investment strategy;
- Appointment of investment managers, advisers and custodian;
- Reviewing investment managers' performance;
- Approving the actuarial valuation; and
- Approving pension fund publications including but not limited to the Investment Strategy Statement, the Funding Strategy Statement, the Governance Compliance Statement and the Communication Policy Statement.

The Committee comprises eight voting Members of the Council, one voting Pensioner Representative and two non-voting members being a Pensioner Representative and a Staff Representative.

The members of the Committee for the 2019/20 Municipal year are listed below:

Councillors:

Chair:	Andrew Pelling
Vice-Chair:	Simon Hall
Members:	Simon Brew
	Robert Canning
	Luke Clancy
	Clive Fraser
	Patricia Hay-Justice
	Yvette Hopley

Reserve Members:	Jamie Audsley, Sherwan Chowdhury, Pat Clouder, Patsy Cummings, Steve Hollands, Vidhi Mohan Robert Ward
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Other members:

Pensioners' Representatives:	Gilli Driver (Voting) Peter Howard
Staff Representative:	Charles Quay

The Committee is supported by officers and independent external advisers.

Administering Authority:

London Borough of Croydon (The London Borough of Croydon Pension Fund)
Treasury and Pensions Management, Resources Department,
5A Bernard Weatherill House
8 Mint Walk,
Croydon CR0 1EA

Lisa Taylor Director of Investment, Finance & Risk, Interim S151 Officer.

Investment Advisers:

Mercer Ltd: Peter Gent
1 Tower Place West
Tower Place
London EC3R 5BU:

Governance Advisers:

Aon Hewitt: Ltd: Karen McWilliam
The Aon Centre
The Leadenhall Building
122 Leadenhall Street
London EC3V 4AN

Actuary:

Hymans Robertson LLP : Richard Warden
20 Waterloo Street
Glasgow G2 6DB

Local Pension Board:

c/o London Borough of Croydon (The London Borough of Croydon Pension Fund)
Treasury and Pensions Management, Resources Department
5A Bernard Weatherill House
8 Mint Walk
Croydon CR0 1EA
Chair: Michael Ellsmore

Custodian of Assets:

Bank of New York Mellon
160 Queen Victoria Street
London EC4V 4LA

Auditors:

Grant Thornton UK LLP (External), Mazars (Internal)

Bankers:

Royal Bank of Scotland

Legal Advisers:

The Fund opts to procure legal advice on a case by case basis from the LGPS National Legal Framework.

AVC Provider:

Prudential
Laurence Pountney Hill, London EC4R 0HH

Pensions and Lifetime Savings Association (PLSA):
Membership number : 3547

2. Administrators to the Fund

2.1. Fund Managers:



ADD
Aberdeen Standard
Janus Henderson
PIMCO

2.2. Independent Advisers Retained by the Fund:

amaces

AON Hewitt


THE BANK OF NEW YORK MELLON

HYMANS  **ROBERTSON**

ADD
Mercer

2.3. Frameworks

 **LONDON CIV**

The Croydon Fund is a Founder Member of the London CIV.

The Fund is also a Founder Member of the National LGPS Framework.



3. Publications

The Pension Fund publishes a number of documents on the Council's website www.croydonpensionscheme.org. Below is a brief outline of the key publications.

Funding Strategy Statement

The funding strategy statement is prepared in collaboration with the Fund's Actuary and in consultation with the Fund's employers and investment advisers. The statement includes:

- the strategy the Pension Fund employs to ensure its liabilities are met whilst maintaining a consistent and affordable employer contribution rate;
- details of how the Fund is seeking to achieve its investment objectives and the levels of associated risks; and
- the responsibilities for key parties including employers, employees and the Actuary.

Governance Compliance Statement

The administering authority of a Local Government Pension Scheme (LGPS) is required to publish a Governance Compliance Statement. The statement aims to make the administration and stewardship of the scheme more transparent and accountable to stakeholders and provides the following details:

- how the Council discharges its responsibilities, as the Fund's Administering Authority, to maintain and manage the Fund in accordance with regulatory requirements;
- the structure of the decision making process;
- the frequency of Pension Committee meetings; and
- the voting rights of Committee members.

Investment Strategy Statement (ISS)

From 1 April 2017, Administrating Authorities are required to prepare, maintain and publish a written Investment Strategy Statement. The ISS includes details of the Fund's:

- investment objectives;
- asset allocation;
- risk management;
- approach to pooling of assets;
- environmental, social and governance (ESG) policy; and
- voting policy.

Communication Policy

Each administering authority is required to publish a statement setting out the Fund's communication policy. The statement sets out the Council's policy for:

- communicating with interested parties including members and other employers within the scheme; and
- the method and frequency of communications used such as newsletters, annual benefit statements, open days and the pensions website.

Training Log

Each administering authority is required to log each Pension Committee Member's training.

4. Membership

4.1. Organisations

4.1.1. Admitted:

Arthur McKay Limited
 AXIS Europe plc
 Brick by Brick Croydon Limited
 Capita Secure Information Solutions Limited
 Churchill Services Limited
 Conway Construction Limited
 Croydon Citizens' Advice Bureau
 Croydon Equipment Services Limited
 Croydon Community Mediation
 Croydon Voluntary Action
 Greenwich Leisure Limited
 Ground Control Limited
 Idverde Limited
 Impact Group Limited
 Keyring Living Support Networks
 Kier Highways Limited

London Hire Services Limited
 Octavo Partnership Limited
 Olive Dining Limited
 Olympic (South) Limited
 Quadron Services Limited
 Roman Catholic Archdiocese of Southwark
 Skanska Construction Limited
 Sodexo Limited
 Veolia Environmental Services (UK) Limited
 Veolia South West London Partnership – Kingston
 Veolia South West London Partnership – Sutton & Merton
 Vinci Facilities Limited
 Wallington Cars and Couriers Limited
 Westgate Cleaning Services Limited

4.1.2. Scheduled:

Aerodrome Primary Academy
 Applegarth Academy
 ARK Oval Primary Academy
 Atwood Primary Academy
 Broadmead Primary Academy
 Castle Hill Academy
 Chestnut Park Primary School
 Chipstead Valley Primary School
 Coombe Wood
 Coulsdon College
 Crescent Primary Academy
 Croydon College
 Courtwood Primary
 David Livingstone Academy
 Davidson Primary Academy
 Edenham High School
 Fairchildes Primary School
 Folio Education Trust
 Forest Academy
 Gilbert Scott Primary (The Collegiate Trust)
 Gonville Academy
 Good Shepherd RC Primary
 Harris Academy Purley
 Harris Academy South Norwood
 Harris City Academy Crystal Palace
 Harris Invictus Academy
 Harris Primary Academy Benson
 Harris Primary Academy Haling Park
 Harris Primary Academy Kenley
 Harris Primary Academy Purley Way
 Heathfield Academy
 John Ruskin College

Norbury Manor Business and Enterprise College
 Oasis Academy Arena
 Oasis Academy Byron
 Oasis Academy Coulsdon
 Oasis Academy Ryelands
 Oasis Academy Shirley Park
 Pegasus Academy Trust
 Quest Academy
 Paxton Academy
 Riddlesdown Collegiate
 Robert Fitzroy Academy
 Rowdown Primary School
 Shirley High School
 South Norwood Academy
 St Aidan's Primary School
 St Chad's Primary School
 St Cyprian's Greek Orthodox Primary Academy
 St James the Great RC P & N School
 St Joseph's College
 St Mark's Church of England Primary School
 St Mary's RC Infant School
 St Mary's RC Junior School
 St Thomas Becket RC Primary School
 STEP Academy Trust
 The Archbishop Lanfranc School
 The BRIT School
 The Manor Trust
 The Woodside Academy
 West Thornton Primary Academy
 Winterbourne Boys' Academy
 Wolsey Junior Academy

Keston Primary
 Kingsley Primary School
 Krishna Avanti Primary School
 Meridian (Addington) High Academy
 Monks Orchard Primary
 New Valley Primary School

Woodcote Academy

4.2. Resources for Members

4.2.1. Croydon Council Pension Website

The Scheme's website can be found at <http://www.croydonpensionscheme.org/>

4.2.2. National Local Government Pension Scheme Web Site

The web site address is www.lgpsmember.org/

The national Local Government Pension Scheme web site enables all members, potential members and beneficiaries of the Scheme to access Scheme information 24 hours a day, 365 days a year.

The site has a comprehensive range of Scheme information; it is updated regularly to ensure members have access to the latest information.

4.2.3. Additional Voluntary Contributions

The Council has appointed Prudential as the Scheme's provider for additional voluntary contributions investment services.

Further information can be obtained by calling their helpline on 0845 434 6629 or by visiting the website www.pru.co.uk/rz/localgov/.

Any members' additional voluntary contributions (AVCs) are held in various separate investments administered by Prudential Assurance Company Limited. The benefits arising from these contributions are additional to, and do not form part of, the benefits due under the Local Government Pension Scheme. They are not included in the Pension Fund

AVCs are an opportunity for all employees to pay additional contributions into an external scheme which will enhance income on retirement

Accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. Pension Fund Accounts and any details within the Annual Report therefore exclude amounts for AVCs.

4.2.4. Further Information

The Pensions Regulator

Napier House
Trafalgar Place
Brighton

East Sussex BN1 4DW

Telephone Number: 0845 600 0707 (Monday to Friday 09.00-17.00)

Website: www.thepensionsregulator.gov.uk

The role of the Pensions Regulator has been set out by Parliament, and is to:

- Protect the benefits of members of work-based pension schemes;
- Promote the good administration of work-based pension schemes;
- Reduce the risk of situations arising which may lead to claims for compensation from the Pensions Protection Fund.

The Pensions Advisory Service (TPAS)

11 Belgrave Road
London SW1V 1RB

Telephone Number: 0300 123 1047

Website: www.pensionsadvisoryservice.org.uk

TPAS is available to assist members of pension schemes with any difficulties that they are unable to resolve with their scheme administrators.

The Pensions Ombudsman

At the same address as TPAS

Telephone Number: 020 7630 2200

Website: www.pensions-ombudsman.org.uk

The Pensions Ombudsman can investigate and determine any complaint or disputes between scheme members and administrators, involving maladministration, or matters of fact or law.

The Pension Tracing Service

The Pension Service 9

Mail Handling Site A

Wolverhampton WV98 1LU

Telephone Number: 0345 6002 537

Website: www.gov.uk/find-lost-pension

The Pension Tracing Service can help ex-members of pension schemes, who may have lost touch with their previous employers, to trace their pension entitlements.

Queries relating to the Pension Fund investments can be made to:

The Pensions Section
5A, Bernard Weatherill House
8 Mint Walk
Croydon, CR0 1EA

Tel: 0208 760 5768 ext: 62892

E-mail: pensions@croydon.gov.uk

4.3. Members' Self Service

Scheme members can view their pension details by logging on to our internet member self service. This service allows scheme members to check their personal details, including service history and financial information, as well as enabling members to carry out their own benefit calculations. Members can also check their record to make sure their nomination for their death grant is correct and, if applicable, that their record is up to date with their nominated co-habiting partner's details.

Members can log in to the service at: <https://croydon.pensiondetails.co.uk> to register.

Scheme members will be required to register the E-mail address they wish to use by contacting the pensions team.

5. Main Features of the Scheme

5.1. Eligibility for membership

Membership is generally available to employees of participating employers who have contracts of at least 3 months, are under age 75, and are not eligible for membership of other statutory pension schemes. Employees of designating bodies or admitted bodies can only join if covered by the relevant agreement.

5.2. Benefits on death in service

A lump sum is payable on death in service. This is three times the member's annual assumed pensionable pay. The administering authority has absolute discretion over the distribution of this lump sum among the deceased's relatives, dependants, personal representatives or nominees. Pensions may also be payable to the member's widow, widower, civil partner, nominated cohabiting partner and dependent children.

5.3. Benefits on retirement

For membership from April 2014 onwards, pension benefits are based on career average revalued earnings and the accrual rate is 1/49th. Benefits for earlier membership consist of a pension calculated as 1/60th of final pay for each year of membership accrued from 1 April 2008 to 31 March 2014. The accrual rate is 1/80th of final pay for each year of

membership accrued before 1 April 2008 plus a lump sum of three times the pension. Actual membership may be enhanced automatically in cases of ill health retirement. Employers may choose to increase pension. Members can normally exchange some pension to provide a bigger lump sum.

5.4. Benefits on death after retirement

A death grant is payable if less than 10 years pension has been paid and the pensioner is under age 75 at the date of death, in which case the balance of 10 years of pension is paid as a lump sum. Pensions are also generally payable to the pensioner's widow, widower, civil partner, nominated cohabiting partner and dependent children.

5.5. Extra benefits

The scheme offers several ways for members to improve benefits:

- Payment of additional pension contributions (APCs) to buy extra pension; and
- A money purchase additional voluntary contribution (AVC) scheme which operates with the Prudential offering pension and life assurance options.

5.6. Employee contributions

The bands of contribution rates are as shown below for contributions taken in respect of pensionable pay received from 1 April 2019. The employee pays contributions at the appropriate band rate on all pensionable pay received in respect of that job (or at half that rate if the employee is in the 50/50 scheme).

Contribution Table 2019/2020

Band	Actual pensionable pay for an employment	Contribution rate for that employment – main scheme	Contribution rate for that employment – 50/50 scheme
1	Up to £14,400	5.5%	2.75%
2	£14,401 to £22,500	5.8%	2.90%
3	£22,501 to £36,500	6.5%	3.25%
4	£36,501 to £46,200	6.8%	3.40%
5	£46,201 to £64,600	8.5%	4.25%
6	£64,601 to £91,500	9.9%	4.95%
7	£91,501 to £107,700	10.5%	5.25%
8	£107,701 to £161,500	11.4%	5.70%
9	£161,501 or more	12.5%	6.25%

5.7. Age of retirement

Normal retirement age is now linked to State Pension Age, but:

- Pension benefits are payable at any age if awarded due to ill health;
- Members may retire with fully accrued benefits from age 55 onwards if their retirement is on grounds of redundancy or business efficiency;
- Members who have left employment may request payment of benefits from age 55 onwards. Actuarial reductions may apply where benefits come into payment before the State Pension Age.
- Members who remain in employment may also ask to retire flexibly from age 55 onwards if they reduce their hours of work or grade. Employer consent is required and actuarial reductions may apply.
- Payment of benefits may be delayed beyond State Pension Age but only up to age 75.

5.8. Pensions Increases

Pensions payable to members who retire on health grounds and to dependants in receipt of a pension in respect of a deceased member are increased annually by law in line with increases in inflation. Pensions payable to other members who have reached the age of 55 also benefit from this annual inflation proofing. Where a member has an entitlement to a Guaranteed Minimum Pension (which relates to membership up to 5 April 1997), some or all of the statutory inflation proofing may be provided by the Department for Work and Pensions through the State Pension.

LGPS pensions are increased in line with the rise in the Consumer Price Index (CPI), in accordance with the Pensions Increase Act 1971. Although pensions are increased in April, they are based on the rise in the CPI over the 12 months to the previous September. The pensions increase calculation for April 2019 was based on the increase in CPI during the 12 months to September 2018 and was set at 2.4%.

5.9. Pension Fund Fraud / National Fraud Initiative

This Council is required to protect the public funds it administers. It may share information provided to it with other bodies responsible for; auditing, or administering public funds, or where undertaking a public function, in order to prevent and detect fraud.

The Cabinet Office is responsible for carrying out data matching exercises.

Data matching involves comparing computer records held by one body against other computer records held by the same or another body to see how far they match. This is usually personal information. Computerised data matching allows potentially fraudulent claims and payments to be identified. Where a match is found it may indicate that there is an inconsistency which requires further investigation. No assumption can be made as to whether there is fraud, error or other explanation until an investigation is carried out.

We participate in the Cabinet Office's National Fraud Initiative: a data matching exercise to assist in the prevention and detection of fraud. We are required to provide particular sets of data to the Minister for the Cabinet Office for matching for each exercise, as detailed [here](#).

The use of data by the Cabinet Office in a data matching exercise is carried out with statutory authority under Part 6 of the Local Audit and Accountability Act 2014. It does not require the consent of the individuals concerned under the Data Protection Act 1998.

Data matching by the Cabinet Office is subject to a [Code of Practice](#).

View further information on the [Cabinet Office's legal powers and the reasons why it matches particular information](#). For further information on data matching at this authority contact caft@croydon.gov.uk.

6. Changes to the Local Government Pension Scheme

6.1. The LGPS 2014

The LGPS 2014 came into effect on 1 April 2014.

The main elements of the LGPS 2014 scheme are as follows:

- Career Average Revalued Earnings (CARE).

- 1/49th accrual rate with revaluation based on Consumer Prices Index (CPI).
- Retirement linked to State Pension Age (SPA).
- Contributions based on actual pay (including part time employees) with the average employee contribution remaining at 6.5%. No change to the expected overall net yield from employee contributions.
- Retention of banded employee contributions, but with an extension to the number of bands with little or no increase in the employee rate at the lower bands but more significant increases at higher pay bands, even after allowing for tax relief.
- '50/50' scheme option enabling members to pay half contributions for half the pension, with most other benefits remaining as they are currently.
- Benefits for service prior to 1st April 2014 are protected, including remaining 'Rule of 85' protection. Protected past service continues to be based on final salary and current retirement age.
- Outsourced scheme members will be able to stay in the scheme on first and subsequent transfers.
- Vesting period extended from 3 months back to two years.

All other terms remain as in the current scheme including death in service benefits, ill-health provision and the lump sum conversion.

7. Investment Policy

As an administering pension authority, the Council discharges its duties in respect of maintaining the Pension Fund in the form of the Pension Committee. The strategic management of the assets is the responsibility of the Pension Committee that acts in consultation with the Fund's investment adviser; Mercer. Day-to-day management of the investments is carried out by investment managers, who have been appointed by the Pension Committee, acting under an agreed mandate and Council officers acting under delegated powers.

The Pension Committee has prepared an Investment Strategy Statement (ISS) in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and after taking appropriate advice.

The ISS outlines the principles and policies governing investment decisions made by or on behalf of the Fund.

As set out in the Regulations, the Committee will review the ISS from time to time and at least every three years. In the event of any material change to any matter contained within the ISS, changes will be reflected within six months of the change occurring.

The ISS can be viewed at: <http://www.croydonpensionscheme.org/croydon-pension-fund/about-us/forms-and-publications/>

Asset Allocation

The current strategic asset allocation came into force in September 2018. The target asset allocation is as follows:

Asset Class	Investment
Equities	42% +/- 5
Fixed Interest	23% +/- 5
Alternatives	34% +/- 5
Cash	1%
Total	100%

The Alternatives category is further broken down as follows:

Asset Class	Investment
Private Equity	8%
Infrastructure	10%
Property	10%
Private Rental Sector Property (PRS)	6%
Total	34%

The Pension Committee recognises that it takes time to complete the transition to a revised asset allocation. This is due to the assets included within the Alternatives category being illiquid and the time it takes to source investable opportunities. It was planned to complete

the transition to the new strategy during 2018/19. By the year end all of the asset classes were within 2% of their target allocation and those with the highest weightings almost exactly on target.. The Fund reduced its overweight holding in equities from 50.8% to the target of 42% and, within this, switched approximately 5% from developed world investments to a new emerging markets fund via a CIV sub fund managed by Janus Henderson. The overweight balance was transferred to a new Global Bonds mandate managed as a CIV sub fund by PIMCO. Further drawdowns were made by our Private Rental Sector manager, M&G to increase the allocation from 2.2% to 4.9%

The distribution of the Fund's assets among investment managers at 31st March 2019 is outlined below.

Investment Manager	Investment Mandate	% of Fund
Legal & General	Developed World (Ex-tobacco) Equities (pooled)	37.23%
London CIV - Janus Henderson	Emerging Markets Equities (pooled)	4.72%
London CIV	Global Equities (Segregated)	0.01%
Aberdeen Standard	UK Corporate Bonds and Absolute Return Bonds (Pooled)	10.67%
London CIV - PIMCO	Global Bonds (Pooled)	6.83%
Wellington	Sterling Bonds (Pooled)	5.46%
Pantheon	Private Equity Invest in unquoted companies (Pooled FofF) (US Dollar & Euro)	5.25%
Knightsbridge	Private Equity – Venture Capital (Pooled FofF) (US Dollar)	2.37%
Access Capital	Private Equity - Co-Investment small European buyout (Euro)	1.09%
North Sea Capital	Private Equity Invest in unquoted companies (Pooled FofF) (Euro)	0.25%
Equitix	Infrastructure – PFI Projects (Pooled)	5.21%

Temporis	Infrastructure – Onshore wind farms	2.81%
Green Investment Bank	Infrastructure – Offshore wind farms	1.96%
Access Capital	Infrastructure – European projects	1.07%
I-Squared Capital	Infrastructure	0.55%
M&G	Private Rental Sector UK	4.90%
Schroders	UK Property Funds	9.62%
Total		100.00%

7.1 Monitoring the Investment Managers

Performance of the investment managers is reviewed formally at the quarterly Pension Committee meetings. To assist the Pensions Committee reports on Fund Managers performance were provided by the Council's officers and Aon Hewitt. Additionally, the Council's officers and advisers meet the investment managers regularly to review their actions together with the reasons for their investment performance.

7.2 Custody

For the additional security of the invested assets, the Fund employs The Bank of New York Mellon as an independent custodian for its segregated global equity holdings. The Bank of New York Mellon also maintain records for all the Pension Fund investments, with the exception of internally managed cash.

8. Investment Report

8.1. Performance

The Fund's performance is compared with the Council's own customised benchmarks. During the 2018/2019 financial year the Fund returned 10.4%, outperforming its customised benchmark of 5.9% by 4.5%. The outperformance was due to the positive performance by almost all the managers with only two of the Infrastructure managers significantly underperforming.

The Fund's investments continue to perform strongly in both the medium term (shown below) and the long term.

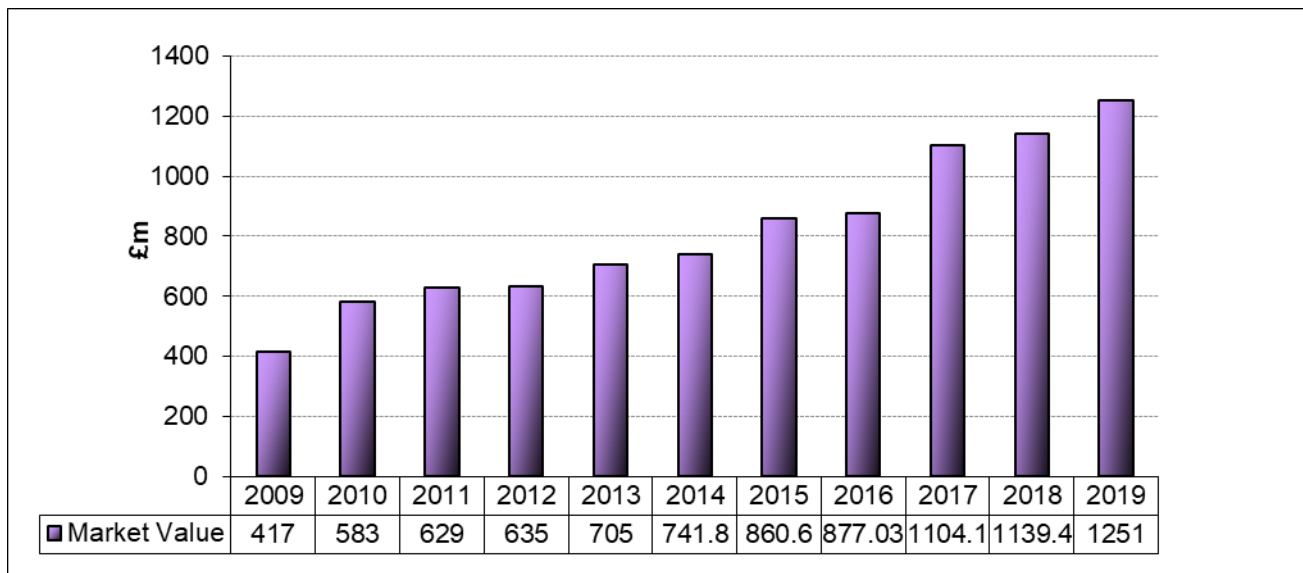
The annualised investment returns for 1, 3 and 5 years are as follows:

Annualised Returns	Croydon Fund	Benchmark
1 year (% per year)	10.4	5.9
3 years (% per year)	12.0	6.2
5 years (% per year)	10.7	5.4

At the 2016 Actuarial Valuation the Fund had a funding level of 73%. The Fund is making good progress towards achieving its objective of a 100% funding level. The next Actuarial Valuation is due effective 31 March 2019 and the results will be available in February 2020.

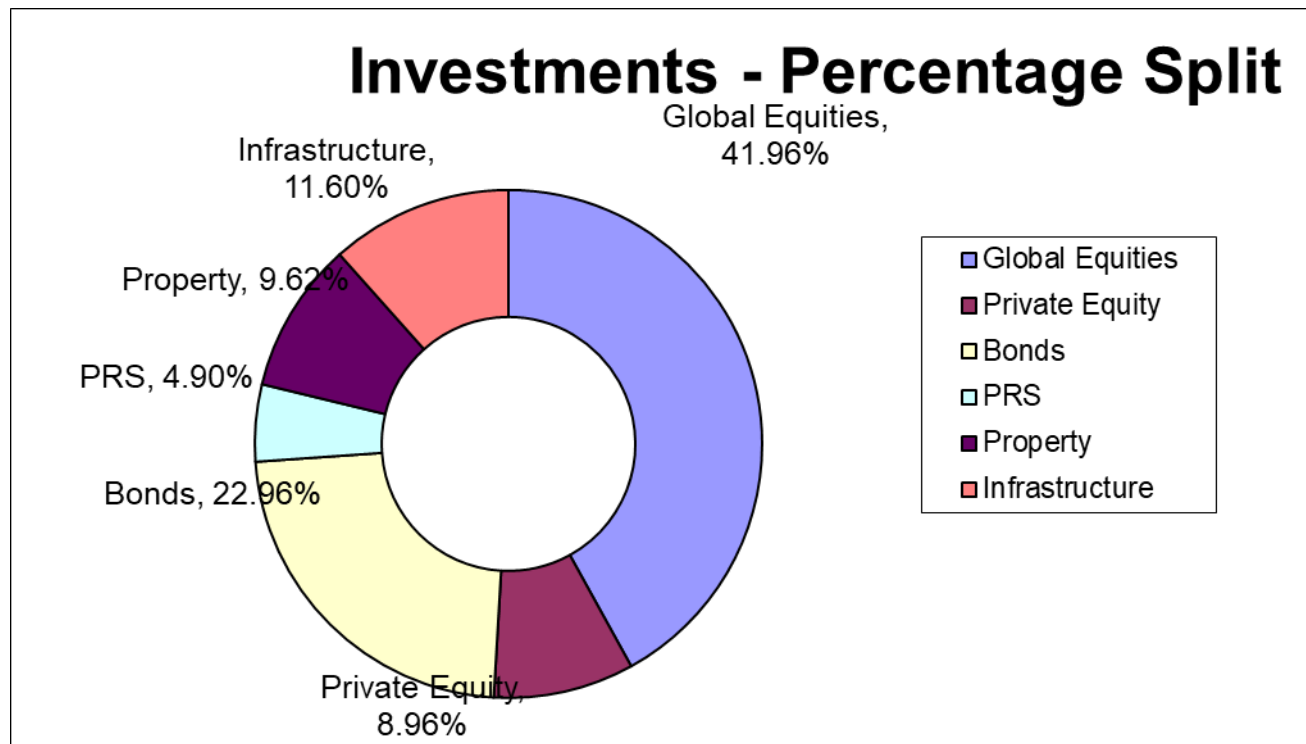
8.2. Movement in the Market Value of the Fund

The net assets of the Fund at 31 March 2019 were £1,251m compared with £417m at 31 March 2009. The chart below shows the growth of the Fund's assets over the past ten years.



Net Assets	2018/19 £m	%
Market Value of investments	1230.12	98.4%
Other Balances held by Fund Managers	1.55	0.1%
Cash held by Fund managers	6.45	0.5%
LBC Fund Net Current Assets	12.92	1.0%
Total at the end of the year	1251.04	100%

8.3. Distribution of Assets by Market Value



Investments	2018/19 £000s	% of Investments
Global Equities	516.2	41.3%
Private Equity	110.0	8.8%
Bonds	282.4	22.6%
PRS	60.2	4.8%
Property	118.3	9.4%
Infrastructure	143.0	11.4%
Cash	20.9	1.7%
Total at the end of the year	1,251.0	100.0%

8.4 Top 10 Global Holdings

	Market Value at 31 March 2019 £'000	% of Total of Fund
APPLE INC	10,076	0.82
MICROSOFT CORP	10,076	0.82
AMAZON.COM	8,244	0.67
ALPHABET	7,786	0.63
FACEBOOK CLASS A	4,580	0.37
BERKSHIRE HATHAWAY	4,580	0.37
JOHNSON & JOHNSON	4,122	0.34
EXXON MOBIL CORPORATION	4,122	0.34
JPMORGAN CHASE & CO	3,664	0.30
NESTLE	3,206	0.26

Pension Fund Annual Accounts 2018/2019

Croydon Council

REPORT TO:	Local Pension Board 11 July 2019
SUBJECT:	Local Pension Board Annual Report
LEAD OFFICER:	Nigel Cook, Head of Pensions and Treasury

1. RECOMMENDATIONS

- 1.1 The Board is invited to note the Annual Report prepared by the Chair of the Croydon Local Pensions Board. This is attached as Appendix A to this report.

2. EXECUTIVE SUMMARY

- 2.1 This report asks the Board to note the Croydon Local Pension Board Annual Report (Appendix A).

3. DETAIL

- 3.1 This report highlights the Annual Report drafted by the Chair of the Croydon Local Pension Board. This report sets out the work of the Board over the past year. The final version of this report will be published on the Council's LGPS website.

The Pension Board is invited to note this report.

CONTACT OFFICER:

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

APPENDICES:

Appendix A: Draft Pension Board Annual Report

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Pension Board Annual Report 2018/2019

Introduction

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

Membership

The Board consists of 6 voting members comprising 3 member representatives and 3 employer representatives and an independent chair. During 2018/2019 these posts were held by:

Chair: Michael Ellsmore

Employer Representatives:

Councillor Maggie Mansell (until meeting of 15 November 2018)

Councillor Jerry Fitzpatrick (from meeting of 26 March 2019)

Richard Elliott (the Brit School for Performing Arts and Technology)

Member Representatives:

Teresa Fritz

Ava Watt (Union representative)

David Whickman (Union representative)

The Board is supported by the Director of Finance, Investment & Risk, Interim S151 Officer, Lisa Taylor and the Head of Pensions and Treasury, Nigel Cook and the pensions teams.

Councillor Maggie Mansell

At the meeting on 10 January 2019 the Chair notified the Members of the Board that the death of Councillor Maggie Mansell had been announced. Councillor Mansell was noted for being a long serving Member of Council and a former Mayor. Her active contribution to the Board and her knowledge of the pension arena were noted. The Chair spoke on behalf of the other Board Members to express his sorrow at this news and to note that Councillor Mansell would be much missed.

Activity during 2018/2019

This report covers the fourth year of the operation of the Board. It has continued to establish itself as part of the Croydon Council governance structure in relation to the Pension Fund. Board members take their responsibilities seriously and readily engage in the training programme in order to further develop their skills and knowledge.

The Board's core function is to provide an oversight of the governance and administration of the Fund. A key task in fulfilling this function was the commissioning of a governance review during its first year. The Board has continued to monitor the review's action plan and are pleased with the progress made. The Board also reviewed and monitored the following:

- The Pension Committee's forward plan which, in turn, informed the business plan for the Board;
- The Fund's Governance Policy;
- The Fund's Investment Strategy Statement;
- The development of the London CIV and the draft statutory guidance on pooling assets;
- The Fund's administration key performance indicators;
- The Fund's Risk Register;
- The Scheme Advisory Board's Annual Report and other matters raised by the Board;
- The Pensions Regulator's survey;
- The McCloud / Cost Cap case;
- Investment issues including currency hedging and the fixed income portfolio; and
- The agenda papers of the Pensions Committee.

Looking Ahead

The Board is expecting 2019/20 to be another busy year for the Local Government Pension Scheme both specifically at Croydon and on the national scene.

The work for the triennial valuation has already started and the Board will be looking to play its part in discussions with the Actuary and the review of the Funding Strategy Statement and the Investment Strategy Statement. In the Board's workplan we have scheduled discussions at each of our meetings during the coming autumn and winter.

No-one is really sure about the outcome of the McCloud / Cost Cap case nor of its effect on the LGPS but we shall be keen to be involved in considering its implications for Croydon.

We have commissioned Aon Hewitt to carry out a follow up to the Governance Review they presented to us three years ago and expect to consider this at our October meeting. The Chair has met Aon Hewitt and, whilst we are expecting the report to be encouraging, we know that we shall need to set aside time to update various of our policy statements.

Training and keeping our knowledge and skills up-to-date will remain important to us and we shall be looking to take advantage of opportunities that become available.

Pensions administration will continue to attract attention from the Pensions Regulator. The Board will therefore continue to monitor closely the performance and resources of the pension administration team. The near future will also see attention from the

Government Actuary's Department on comparative valuation and more work on the reporting of costs; these fall within the remit of the Board and will feature in its business plan.

Finally, 2019/2020 may see further transfers of assets to the London CIV and developments in its governance arrangements. The Board will continue to monitor and support the Council as these developments become apparent.

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Croydon Council

REPORT TO:	Local Pension Board 11 July 2019
SUBJECT:	Good Governance Structures for the LGPS: Separation of Responsibilities Project
LEAD OFFICER:	Nigel Cook, Head of Pensions and Treasury
FINANCIAL SUMMARY: This report sets out options for responsibility for administering the Local Government Pension Scheme including consideration of adequate resources. There are potentially implications for both the administering authority and the Pension Fund.	

1. RECOMMENDATIONS

- 1.1 To note the terms of this exercise and refer any comments to the Pension Committee.

2. EXECUTIVE SUMMARY

- 2.1 This report describes the scope of the piece of work commissioned by the Local Government Pension Scheme, Scheme Advisory Board in respect of good governance structures for the LGPS. It describes some of the potential areas of conflict and the process by which options have been identified.

3 DETAIL

- 3.1 The Local Government Pension Scheme, Scheme Advisory Board, the SAB, has commissioned Hymans Robertson to facilitate a consultation on good governance structures for the LGPS. The purpose of the consultation is to consider how best to accommodate LGPS functions within the democratically accountable local authority framework in a way that ensures that conflicts of interest are addressed and managed appropriately and that the LGPS remains appropriately resourced and able to deliver its statutory functions. The SAB have asked Hyman Robertson to help identify the real issues and potential options for change to the current arrangements which are proportionate, pragmatic and would improve LGPS governance in these areas.
- 3.2 Throughout this process the SAB will be seeking the views of as many stakeholders, representing all elements of the LGPS, as possible. These stakeholders will be asked for examples of actual conflicts that can arise, authority's views on the effectiveness of current LGPS governance arrangements and for suggestions for improvement.
- 3.3 This exercise follows a review of the options for greater separation drafted by KPMG for the LGPS Scheme Advisory Board in September 2015. This review set out the four models described below in this report, comprising three options and the status quo against which the options will be evaluated. Initially the following potential options for reform were identified:
- A Stronger role for Section 151 Officer;
 - A distinct entity within Host Authority (i.e. group the responsibility for all LGPS related activities within one function);
 - A joint Committee;
 - A dedicated Authority (i.e. a Combined Authority);
 - A dedicated Public Body (not a Local Authority) (i.e. a pensions body created by a government department to take over the role of Scheme Manager within the LGPS which would remain in the public sector but would not be Local Authority).

Each of these five options was initially assessed against the following criteria:

- Accountability;
 - Compliance with established best practice and removal of conflict of interest;
 - Financial Transparency;
 - Legislative Ease;
 - Costs (Implementation and Ongoing); and
 - Service to Stakeholders.
- 3.4 The focus of this work is the issue of ensuring that are addressed and managed appropriately. Several potential areas of conflict in the LGPS were identified, including:
- Between the Section 151 Officer of the Host Authority and other officers in the Host Authority (e.g. the Section 151 Officer could be conflicted on contribution rate increases at each valuation in their dual role with

responsibility for the Council cash costs and duties regarding the financial probity of the Fund);

- Between the Section 151 Officer of the Host Authority and the Councillors on the Section 101 Committee (e.g. the Councillors on the Section 101 committee could look to seek local investment which should be considered in the context of the Fund not local political imperative);
- Between the Host Authority and the other Local Authorities in the same Fund;
- Between the Local Authorities in a Fund and the other employers (e.g. the Local Authority may seek preferential treatment on funding versus other employers and an example of this is academy conversions where unfair treatment of academies prevails.
- Where the Administering Authority sits within the Host Authority and the Host Authority could seek to influence the pace of funding by exerting pressure on the Section 151 Officer; or
- Where the Administering Authority is not able to effectively resource the pensions function and is not able to effectively manage recharges.

3.5 Initial work on the project also identified that behavioural change may be required and also that it was very clear that the Pension Board had an important role to play.

3.6 In terms of behaviour change this exercise focusses attention on the Section 151 Officer, training skills and expertise. The report notes that the Section 151 Officer should fully understand their role and responsibilities to the Fund and that this will assist them in dealing with any conflicts that may arise. Ensuring they understand what the role involves, what duties need to be fulfilled and how they can be fulfilled may be an area which requires some development. The online Trustee toolkit which is used in the private sector to help new and existing Trustees understand their role has been successful in driving best practice and ensuring Trustees can deliver their legal obligations and in the same way new tools could be made available.

3.7 The role of the Pension Board has been the subject of discussions amongst the Local Government Pension Funds. This debate continues to concentrate on the role of the Boards and how they will interface with the existing pension committees i.e. the Section 101 Committees. There is clear separation of roles between the committees insofar as Section 101 Committees are primarily responsible for the funding decisions and management of the LGPS Funds, whereas Boards have a focus on governance, including administration and delivery of benefits and service to the members, and in particular that the scheme regulations are complied with. They do however, have significant responsibilities for ensuring that both risks and potential conflicts of interest are managed. Both the Pension Regulators' Code of Practice (Number 14) and CIPFA's Framework on Governance offer useful explanations of these duties, which effectively require Pension Boards to scrutinise how the pension scheme is run and decisions are made.

3.8 In principle, the greater the separation between the Pension Funds and the employers, the lesser the risk of conflicts arising. This project is therefore directing

effort at looking at options for greater separation. There are three key roles in relation to the operation of a Fund –administration, investment of assets and ensuring financial probity. Conflicts are reduced if the Section 151 Officer does not carry out these roles. Conflicts are also reduced if a named pensions officer who takes on these responsibilities is wholly accountable to a Section101 Committee to which the administration and investment of assets responsibilities have been delegated. There would be additional benefits in having a dedicated pensions team which reports to the named pensions officer and works solely for the pensions function. The named pensions officer could be accountable directly to the Chief Executive Officer, with the appropriate responsibility attached to that role to enable them to effectively carry out the operation of the Fund. In order for the Section 151 Officer to delegate the financial probity responsibilities to the named pensions officer changes to the Local Government Act 1972 would be required.

- 3.9 Conflicts would be reduced and there would be greater financial transparency by the Fund being made subject to an independent audit and annual governance statement and the named pensions officer being responsible for the Fund's financial probity (for example through delegation by the Section 151 Officer).
- 3.10 Although this project has yet to report the following options have been identified for evaluation. These will each be evaluated against the base case which reflect the current arrangements.

Option 1 – A stronger role for the Section 151 Officer and the formation of a distinct entity within the Host Authority;

Option 2 - Joint Committee of two or more Administering Authorities more Administering Authorities

Option 3 - Complete separation of the Pension Fund from the Host Authority

- 3.11 Invitations to express interest in this project were issued in September 2018 and the commission awarded to Hymans Robertson LLP in February 2019. As described above Hymans have stated their intention to consult widely and capture as many views as possible from those working within the LGPS. This will include carrying out a number of related activities including issuing surveys, arranging interviews, organising seminars and discussing at various LGPS events. As a first stage, before any options for change were finalised by SAB, Hymans intend to carry out a shorter survey to identify some of the real world problems which governance changes should aim to address. This will also help inform the options SAB consults widely on in the second stage of the project.

4 FINANCIAL CONSIDERATIONS

- 4.1 The options described by this report each carry financial implications, as of yet uncostered. These will ultimately be a cost to the Pension Fund.

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

CONTACT OFFICER:

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

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Croydon Council

REPORT TO:	Croydon Pension Board 11 July 2019
SUBJECT:	Update on Developments in Respect of the McCloud / Cost Cap Case
LEAD OFFICER:	Nigel Cook, Head of Pensions and Treasury

1. RECOMMENDATION

1.1 To note the potential implications of this case on the valuation of the Croydon Pension Fund.

2. EXECUTIVE SUMMARY

2.1 This report outlines the potential implications of the McCloud case on the accounts of the Pension Fund.

3. DETAIL

Background

- 3.1 At their meeting of 26 March 2019 the Board received a detailed report that described how the cost cap mechanism was to be applied across the Local Government Pension Scheme. That report informed the Board that the cost cap mechanism was to be deployed but that this had been challenged on the basis that it was discriminatory – the McCloud case.
- 3.2 This case has yet to be resolved but has potential implications for LGPS administering authorities who need to consider how to account for the possible ramifications of a future Supreme Court decision.
- 3.3 The Croydon Fund Actuary, Hymans Robertson published guidance for their clients. They advise that, despite the Government Actuary's Department postulating costs relating to the implications of any decision, it was not necessary to provide for this eventuality in the authority's statement of accounts.
- 3.4 The Actuary estimated the impact on total LGPS liabilities – not just active liabilities – to be in the range 0.5% to 1%. This, they consider, is an over-estimate, because it is based on a salary growth assumption of CPI plus 1.5% per annum, which far exceeds most informed forecasts. As a result a note to the accounts as a contingent liability, rather than a formal provision, seems an appropriate treatment. However, the minimal impact for funds with CPI salary increase assumptions does not mean that the McCloud case will have no future cost to a LGPS fund or employers. Regardless of the accounting impact, McCloud should still be regarded as a risk for funding and administration purposes.

CONTACT OFFICER:

Ian Talbot, Pension Fund Investment Officer
Resources Department, ext. 62552.

BACKGROUND DOCUMENTS:

None

Croydon Council

REPORT TO:	Local Pension Board 11 July 2019
SUBJECT:	Croydon Local Government Pension Scheme Administration Team Performance Report for May 2019.
LEAD OFFICER:	Nigel Cook Head, Pensions and Treasury

1. RECOMMENDATIONS

- 1.1 The Board is invited to note the information appended to this report.

2. EXECUTIVE SUMMARY

- 2.1 This report provides the Board with information about the performance indicators relating to the administration of the Local Government Pension Scheme.

3. DETAIL

- 3.1 Attached as Appendix A to this report is a summary of the performance of the Local Government Pension Scheme administration team for May 2019. This comprises information on the two key metrics of notifying dependents of benefits in death cases and notifying retiring employees of benefits. There is also information about case loads and a commentary.
- 3.2 This report represents stages in a process. It must be acknowledged that this is short of the disclosure required by the latest CIPFA Pension Panel guidance. In the future other indicators will be added to this report. However each additional indicator reported involves a considerable investment of resources and manual intervention so the final completed product will take a while to be delivered.

CONTACT OFFICER:

Vicki Richardson, Head of HR & Finance Service Centre
ext. 62460

APPENDICES:

Appendix A: Croydon Local Government Pension Scheme Admin Team Performance Report.

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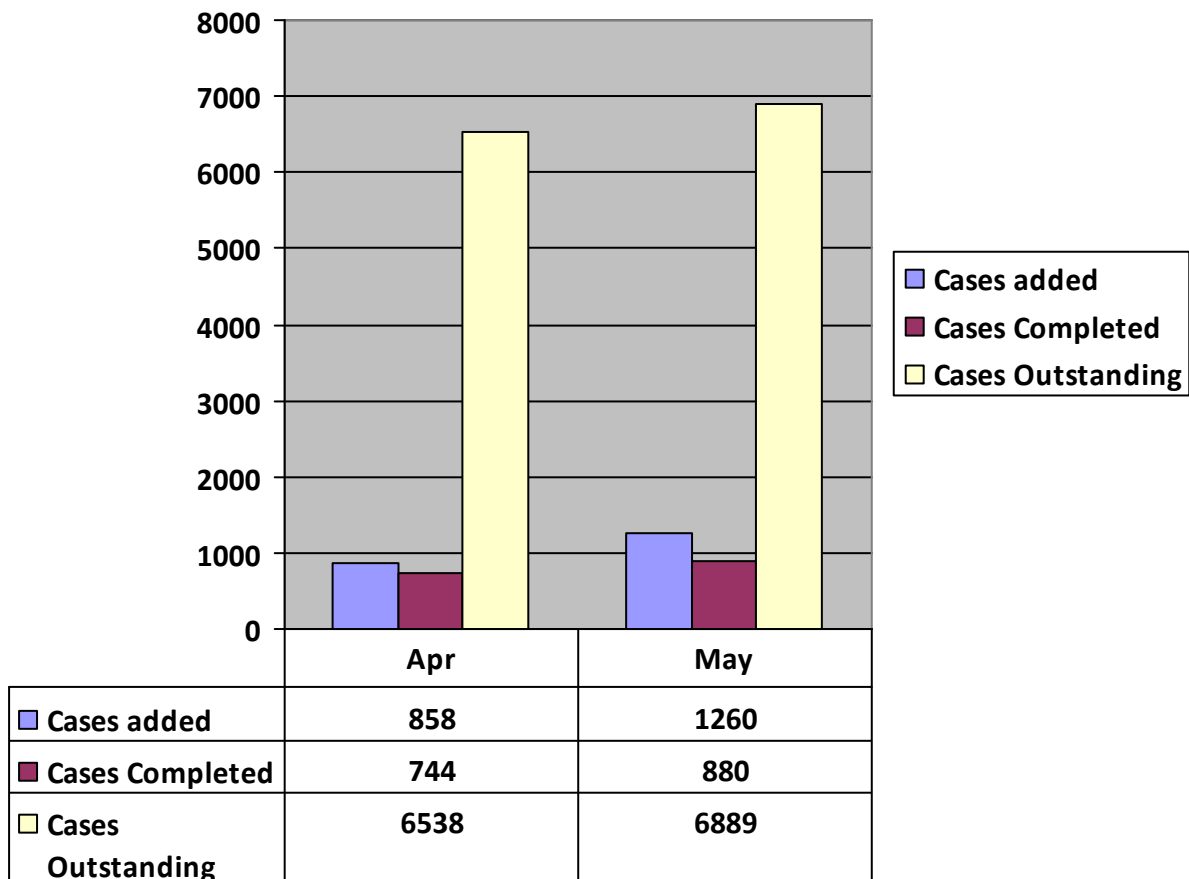
Croydon Pensions Admin Team Performance Report

May 2019

Key Performance Indicators

Process	Team target	Total Number Completed	% achieved in deadline	Average days to process	Total Number Completed	% achieved in deadline	Average days to process
		April 2019			May 2019		
Calculate and notify dependant(s) of amount of death benefits	100% - 5 working days from receipt of all information	34	47.06%	9	37	59.46%	10
Notify retiring employees of benefits	100% - 10 working days from receipt of all information	46	97.83%	4	43	100%	2

Case levels



Commentary

A high number of tasks are created in April and May due to year end scheme membership information being provided by employers which needs to be processed.

The team are currently giving priority to tasks related to scheme membership which will impact the tri-annual valuation to ensure that the actuary has accurate data. This has meant that there has been less resource available to process other case types.

At end May there were 6889 workflow tasks outstanding. 56% of these outstanding tasks relate to a historical backlog of deferred benefit cases. Options for undertaking a backlog clearance project are currently being investigated.

The team is currently running with 1 vacancy for a pension's administrator which has now been filled and the new recruit is expected to start in July 2019, along with a new Senior Technical Officer who will be joining us on 8th July.

There is some work that needs to be undertaken to redefine the use of the workflow tasks within the Altair Pensions Administration system. At present each case needs to be reviewed manually to determine accurate performance against service standards. Therefore we are focusing on reporting performance for the highest priority tasks relating to retirement and death of scheme members. The review of workflow will be allocated as a project to the new Senior Technical Officer and this report will be further developed as this project is rolled out to report performance against a wider range of case types e.g. starters, transfers, deferred benefit calculations.

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Croydon Council

REPORT TO:	Local Pension Board 11 July 2019
SUBJECT:	LGPS Governance Updates – Items Under Consideration by the Scheme Advisory Board
LEAD OFFICER:	Nigel Cook, Head of Pensions and Treasury

1. RECOMMENDATIONS

- 1.1 The Board is asked to note the contents of this report.

2. EXECUTIVE SUMMARY

- 2.1 This report deals with various issues being considered by the LGPS Scheme Advisory Board, including the Code of Transparency compliance system and the £95,000 cost cap.

3. DETAIL

Code of Transparency compliance system

- 3.1 In April the Scheme Advisory Board published an invitation to tender for the "Code of Transparency compliance system". The tender was to design, build, host and support a system to validate / check for completion the templates received from the relevant fund managers for each of the relevant LGPS funds and or Pools. In May they released the templates and guidance.
- 3.2 The templates are an integral part of the Board's Code of Transparency. The over 110 existing Code signatories will be encouraged to make use of the new templates as soon as possible but will have a transition period of up to 12 months to ensure they can adapt systems without interrupting the current flows of data. New signatories, including those property and private markets managers who can take advantage of the new templates will be expected to use them immediately.
- 3.3 The Board recognises the importance of the timely and accurate receipt of cost data but also that effective analysis and 'decision maker' education is equally vital in the delivery of investment value. Template data should lead to better management of cost but it is only one element alongside risk and performance contributing to the returns necessary to secure the pensions of our scheme members for the future.

£95,000 Cost Cap

- 3.4 Later that month HM Treasury launched a consultation on public sector exit payments – the so-called £95k cap.

- 3.5 The cap will eventually apply to all public sector employers but is to be implemented in two stages. Most scheduled LGPS employers (the major exceptions being Higher and Further Education) will be covered in the first stage. This includes Academies.
- 3.6 The exit payment cap is set at a total of £95,000 with no provision for this amount to be index-linked. Exit Payments include redundancy payments (including statutory redundancy payments) severance payments, pension strain costs – which arise when a Local Government Pension Scheme (LGPS) pension is paid unreduced before a member’s normal pension age – and other payments made as a consequence of termination of employment. The cap applies to all exit payments that arise within a 28-day period and the regulations cover the process to follow if an individual has multiple exits from public sector employment within 28 days.
- 3.7 Payments related to death in service or ill health retirement, pay in lieu of holiday and payments made in compliance with an order made by a court or tribunal are not exit payments for the purposes of these regulations. Although statutory redundancy is included as an exit payment it cannot be reduced. If the cap is exceeded, other elements that make up the exit payment must be reduced to achieve an exit payment of £95,000 or less.
- 3.8 The major impact of the regulations will be on LGPS members aged 55 or over who currently qualify for an unreduced pension because of redundancy or efficiency retirement. If the cap is exceeded and a pension strain payment cannot be made we understand that the policy intent is for the member to be forced to take a reduced pension.
- 3.9 This raises serious questions around the inequity of lack of choice as well as the situation of different strain costs between LGPS funds resulting in different amount of reductions being made for the same length of service and pay (currently strain cost is calculated at a local level based on the demographic make-up of the members in each fund). It also appears to be the intent to provide a facility for the member to buy out the reduction. However amendments to LGPS regulations would be required to facilitate this change, plus guidance from the Government Actuary on calculating the pension reduction and operating the buy-out process.
- 3.10 There are circumstances, as set out in HMT Directions, when the cap must be or may be relaxed by a minister or the authority. However most are subject to consent by HM Treasury even if passed by full Council. Employers are required to record and publish information about any decisions made to relax the cap.
- 3.11 A person who receives an exit payment must inform any other public body that employs them about that payment. An employer must ensure that any exit payment does not exceed the cap (unless permitted by the relaxation directions) and where a non-compliant payment is made recover any overpayment subject to a value for money assessment.
- 3.12 This consultation includes voluminous draft regulations, annexes and guidance

The McCloud Case

3.13 The SAB has been active on the question of the McCloud court case; this is covered in detail by a report elsewhere on this Board's agenda.

CONTACT OFFICER:

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

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Croydon Council

REPORT TO:	Pension Board 11 July 2019
SUBJECT:	Pension Board Forward Plan 2019/2020
LEAD OFFICER:	Nigel Cook, Head of Pensions and Treasury

1. RECOMMENDATION

- 1.1 The Board is asked to note the contents of this report and to comment and to suggest amendments as necessary.

2. EXECUTIVE SUMMARY

- 2.1 This report sets out a suggested work plan for the Board, inviting suggestions for amendments or additions.

3. DETAIL

- 3.1 The responsibility of the Local Pensions Board, as defined by section 5(1) and (2) of the Public Services Pensions Act 2013, is to assist the Administering Authority (Croydon Council) in its role as a Scheme Manager of the Scheme in relation to the following matters:
- To secure compliance with the Scheme Regulations and other legislation relating to the governance and administration of the Scheme;
 - To secure compliance with requirements imposed in relation to the Scheme by the Pensions Regulator;
 - Other issues that the Scheme regulations may specify.
- 3.2 In order for the Board to carry out this role it is necessary to maintain a work plan that identifies which key activities the Board should be carrying out (and when) in order to demonstrate effective performance.
- 3.3 Subject to the considerations of the Board, the following is a suggestion for the topics to be covered over the next period. Each meeting will also be able to review the papers presented to the Pension Committee, which typically will meet a month before.

17 October 2019

PEN 11072019

To consider the report of the Aon Hewitt Governance Review

To review:

- Training Policy and training records update
- Investment Strategy Statement
- Asset Allocation
- Risk Register
- Scheme Advisory Board Annual Report
- Communications Policy
- Business Plan
- ESG issues
- Forward Plan

To consider implementation of the Cost Transparency Code; and issues raised by the Scheme Advisory Board's Annual Report;

To consider any Triennial valuation matters that the Board considers falls within its remit.

16 January 2020

To consider the Funding Strategy Statement

To review progress towards compliant reporting of Administration Key Performance Indicators

To consider any issues raised by the Scheme Advisory Board

Review:

- Policy for Employers leaving the Fund;
- Internal Disputes Resolution Policy;
- Breaches of the Law Procedure;
- Administration Strategy;
- Conflicts of Interest Policy (for the Board)

To consider any Triennial valuation matters still outstanding

To comment on the Forward Plan

2 April 2020

To consider any issues raised by the Scheme Advisory Board

To review the Risk Register

To conduct a review of savings achieved / cost reductions by London CIV

To comment on the Forward Plan

To consider any Triennial valuation matters outstanding.

The Board is invited to add any items to this schedule that they feel should be included.

3.4 A key component of the work of the Board is the maintenance of relevant knowledge, refreshing skills and access to informed experts. To this end training opportunities will be offered to the Board throughout the year. The Board is invited to offer ideas for subjects and officers will develop these into sessions which will be open to the Board and to Pension Committee members.

CONTACT OFFICER:

PEN 11072019

Ian Talbot – Pension Fund Investment Officer
Corporate Resources Department, ext. 62552.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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