

Pension Committee Agenda



To: Councillor Andrew Pelling (Chair)
Councillor Simon Hall (Vice-Chair)
Councillors Simon Brew, Robert Canning, Luke Clancy, Clive Fraser,
Patricia Hay-Justice and Yvette Hopley

Co-opted Members: Ms Gilli Driver, Mr Peter Howard and Charles Quaye

Reserve Members: Jamie Audsley, Sherwan Chowdhury, Maddie Henson,
Steve Hollands, Stuart Millson and Robert Ward

A meeting of the **Pension Committee** which you are hereby summoned to attend,
will be held on **Thursday, 9 May 2019 at 10.00 am** in **Council Chamber, Town
Hall, Katharine Street, Croydon CR0 1NX**

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

Annette Wiles 020 8726 6000 x 64877
annette.wiles@croydon.gov.uk
www.croydon.gov.uk/meetings
Tuesday, 30 April 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 Committee.

2. Minutes of the Previous Meeting (Pages 5 - 8)

To approve the minutes of the meeting held on 12 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. Key Performance Indicators for the Local Government Pension Scheme (Pages 9 - 18)

For Members of the Committee to consider the updated Key Performance Indicators for the Local Government Pension Scheme.

6. Forward Plan (Pages 19 - 22)

For Members of the Committee to consider the business plan for the forthcoming year and agree the review of key policy documents.

7. Consultation: draft statutory guidance on pooling assets (Pages 23 - 26)

For Members of the Committee to receive for information the response made to the consultation on the draft statutory guidance on asset pooling.

8. Review: training support for the Pensions Committee (Pages 27 - 32)

To consider the training support needed by the Members of the Committee.

9. Environmental Impact of the Croydon Pension Fund (Part A) (Pages 33 - 36)

For Members to review the environmental impact of certain investments that are part of the Croydon Pension Fund.

10. 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

11. Minutes of the Previous Meeting (Part B) (Pages 37 - 38)

To approve the minutes (Part B) of the meeting held on 12 March 2019 as an accurate record.

12. Environmental Impact of the Croydon Pension Fund (Part B) (Pages 39 - 68)

For Members to review the environmental impact of certain investments that are part of the Croydon Pension Fund.

13. Investment strategy review (Pages 69 - 120)

For Members to review the investment strategy of the Croydon Pension Fund.

14. Verbal update: London CIV Emerging Market Fund

For Members to receive and consider a verbal update on the London CIV Emerging Market Fund.

Pension Committee

Meeting held on Tuesday, 12 March 2019 at 10.00 am in Council Chamber, Town Hall,
Katharine Street, Croydon CR0 1NX

MINUTES

Present: Councillor Andrew Pelling (Chair);
Councillor Simon Hall (Vice-Chair);
Councillors Patricia Hay-Justice, Clive Fraser, Robert Canning, Simon Brew
and Yvette Hopley

Co-opted Members: Gilli Driver, Peter Howard and Charles Quaye

Also Present: Nigel Cook (Head of Pensions and Treasury), Lisa Taylor (Director of Finance,
Investment and Risk (S151 Officer), Matthew Hallett (Pension Fund Investment
Manager) and Michael Ellsmore (Chair, Pension Board)

Apologies Councillor Luke Clancy

PART A

1/19 Minutes of the Previous Meeting

The minutes of the meeting held on 4 December 2018 were agreed as an accurate record.

2/19 Disclosure of Interests

There were no disclosures of interests.

3/19 Urgent Business (if any)

Discussion of urgent business was taken in Part B of the agenda.

4/19 Update presentation: London CIV

The Committee received a presentation on recent developments at the London CIV from Kevin Cullen, London CIV Client Relations Director.

This presentation covered:

- I. Governance arrangements,
- II. The appointment of a new Chief Operating Officer and the recruitment of a new Chief Investment Officer; and
- III. The launch of new product lines.

Committee Members asked questions regarding:

- I. The extent to which the CIV would develop its own in-house expertise for different asset classes;
- II. The performance of the Global Bond fund;
- III. Any money savings for the Croydon Pension Fund in participating in the London CIV; and
- IV. Background information on the timeliness of recent money transfers to the London CIV.

RESOLVED: Committee Members noted the update provided by the London CIV and thanked Mr. Cullen for his presentation and for answering questions.

5/19 Update presentation: M&G

The Committee received an update presentation from Lucy Williams, Director of Institutional Business UK and Europe, M&G. This provided an overview of M&G's Residential Property Fund and its investment strategy.

Committee Members asked questions regarding the fund including:

- I. Clarification on the longevity of properties;
- II. Clarification on the liquidity of the fund;
- III. The risks caused by factors such as planning requirements and political risk with M&G undertaking to provide written material on political risk modelling;
- IV. The disposal of properties;
- V. The structure of the organisation;
- VI. The location of future developments; and
- VII. The environmental ratings of properties being developed.

RESOLVED: Committee Members:

- I. Noted the contents of the presentation and thanked Lucy Williams for her presentation and for answering questions; and
- II. Resolved to take up the invitation to visit an M&G property asset.

6/19 Currency hedging

Peter Gent, FIA, Mercer Ltd, provided Members with an overview of the issues to be considered when deciding whether or not to implement currency hedging for the equity investment part of the Pension Fund portfolio ex emerging markets. Members asked questions to provide for their best understanding of options, risks, costs, value and appropriate levels of hedging exposure and timing.

RESOLVED: the Members of the Committee resolved to approve the recommendations in the report:

1. To note the report on currency hedging commissioned from Mercer; and

2. To delegate to the Chief Financial Officer, in consultation with the Committee's Chair and the Cabinet Member for Finance and Resources, the decision whether and when to implement a currency hedge.

7/19 Audit Plan for the Local Government Pension Fund

RESOLVED: the Committee resolved to note the audit plan from Grant Thornton.

8/19 Progress report (Q3)

RESOLVED: the Members of the Committee resolved to agree the recommendations in the report:

1. To note the performance of the fund for the quarter; and
2. To delegate fund investment decisions to the Chief Finance Officer in consultation with the Chair of the Pension Committee and the Cabinet Member for Finance and Resources.

9/19 Risk register review

RESOLVED: the Members of the Committee resolved to note the report.

10/19 Key Performance Indicators for the Local Government Pension Scheme

There was not sufficient time for this item to be considered at the meeting and therefore it was deferred for consideration at the Committee meeting in May 2019.

11/19 Forward Plan

There was not sufficient time for this item to be considered at the meeting and therefore it was deferred for consideration at the Committee meeting in May 2019.

12/19 Consultation: draft statutory guidance on pooling assets

There was not sufficient time for this item to be considered at the meeting. Given the deadline for the consultation was before the next Committee meeting, it was agreed that Members would be kept informed by email regarding the consultation response.

13/19 Review: training support for the Pensions Committee

There was not sufficient time for this item to be considered at the meeting and therefore it was deferred for consideration at the Committee meeting in May 2019.

14/19 Exclusion of the Press and Public

The following motion was moved by Councillor Pelling and seconded by Peter Howard to exclude 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.

15/19 Progress report (Q3)

The Committee's resolution is recorded in agenda item 8.

The meeting ended at 1.40 pm

Signed:

Date:

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Croydon Council

REPORT TO:	Pension Committee 9 May 2019
AGENDA ITEM:	
SUBJECT:	Key Performance Indicators for the Local Government Pension Scheme
LEAD OFFICER:	Nigel Cook Head of Pensions and Treasury
CABINET MEMBER	Councillor Simon Hall Cabinet Member for Finance and Resources
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management: The Pension Committee is responsible for the effective administration of the Local Government Pension Scheme. These Key Performance indicators provide a measure of how well that administration functions.	
FINANCIAL SUMMARY: Poor administration may ultimately lead to incorrect calculation or payment of benefits or indeed financial penalties.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1. RECOMMENDATIONS

- 1.1 The Committee is asked to note the Key Performance Indicators set out in this report.

2. EXECUTIVE SUMMARY

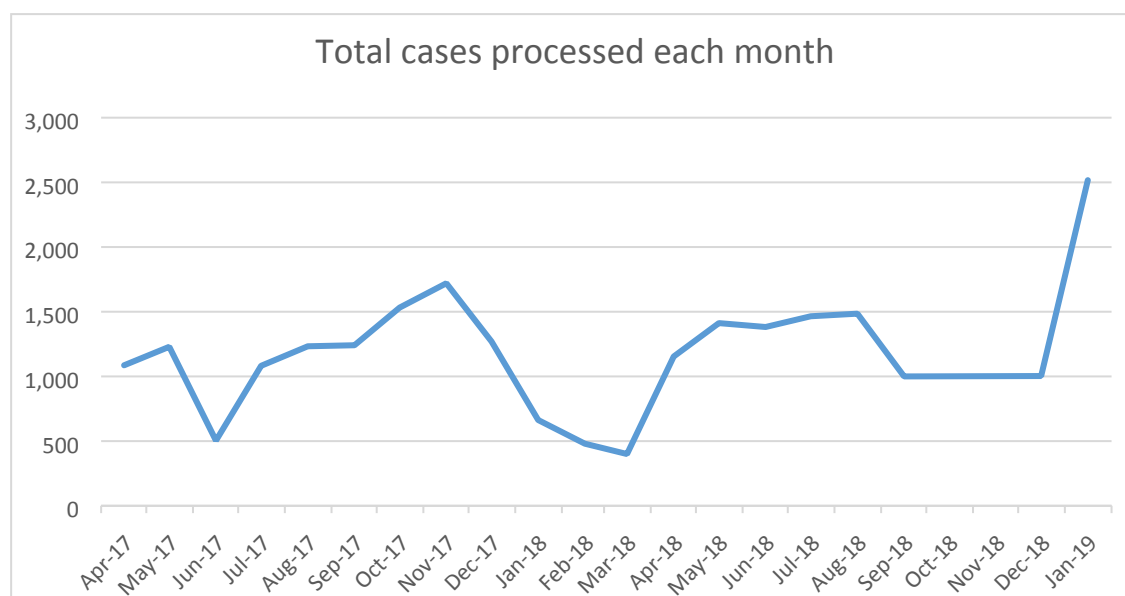
- 2.1 This report sets out Key Performance Indicators for the administration of the Local Government Pension Scheme for the period April 2017 to January 2019.

3 DETAIL

- 3.1 Good governance suggests that the performance of the administration of the Local Government Pension Scheme should be monitored. The standards by which performance can be assessed are set out in the Administration Strategy and published on the Scheme's website so as to be available for scrutiny by stakeholders, who include elected Members and other Scheme employers.

- 3.2 As previously reported to this Committee (March 2018), the caseload of the Local Government Pension Scheme administration team has been divided into backlog cases, those dating back to the period when the service was provided by an external provider, and business as usual cases (BAU). Backlog cases are processed as and when resources become available and generally relate to deferred members. There are no death or retirement cases in this group of cases.
- 3.3 The following graph illustrates the total number of cases processed by the administration team, month by month.

Figure 1: Total Cases Processed by Month



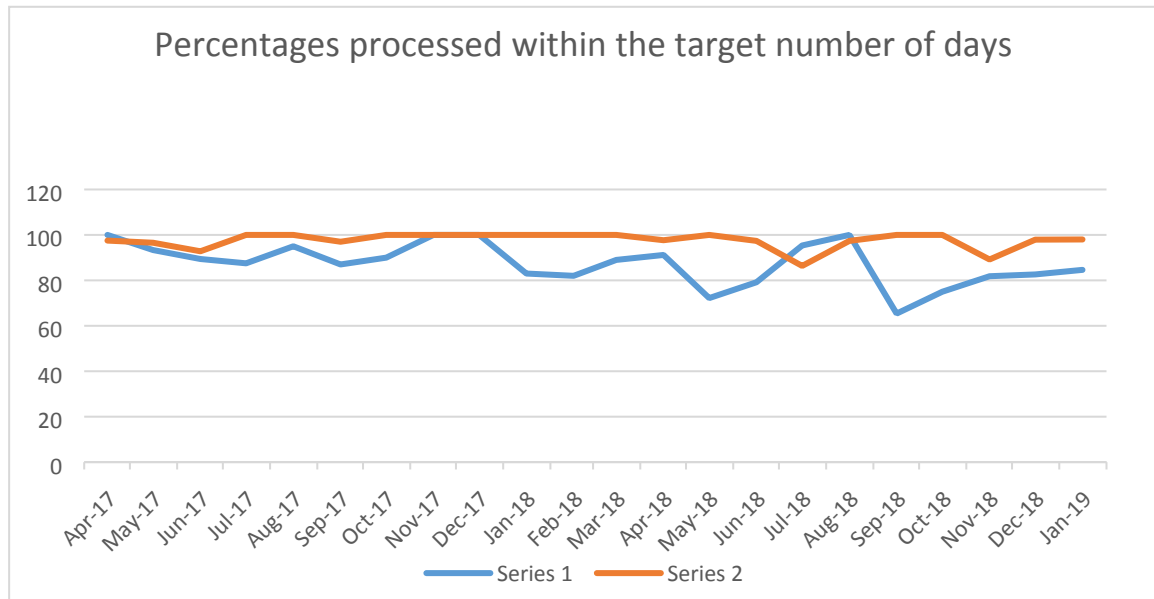
Note: the significant up-tick in cases processed in January reflects the additional resources allocated and over-time hours worked.

- 3.4 Members will be aware of the government's campaign to encourage take up of pensions. The auto-enrolment exercise was first undertaken in January 2013, then 2016. The Council's staging date is 1 January and some of the activity illustrated above relates to the work bringing eligible staff into the Scheme. The relevant figures are as follows:

Assessed as Eligible Jobholders	293
Re-enrolled	253
Opted out prior to January Payroll	34
Excluded as working notice period	4
Opted to Join Scheme	2

- 3.4 The tables illustrating the administration team's performance against the KPIs for priority cases: deaths and retirements are included at Figure 2 below. Additional data that show this indicator as well as the total number of cases processed by the team are included as an appendix to this report (Appendix A). The volume of cases processed each month remains high, averaging 1,176 each month.

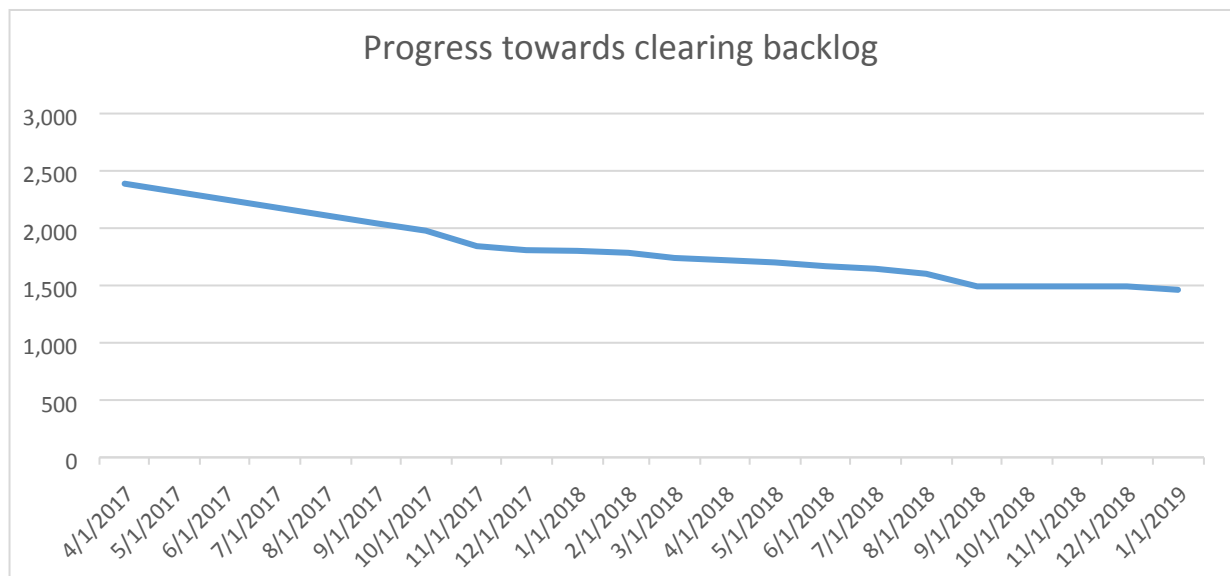
Figure 2: Deaths and Retirements: Percentages processed within the target number of days.



3.5 As can be seen from the figure above, death and retirement cases are overwhelmingly being processed with the target period of 5 and 10 days respectively;

3.6 Appendix B reports the position with regards to the project to address the backlog cases. The top-line figures are illustrated in this graph.

Figure 3: Progress towards clearing backlog cases



3.7 Together these figures show that there continues to be high volumes of work but the revised processes described in this report are helping the team to keep on top

of the workload.

- 3.8 The pensions team also carries out a number of “employer” functions mainly around ensuring the pay used for calculating benefits is correct. There are historic data issues which means that the time taken in dealing with some cases may be longer than would be considered ideal.

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. LEGAL CONSIDERATIONS

- 6.1 The Head of Litigation and Corporate Law comments that no additional legal considerations arise from this report.

(Approved by Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Director of Law and Governance & Deputy Monitoring Officer)

CONTACT OFFICER:

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

BACKGROUND DOCUMENTS:

None

Appendices

Appendix A: Business as Usual Cases (April 2017 to January 2019)

Appendix B: Backlog Cases

Appendix A: Business as Usual Cases (April 2017 to January 2019)

Case type	Month 2017	KPI (number of days to process)	Total cases processed	Average days taken to completed case	% with target	Total cases processed*
Deaths	April 2017	5	20	4	100	
Retirements	April 2017	10	39	5	97.5	
Total cases processed	April 2017					1,086
Deaths	May 2017	5	15	8	93.33	
Retirements	May 2017	10	29	7	96.55	
Total cases processed	May 2017					1,229
Deaths	June 2017	5	19	7	89.4	
Retirement	June 2017	10	28	5	92.8	
Total cases processed	June 2017					504
Deaths	July 2017	5	15	4	87.5	
Retirement	July 2017	10	32	3	100	
Total cases processed	July 2017					1,082
Deaths	August 2017	5	22	3	95	
Retirements	August 2017	10	25	4	100	
Total Cases	August 2017					1,233
Deaths	Sept 2017	5	30	4	87	
Retirements	Sept 2017	10	34	6	97	
Total Cases	Sept 2017					1,241
Deaths	October 2017	5	20	3	90	

Retirements	October 2017	10	39	4	100	
Total Cases*	October 2017					1,532
Deaths	Nov 2017	5	15	3	100	
Retirements	Nov 2017	10	39	4	100	
Total Cases*	Nov 2017					1,720
Deaths	Dec 2017	5	23	3	100	
Retirements	Dec 2017	10	26	5	100	
Total Cases*	Dec 2017					1,270
Deaths	January 2018	5	29	4	83	
Retirements	January 2018	10	37	37	100	
Total Cases*	January 2018					663
Deaths	Feb 2018	5	17	4	82	
Retirements	Feb 2018	10	19	5	100	
Total Cases*	Feb 2018					480
Deaths	March 2018	5	20	4	89	
Retirements	March 2018	10	30	5	100	
Total Cases*	March 2018					400
Deaths	April 2018	5	34	3	91.18	
Retirements	April 2018	10	43	3	97.67	
Total Cases*	April 2018					1,154
Deaths	May 2018	5	18	4	72.2	
Retirements	May 2018	10	17	3	100	

Total Cases*	May 2018					1,412
Deaths	June 2018	5	24	3	79.17	
Retirements	June 2018	10	38	4	97.37	
Total Cases*	June 2018					1,382
Deaths	July 2018	5	22	4	95.35	
Retirements	July 2018	10	43	5	86.36	
Total Cases*	July 2018					1,465
Deaths	August 2018	5	16	3	100	
Retirements	August 2018	10	38	6	100	
Total Cases Processed	August 2018					1,485
Deaths	Sept 2018	5	26		65.38	
Retirements	Sept 2018	10	49		100	
Total Cases Processed	Sept 2018					n/a
Deaths	October 2018	5	28		75	
Retirements	October 2018	10	55		100	
Total Cases Processed	October 2018					n/a
Deaths	Nov 2018	5	22		81.82	
Retirements	Nov 2018	10	37		89.19	
Total Cases Processed	Nov 2018					n/a
Deaths	Dec 2018	5	23		82.61	
Retirements	Dec 2018	10	48		97.92	
Total Cases Processed	Dec 2018					n/a

Deaths	Jan 2019	5	11		84.62	
Retirements	Jan 2019	10	48		98.00	
Total Cases Processed	Jan 2019					2,517

Appendix B: Backlog Cases

	Deferreds	Transfers	Combined	Misc	Total
April 2017	1,381	462	271	274	2,388
May 2017	1,356	431	271	261	2,319
June 2017	1,333	392	271	185	2,181
July 2017	1,325	385	268	181	2,159
August 2017	1,302	358	264	163	2,087
September 2017	1,287	352	259	144	2,042
October 2017	1,258	318	258	134	1,978
November 2017	1,251	301	255	36*	1,843
December 2017	1,240	281	252	35	1,808
January 2018	1,237	280	252	33	1,802
February 2018	1,225	277	250	33	1,785
March 2018	1,211	256	248	25	1,740
April 2018					
May 2018	1,195	232	247	27	1,701
June 2018	1,180	219	247	22	1,668
July 2108	1,172	210	243	21	1,646
August 2018	1,136	204	241	21	1,602
Period September to December 2018	1,065	118	241	68*	1,492
January 2019	1,055	118	268	21	1,462

Note: '*Deferreds*' relate to cases where the member of staff had in the past belonged to the LGPS but now did not and was not in receipt of a pension. '*Transfers*' relate to scheme members transferring between administering authorities usually as part of a recruitment process.

Readers will note that as these cases are addressed some are re-categorised.

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Croydon Council

REPORT TO:	Pension Committee 9 May 2019
AGENDA ITEM:	
SUBJECT:	Forward Plan
LEAD OFFICER:	Nigel Cook Head of Pensions and Treasury
CABINET MEMBER	Councillor Simon Hall Cabinet Member for Finance and Resources
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management: Ensuring that the pension fund is being given appropriate guidance and direction through the governance of the Pension Committee.	
FINANCIAL SUMMARY: There are no direct financial consequences to this report. However the implications of decisions taken by this Committee can be significant for the Revenue Account of the Council.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1. RECOMMENDATIONS

- 1.1 That the Committee note the business plan for the coming year.
- 1.2 That the Committee agree that the key policy documents listed in paragraph 3.4 be periodically reviewed by the Pensions Board and that the Board report to the Committee with any suggested amendments for this Committee to consider.

2. EXECUTIVE SUMMARY

- 2.1 It is recommended best practice for the Pension Committee (the Committee) to regularly review the forward plan. This report proposes a revised 2019/2020 forward plan which forms a business plan for the Committee. This report also considers the workload of the Pensions Board.

3 DETAIL

- 3.1 The forward plan below sets out an agenda for each quarterly meeting to be held in 2019/2020; however, further items may be added as required by senior officers in consultation with the Chair. As previously noted by the Committee in December 2018, there may be a need to add items in response to changing circumstances, such as any issues thrown up by the government's decision to require funds to pool assets, changes to the investment regulations or if there are further global market events requiring actions from the Committee.
- 3.2 The Committee has committed to a programme of training and in part, this can be delivered by sessions following on from or preceding the business part of the meeting. The content of training will be informed by the direction of future legislation; and the choice of investment vehicles. A separate report, also on this agenda, sets out a draft training programme.
- 3.3 The Local Pensions Board supports the Scheme Administrator (the Executive Director of Resources) and hence the Pensions Committee by considering a number of issues. At the 10 January meeting of the Board it was confirmed that this would include:
- Review of strategy and policy documents such as the Funding Strategy Statement and Investment Strategy Statement;
 - Key Performance Indicators;
 - Engagement with stakeholders;
 - ESG (Ethical, Social and Governance) and voting matters;
 - Assessment of the performance of professional advisors;
 - Consideration of Myners principles; and
 - Matters relating to fees.
- 3.4 At that same Board meeting it was agreed, subject to the Committee being comfortable, that the Board could review the following key policy documents, alerting the Committee to any matters that require their closer attention. These policies include, but are not limited to:
- Cessation Policy;
 - Communications Policy;
 - Policy for Employers leaving the Fund;
 - Internal Disputes Resolution Policy;
 - Breaches of the Law Policy;
 - Administration Strategy; and
 - Conflicts of Interest Policy (for the Pensions Board).
- 3.5 Matters relating to admission agreements, schools converting to academies and other scheme employers will be reported to the Committee on an ad hoc basis.

3.6 The Pension Committee 2019 – 2020 Business Plan

3.6.1 11th June 2019

- Progress report quarter ending March 2019 performance
- Asset Allocation Review

- Governance annual review – presentation on findings by Aon Hewitt.
- Report back from Pensions Board

3.6.2 17th September 2019

- Progress report quarter ending June 2019 performance
- Actuarial valuation update, including update of assumptions.
- KPIs
- Review of Forward Plan
- Draft Annual Report
- External Auditors Report
- Local Pension Board Annual Report
- Review of Risk Register
- Investment Strategy Statement, consider revisions, including
- Review London CIV against Investment Strategy Statement (ISS) guidance (regulation (7) (2) d)
- Review of ESG investment principles for inclusion in ISS

3.6.3 10th December 2019

- Progress report quarter ending September 2019 performance
- Report back from Pensions Board

3.6.4 17th March 2020

- Progress report quarter ending December 2019 performance
- KPIs
- Report back from Pensions Board •
- Risk Register review
- Forward Plan review

3.7 This forward plan forms the business plan for the Committee. The Committee are asked to consider any changes necessary to the forward plan and subject to these, agree its adoption.

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 Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that there are no legal implications arising from the recommendations to the report.

Approved by: .Sandra Herbert, Head of Litigation and Corporate Law, on behalf of Director of Law and Governance and Deputy Monitoring Officer

CONTACT OFFICER:

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

BACKGROUND DOCUMENTS:

Croydon Council

REPORT TO:	Pension Committee 9 May 2019
AGENDA ITEM:	
SUBJECT:	Local Government Pension Scheme: Draft Statutory Guidance on Asset Pooling
LEAD OFFICER:	Nigel Cook Head of Pensions and Treasury
CABINET MEMBER	Councillor Simon Hall Cabinet Member for Finance and Resources
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management: This consultation relates to the requirement to pool assets into a pan-London Collective Investment Vehicle.	
FINANCIAL SUMMARY: There are no direct financial consequences to this report. However issues around the investment of the assets of the Pension Fund will have direct financial implications for the Council.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1. RECOMMENDATIONS

- 1.1 That the Committee note the response to the informal consultation by the Ministry for Housing, Communities and Local Government prepared in consultation with the Chair of the Pension Committee and the Cabinet member for Finance and Resources.

2. EXECUTIVE SUMMARY

- 2.1 This report informs members of the response prepared to this informal consultation.

3 DETAIL

- 3.1 The Ministry of Housing, Communities and Local Government issued, on 3rd January 2019, an informal consultation on the Draft Statutory Guidance on Asset Pooling. A response has been prepared in consultation with the Chair of the Pension Committee and the Cabinet member for Finance and Resources.

3.2 This response is appended to this report as Appendix A.

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. LEGAL CONSIDERATIONS

6.1 The Head of Litigation and Corporate Law comments that no additional legal considerations arise from this report.

(Approved by Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Director of Law and Governance & Deputy Monitoring Officer)

CONTACT OFFICER:

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

BACKGROUND DOCUMENTS:

Appendices

Appendix A: Response to Consultation on Statutory Guidance on Asset Pooling in the Local Government Pension Scheme.

Response to Consultation on LGPS Fund Pooling: Croydon Council

We are writing to comment upon the recently published MHCLG draft statutory guidance on asset pooling.

References to the draft guidance are included at the end of the relevant paragraph and are in square brackets, hence: [reference].

We are responding in our capacity as the scheme administrator for the Local Government Pension Scheme at Croydon Council and have consulted with the Croydon Pension Committee Chair and Vice-Chair in drafting this response. The Council considers itself to be an interested party. It is disappointing that this approach has not followed the structure of a formal consultation, which we feel, would have been more appropriate. We would argue that, following this informal consultation, revised proposals should be prepared and a formal consultation carried out.

We have seen the proposed response from the London Collective Investment Vehicle and, in general, we support the points detailed in their response.

We are concerned that the consultation is silent on ESG issues. This comprises a significant component of the asset allocation process across many London funds and indeed funds across the country. Just as pooling funds amplifies the benefits of fee reductions and generates efficiencies, so it is possible for pooled funds to significantly influence the debate on many issues, such as tobacco, reduction in use of carbon fuels, stranded assets and arms manufacturers.

On the broad issue of cost control and transparency the presumption that contracts would be accessed through use of the National LGPS Framework is welcome. [3.5]

We are anxious that pooling does not fetter the discretion of LGPS schemes. For example, it should not direct towards either active or passive holdings. [3.6]

We consider that the guidelines should cover the option for certain funds to sit outside the pooling vehicle but count as being pooled assets. This arrangement offers the advantage of flexibility around moving between funds; competitive fees negotiated with the LGPS and pooling vehicle, so getting the economies being sought without the need to transfer and incur additional administration and cost. These arrangements already exist in London and it would be helpful if the guidance could endorse this established option. [8.3]

Reporting in line with the Code of Transparency will be challenging as, at present, private market funds fall out of scope. The proposed Guidance seems to be out of step with the pace of development and adoption of the Code. For Croydon 25% of the portfolio is invested in alternate assets sitting outside the scope of the Code. [8.7]

We are concerned about the restrictions on non-pool investments, both new and existing. Our comments would be as follows:

- The limit of 5% is too low, to allow the necessary flexibility for pools, both in terms of type of investment and also more specific criteria such as ESG requirements of a particular authority.
- The timescale for moving to this position, even for new investments, is too short, notably because the pooling vehicles are gradually procuring funds but will not have a full range for some years, thus limiting diversification.
- This does not recognise that there are, sometimes, highly illiquid assets. For example, the Croydon Fund has a class of assets that is effectively illiquid for the next 39 years.
- This proposal would restrict local investments or direct (e.g. infrastructure) investments in a particular area.

[6.1 to 6.4]

The option of investing in other pools' funds has some real attractions and would, potentially, increase the range of funds available. There are, however, some concerns:

- Fee structure, i.e. would it have to be the same for members and non-members and, if not, how would this be determined
- Complications for pooling vehicles in their negotiations with fund managers as the potential assets under management would be much less certain
- Implications for the resourcing of pooling vehicles as they would potentially have many more schemes to interface with, so the running costs of all pooling vehicles could increase
- Regulatory implications given that there would be a different relationship, i.e. current pooling vehicles' clients are restricted to their own shareholders.

[6.3]

As we said at the beginning of this letter, we hope that this informal consultation leads to revised draft guidelines subject to a formal consultation.

Croydon Council

REPORT TO:	Pension Committee 9 May 2019
AGENDA ITEM:	
SUBJECT:	Training Support for Pensions Committee
LEAD OFFICER:	Nigel Cook Head of Pensions and Treasury
CABINET MEMBER	Councillor Simon Hall Cabinet Member for Finance and Resources
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management: Ensuring that the pension fund is being given appropriate support and training through the governance of the Pension Committee.	
FINANCIAL SUMMARY: There are no direct financial consequences to this report. However the implications of decisions taken by this Committee can be significant for the Revenue Account of the Council.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1. RECOMMENDATIONS

- 1.1 That the Committee note the requirement of the guidance for key skills for successful public sector scheme administration.
- 1.2 That the Committee note the channels for accessing training; and
- 1.3 That the Committee make any recommendation as to additional training requirements.

2. EXECUTIVE SUMMARY

- 2.1 This reports sets out a model for Skills and Knowledge requirements for members of the Pensions Committee. Current training opportunities are set out and the Committee is invited to make suggestions as to additional training requirements.

3 DETAIL

- 3.1 The Pension Committee's forward business plan has it that the Committee
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periodically review its effectiveness in providing guidance on the administration of the Local Government Pension Scheme. The structure of the scheme has undergone significant changes with the introduction of the 2013 scheme. The membership of the Committee has also changed, which is also a significant factor. For these reasons, as well as to provide an option for the Committee to refresh its understanding of the Scheme, this report reviews the current training opportunities for the Committee.

3.2 The CIPFA Pensions Panel, with input from technical specialists covering each element of the skills matrix, has identified the key skills that lie at the core of successful public sector pension scheme administration. Due to the complexity of pensions administration, these skill sets extend across several disciplines from accountancy and audit into areas of investment and actuarial finance, as well as knowledge of the legislative and governance environment. In total there are eight areas of knowledge and skills that have been identified as the core technical requirements for those working in public sector pensions finance. They are:

- pensions legislation;
- public sector pensions governance;
- pensions administration;
- pensions accounting and auditing standards;
- financial services procurement and relationship management;
- investment performance and risk management;
- financial markets and product knowledge; and
- actuarial methods, standards and practices.

3.3 CIPFA's Knowledge and Skills Framework identifies the key elements of expertise within each of the above areas of technical knowledge as they apply to pension board members. Although the hurdle set for the Pensions Committee is lower, the Framework does provide a useful benchmark. These areas are detailed here.

3.3.1 Pensions legislation

A general understanding of the pensions legislative framework in the UK.

An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment.

An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.

A regularly updated appreciation of the latest changes to the scheme rules.

3.3.2 Pensions governance

Knowledge of the role of the administering authority in relation to the LGPS.

An understanding of how the roles and powers of the DCLG, the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.

Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure.

Broad understanding of the role of pension fund committees in relation to the fund, administering authority, employing authorities, scheme members and taxpayers.

Awareness of the role and statutory responsibilities of the treasurer and monitoring officer.

Knowledge of the Myners principles and associated CIPFA and SOLACE

guidance.

A detailed knowledge of the duties and responsibilities of pension board members.
Knowledge of the stakeholders of the pension fund and the nature of their interests.

Knowledge of consultation, communication and involvement options relevant to the stakeholders.

Knowledge of how pension fund management risk is monitored and managed.

Understanding of how conflicts of interest are identified and managed.

Understanding of how breaches in law are reported.

3.3.3 Pensions Administration

An understanding of best practice in pensions administration, e.g. performance and cost measures.

Understanding of the required and adopted scheme policies and procedures relating to:

- member data maintenance and record-keeping processes
- internal dispute resolution
- contributions collection
- scheme communications and materials.

Knowledge of how discretionary powers operate.

Knowledge of the pensions administration strategy and delivery (including, where applicable, the use of third party suppliers, their selection, performance management and assurance processes).

An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefits administration.

An understanding of what additional voluntary contribution arrangements exist and the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider's investment and fund performance report and the payment schedule for such arrangements.

3.3.4 Pensions accounting and auditing standards

Understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice.

Understanding of the role of both internal and external audit in the governance and assurance process.

An understanding of the role played by third party assurance providers.

3.3.5 Pensions services procurement and relationship management

Understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision makers and organisations.

A general understanding of the main public procurement requirements of UK and EU legislation.

Understanding of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.

An understanding of how the pension fund monitors and manages the performance of their outsourced providers.

3.3.6 Investment performance and risk management

Understanding of the importance of monitoring asset returns relative to the

liabilities and a broad understanding of ways of assessing long-term risks.
Awareness of the Myners principles of performance management and the approach adopted by the administering authority.
Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.

3.3.7 Financial markets and products knowledge

Understanding of the risk and return characteristics of the main asset classes (equities, bonds, property).

Understanding of the role of these asset classes in long-term pension fund investing.

Understanding of the primary importance of the investment strategy decision.

A broad understanding of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks.

An understanding of the limits placed by regulation on the investment activities of local government pension funds.

An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to investments.

3.3.8 Actuarial methods, standards and practices

A general understanding of the role of the fund actuary.

Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring.

Awareness of the importance of monitoring early and ill health retirement strain costs.

A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.

A general understanding of the relevant considerations in relation to outsourcings and bulk transfers.

A general understanding of the importance of the employer covenant and the relative strengths of the covenant across the fund employers.

3.4 New members of the Committee are invited to attend a three-day course, provided by the Local Government Employers organisation and this course is designed to cover these topics.

3.5 The programme of visits to fund managers, augmented by presentations to this Committee and specific reporting from the Scheme's independent investment advisor, aims to ensure that the Committee are well informed about the funds and investments that comprise the Pension Fund portfolio.

3.6 Furthermore the independent investment advisor provides updates on a range of topical subjects, such as currency hedging, as well as relevant macro-economic and market analysis. This should be augmented by support from the London CIV.

3.7 The Scheme Actuary provides support, training and information about the actuarial process. This is particularly relevant during the triennial valuation process.

3.8 The Pensions Committee is invited to consider the various options detailed above and in particular whether this provision is sufficient for Committee members to satisfy themselves that they are able to meet the Knowledge and Skills

requirement. The Committee is further asked for suggestions as to any additional training required, such as a session on ESG issues, and to express any preferences as to how this should be delivered.

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. LEGAL CONSIDERATIONS

- 6.1 The Head of Litigation and Corporate Law comments that no additional legal considerations arise from this report.

(Approved by Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Director of Law and Governance & Deputy Monitoring Officer)

Approved by:

CONTACT OFFICER:

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

BACKGROUND DOCUMENTS:

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Croydon Council

REPORT TO:	Pension Committee 9 May 2019
AGENDA ITEM:	
SUBJECT:	Environmental Impact of the Croydon Pension Fund
LEAD OFFICER:	Nigel Cook Head of Pensions and Treasury
CABINET MEMBER	Councillor Simon Hall Cabinet Member for Finance and Resources
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management: Achieving Environmental, Social and Governance (ESG) goals within the framework of fiduciary responsibility.	
FINANCIAL SUMMARY: This report considers the environmental impact of certain investments that are part of the Pension Fund. These are assessed outside of any consideration of returns generated. ESG considerations are important and reflected in the Council's Investment Strategy Statement.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1. RECOMMENDATIONS

- 1.1 That the Committee note the appended discussion paper prepared by Mercer on the role of Environmental, Social and Corporate Governance factors in setting the Investment Strategy, in particular with regards to the Fund's carbon footprint.
- 1.2 That the Committee give consideration to the next steps set out in paragraph 3.8 below.

2. EXECUTIVE SUMMARY

- 2.1 This report sets out the current position in respect of the Pension Fund and ESG factors. It provides context by describing the portfolio's investment in green electricity. Introducing Mercer's note on decarbonising the portfolio the report suggests next steps to implement a revised investment strategy.

3 DETAIL

- 3.1 As the Administering Authority for the LGPS the London Borough of Croydon Pension Fund Pension Committee agreed a statement of Investment Principles at its meeting of 18 September 2018 (Minute A50/18).
- 3.2 This statement sets out the Committee's position with respect to ESG matters. The Fund is committed to being a long term steward of the assets in which it invests and expects this approach to protect and enhance the value of the Fund in the long term. In making investment decisions, the Fund seeks and receives proper advice from internal and external advisers with the requisite knowledge and skills. In addition the Pensions Committee undertakes training on a regular basis and this will include training and information sessions on matters of social, environmental and corporate governance.
- 3.3 The Fund requires its investment managers to integrate all material financial factors, including corporate governance, environmental, social, and ethical considerations, into the decision-making process for all fund investments. It expects its managers to follow good practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed.
- 3.4 The Fund will only invest in investments with a strong environmental, social and governance policy that includes no tobacco investments. The Fund will disinvest from existing fossil fuel investments in a prudent and sensible way that reflects the fiduciary responsibility due to stakeholders. Furthermore, where this is consistent with the agreed investment strategy, the Fund will invest in assets that positively address these issues. Examples of this approach include investing in renewable energy projects, screening out regional markets where there might be issues with modern slavery, and looking to explore opportunities to contribute to and invest in the Borough.
- 3.5 The Pension Fund investment portfolio comprises three groups of assets and cash: equities, fixed interest and alternates. It is this latter category that offers the best opportunities for the Fund to positively address these issues, in particular renewable energy. The Fund is invested in the following managed group of funds, which have renewables as components, to a greater or lesser extent:

Access Capital Partners
Equitix
Green Investment Bank
I Squared
Temporis

- 3.6 The Access fund focusses on a range of European Brownfield sites, including, for this analysis, solar and a 21.6 MW wind farm. The Green Investment Bank portfolio comprises 5 off-shore wind farms, totalling 1.45 GW. The Temporis Renewable Energy Fund comprises 6 on-shore wind farms, totalling 110.3 MW. I Squared invest in overseas renewables including hydro, wind and solar. Equitix funds include Combined Heat and Power schemes, solar and wind. Temporis and the GIB are both renewables-only funds based in the UK whereas the other funds invest in a range of opportunities that include renewables.
- 3.7 The following table provides some context; overall, clean energy generated by the

renewable assets that Croydon is invested in represents 1,526,088 homes powered annually.

Table 1: Clean Energy Generated by Funds in which the Croydon Fund is Invested (Croydon share of Infrastructure Funds)

	Total Clean Energy Generated from Inception (Croydon Share) (MW)	Clean Energy generated per annum (Croydon Share) (MW)	Annual CO₂ Savings (Croydon Share) (Tonnes)	Number of homes powered annually from Croydon's share of fund.
Temporis	108,288.25	69,261	31,860	18,318
G I B	81,467	27,814	12,794	7,356
I Squared	40,269	22,353	10,282	5,912
Access	19,956	4,540	2,088	1,201
Total	249,980	123,967	57,025	32,787

Source: Department of Business, Energy and Industrial Strategy (BEIS). Annual average domestic household consumption is 3,781 kWh.

- 3.8 To inform this discussion Mercer, the Fund's investment advisors, drafted a note on Portfolio Decarbonisation Approaches. This note is attached as Appendix A to the report included in the closed agenda. The note considers adopting a climate change framework, setting metrics and monitoring targets. To help the Committee to define, measure and implement a portfolio that matches the criteria set out above Mercer suggests 4 next steps.

- Step 1. To undertake a fact-finding and information session on climate change and investment.
- Step 2. To undertake a fuller carbon footprint exercise.
- Step 3. To update the policy on climate change, incorporating targets and metrics.
- Step 4. To implement the policy.

- 3.9 To provide further context, included at Appendix B is the executive summary of a Mercer paper entitled 'Investing in a Time of Climate Change – the Sequel.'

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

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- 6.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that there are no direct legal implications arising from the recommendations within this report.

Approved by: Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Director of Law and Governance and Deputy Monitoring Officer.

CONTACT OFFICER:

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

BACKGROUND DOCUMENTS:

None.

Appendices: None

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of the Local Government Act 1972.

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