

# Pension Committee Agenda



To: Councillor Humayun Kabir (Chair)  
Councillor Simon Hall (Vice-Chair)  
Councillors Simon Brew, Jan Buttinger, Robert Canning, Clive Fraser,  
Patricia Hay-Justice and Yvette Hopley

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

Reserve Members: Luke Clancy, Pat Clouder, Nina Degradis,  
Steve Hollands, Karen Jewitt, Caragh Skipper, Robert Ward and  
Callton Young

A meeting of the **Pension Committee** which you are hereby summoned to attend, will be held on **Tuesday, 8 December 2020** at **10.00 am**. This meeting will be held remotely. Members of the Committee will be sent a link to remotely attend the meeting in due course.

PLEASE NOTE: Members of the public are welcome to remotely attend this meeting via the following web link:

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](http://www.croydon.gov.uk/meetings)  
Monday, 30 November 2020

**PLEASE NOTE:** Members of the public are welcome to remotely attend this meeting via the following web link - <http://webcasting.croydon.gov.uk/meetings/11181>

The agenda papers for all Council meetings are available on the Council website [www.croydon.gov.uk/meetings](http://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**

To approve the minutes of the meeting held on 15 September 2020 as an accurate record.  
(To Follow)

**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. Progress Report for the Quarter ending 30 September 2020 (Part A)**

This report provides an update on the performance of the Croydon Council Local Government Pension Scheme Fund to the end of quarter 2 (to the end of September 2020).  
(To Follow)

**6. Key Performance Indicators for the quarter ending 30 September 2020**

This report sets out the Key Performance Indicators for the administration of the Croydon Council Local Government Pension

Scheme for the period ending 30 September 2020.

**7. Review of the implementation of the Governance Action Plan**

For Members to review progress achieved in implementing the recommendations arising from the Aon governance review.

**8. Risk Register review**

For Members to consider all risks assessed at amber and above.

**9. Breaches of the Law Log**

For Members to note the Fund's Breaches of the Law Log.

**10. Correspondence review: The Pension Regulator and Scheme Advisory Board**

For Members to be provided with a review of correspondence recently received from The Pensions Regulator and the Scheme Advisory Board.

**11. Training records update**

For Members to review the training that has been completed, identify further training needs and how this can be fulfilled.

**12. Pension Board report**

For Members to receive a report from the Independent Chair on the work of the Pension Board.  
(To Follow)

**13. 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**

**14. Progress Report for the Quarter ending 30 September 2020 (Part B)**

This report provides an update on the performance of the Croydon Council Local Government Pension Scheme Fund to the end of quarter 2 (to the end of September 2020).  
(To Follow)



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## Croydon Council

For General Release

<b>REPORT TO:</b>	<b>PENSION COMMITTEE</b> <b>8 December 2020</b>
<b>SUBJECT:</b>	<b>Croydon Pensions Administration Team Key Performance Indicators for the Period 1 August 2020 to 31 October 2020</b>
<b>LEAD OFFICER:</b>	<b>Vicki Richardson</b> <b>Head of HR &amp; Finance Service Centre</b>
<b>CABINET MEMBER:</b>	<b>Councillor Callton Young OBE</b> <b>Cabinet Member for Resources &amp; Financial Governance</b>
<b>WARDS:</b>	<b>All</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON:</b>	
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.	
<b>FINANCIAL IMPACT</b>	
Poor administration may ultimately lead to incorrect calculation or payment of benefits or indeed financial penalties.	

### 1. RECOMMENDATIONS

The Committee is asked to:

Note the Key Performance Indicators and the performance against these indicators set out in Appendix A to 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 three month period up to the end of October 2020.

### **3. DETAIL**

- 3.1 Good governance suggests that the performance of the administration of the Local Government Pension Scheme should be monitored. This report has been developed using the guidance published by CIPFA (Administration in the LGPS: A Guide for Pensions Authorities) and is reporting to the committee on the LGPS administration performance for the period 1 August 2020 to 31 October 2020. The indicators cover legal deadlines; team performance targets, case levels and take up of member self-service and the indicators and performance against these are detailed more fully in Appendix A to this report.

#### **Commentary**

- 3.2 Priority is always given to the life events that most impact scheme members which are retirements and deaths and the team is largely performing within legal deadlines in those areas.
- 3.3 The team successfully delivered against key annual events including the issuing of annual benefit statements by 31 August and contacting members who have exceeded the annual allowance amount by 6 October.
- 3.4 At end October there were 6046 workflow tasks outstanding which is an increase on the previous month. 55% of these outstanding tasks relate to a historical backlog of deferred benefit cases. A contract has now been awarded to Hymans Robertson to provide third party administration services to clear this backlog. This project is currently in the mobilisation phase.
- 3.5 There are currently vacancies in the Pensions Administration Team for a pension support officer and senior pension officer and recruitment to these vacancies is in progress.
- 3.6 There have been extraordinary challenges for the pension administration team over the last few months including adapting to different ways of working during the pandemic and increased demand due to a staffing review undertaken by the Council, who are the schemes largest employer. It is expected that these challenges, in addition to proposed changes in legislation will further impact pension administration over the coming months, meaning resource levels within the team will need to be kept under review.

### **4. CONSULTATION**

- 4.1 Officers have previously consulted with both the Pension Committee and Local Pension Board on the template for the key performance indicator report which forms the basis of Appendix A.

### **5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS**

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

**Approved by:** Lisa Taylor, Director of Finance, Investment and Risk, S. 151 Officer



## **6. LEGAL CONSIDERATIONS**

- 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.

## **7. HUMAN RESOURCES IMPACT**

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

**Approved by:** Sue Moorman, Director of Human Resources

## **8. EQUALITIES IMPACT**

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

## **9. ENVIRONMENTAL IMPACT**

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

## **10. CRIME AND DISORDER REDUCTION IMPACT**

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

## **11. DATA PROTECTION IMPLICATIONS**

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

**NO**

The Director of Human Resources comments that this report relates to statistical information about the administration of the Local Government Pension Scheme.

**Approved by:** Sue Moorman, Director of Human Resources

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**CONTACT OFFICER:** Victoria Richardson - Head of HR & Finance Service Centre  
ext. 62460.

**BACKGROUND DOCUMENTS:** None

**APPENDICES:** Appendix A: Croydon Pensions Admin Team Performance Report, October 2020

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# Contents

- Reference Key Table ..... 3
- Legal Deadlines ..... 4
- Team Performance Targets ..... 7
- Team Performance Targets ..... 8
- Case levels ..... 9
- Outstanding Cases by Type..... 9
- Member self-service ..... 10

## Reference Key Table

Direction of travel reference table	
↑	100% achieved against target performance improved
→	100% achieved on target and performance static
↑	>90% achieved against target and performance improved
→	>90% achieved against target and performance static
↓	>90% achieved against target and performance declined
↑	<90% achieved against target and performance improved
→	<90% achieved against target and performance static
↓	<90% achieved against target and performance declined

## Legal Deadlines

Process	Legal Requirement	Total Number Completed	% Achieved in legal deadline	Total Number Completed	% Achieved in legal deadline	Total Number Completed	% Achieved in legal deadline	Direction of Travel	Comments
		August 2020		September 2020		October 2020			
<b>Send a notification of joining the LGPS to a scheme member</b>	Two months from the date of joining the scheme or earlier if within one month of receiving jobholder information where the individual is being automatically enrolled/re-enrolled	6	100%	10	80%	68	70.59%		A new Pension Support Officer joined the team in October who has been concentrating on processing new starters.
<b>Inform a scheme member of their calculated benefits (refund or deferred) – backlog cases</b>	As soon as practicable and no more than two months from the date of notification (from employer or scheme member)	26	15.38%	20	35%	22	22.73%		Historical backlog is impacting performance. Contract has now been awarded to Hymans Robertson to provide administration services to clear this backlog.
<b>Inform a scheme member of their calculated benefits (refund or deferred) – new cases</b>	As soon as practicable and no more than two months from the date of notification (from employer or scheme member)	37	64.86%	41	85.37%	46	86.96%		

## Legal Deadlines

Process	Legal Requirement	Total Number Completed	% Achieved in legal deadline	Total Number Completed	% Achieved in legal deadline	Total Number Completed	% Achieved in legal deadline	Direction of Travel	Comments
		August 2020		September 2020		October 2020			
<b>Obtain transfer details for transfer in, calculate and provide quotation to member</b>	Two months from the date of request	15	66.67%	10	100%	3	100%		
<b>Notify the amount of retirement benefits</b>	One month from the date of retirement if on or after normal pension age or two months from the date of retirement if after normal pension age	33	100%	34	100%	50	100%		There has been an increase in demand due to Croydon Council staffing review.
<b>Provide a retirement quotation on request</b>	As soon as practicable but no more than two months from the date of request unless there has already been a request in the last 12 months	54	100%	67	100%	59	100%		There has been an increase in demand due to Croydon Council staffing review.

## Legal Deadlines

Process	Legal Requirement	Total Number Completed	% Achieved in legal deadline	Total Number Completed	% Achieved in legal deadline	Total Number Completed	% Achieved in legal deadline	Direction of Travel	Comments
		August 2020		September 2020		October 2020			
<b>Calculate and notify (dependent(s) of amount of death benefits</b>	As soon as possible but in any event no more than two months from date of becoming aware of death or from date of request from a third party (e.g. personal representative)	16	100%	21	100%	27	96.30%		There was 1 case which was not processed within the legal deadline during October as further information was required which resulted in the delay.
<b>Provide all active and deferred members with annual benefit statements each year</b>	By 31 <sup>st</sup> August	16300	97.84%	16690	98.69%				Work was been undertaken to confirm with employers that those who did not receive an annual are leavers who will now be processed and advised of their deferred benefits.



## Team Performance Targets

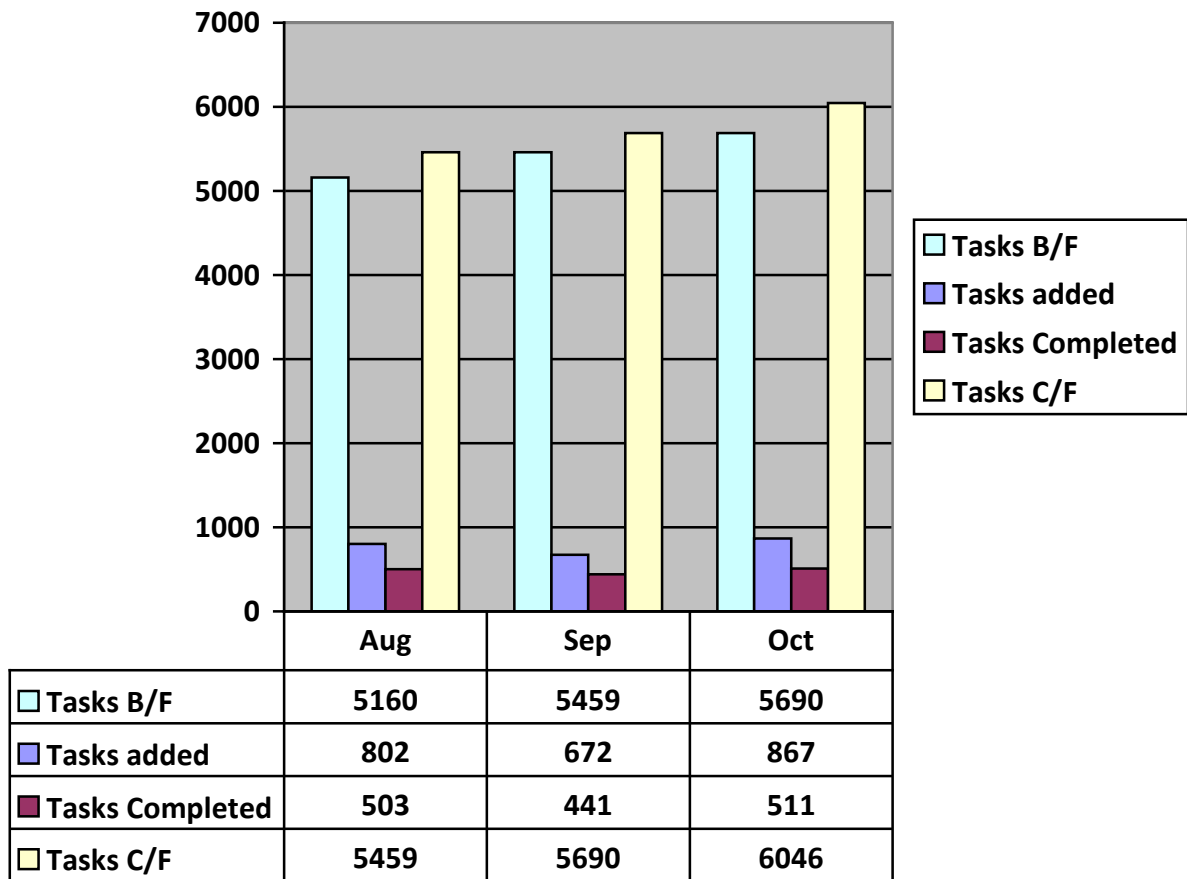
Process	Team Target	Total Number Completed	% Achieved against target	Average days to process	Total Number Completed	% Achieved against target	Average days to process	Total Number Completed	% Achieved against target	Average days to process	Direction of Travel	Comments
		August 2020			September 2020			October 2020				
Send a notification of joining the LGPS to a scheme member	30 days from date of notification of joining member	6	66.67%	13	10	80%	21	68	63.24%	28		A new Pension Support Officer joined the team in October who has been concentrating on processing new starters
Inform a scheme member of their calculated benefits (refund or deferred) – backlog cases	40 working days from date of notification (from employer or scheme member)	26	11.54%	891	20	30%	365	22	22.73%	710		Historical backlog is impacting performance. Contract has now been awarded to Hymans Robertson to provide administration services to clear this backlog.
Inform a scheme member of their calculated benefits (refund or deferred) – new cases	40 working days from date of notification (from employer or scheme member)	37	62.16%	50	41	56.10%	41	46	63.04%	36		
Obtain transfer details for transfer in, calculate and provide quotation to member	40 working days from the date of request	15	66.67%	42	10	100%	7	3	100%	9		

PROPERTY

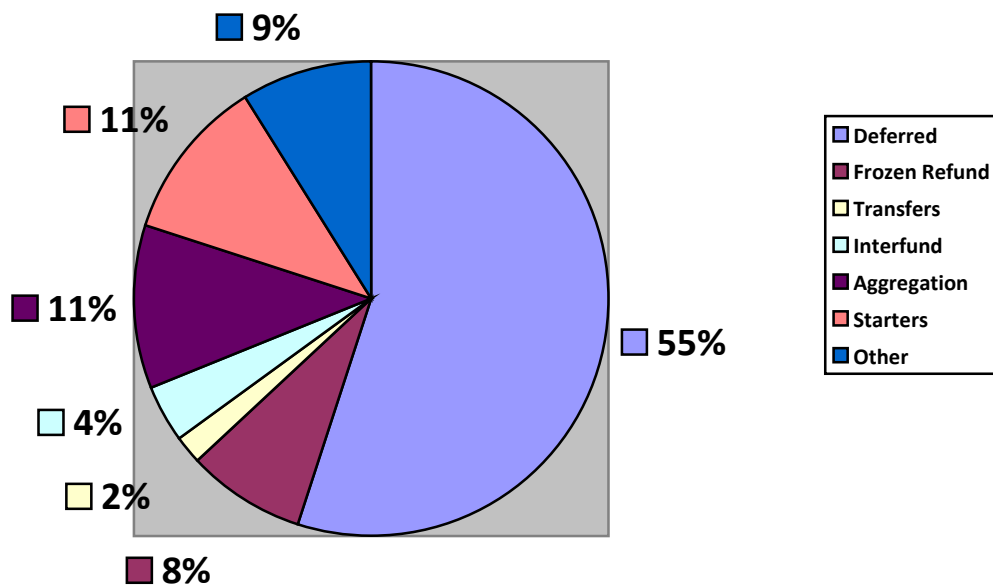
## Team Performance Targets

Process	Team Target	Total Number Completed	% Achieved against target	Average days to process	Total Number Completed	% Achieved against target	Average days to process	Total Number Completed	% Achieved against target	Average days to process	Direction of Travel	Comments
		August 2020			September 2020			October 2020				
<b>Notify the amount of retirement benefits</b>	20 working days from date of retirement	33	100%	3	34	100%	2	50	100%	3		
<b>Provide a retirement quotation on request</b>	15 working days from date of request	54	100%	3	67	95.52%	5	59	93.22%	6		There has been an increase in demand due to Croydon Council staffing review.
<b>Calculate and notify (dependent(s) of amount of death benefits</b>	20 working days from receipt of all information	16	93.75%	7	21	95.24%	7	27	92.59%	8		There were 2 cases which were not processed within target during October as further information was required resulting in delay.

## Case levels



## Outstanding Cases by Type



## Member self-service

Scheme members registered	4476 (26%)
Number scheme members who accessed annual benefit statement Q2 Jun – Sep 2020.	1006

## Croydon Council

For General Release

<b>REPORT TO:</b>	<b>PENSION COMMITTEE</b> <b>8 December 2020</b>
<b>SUBJECT:</b>	<b>Pension Fund Governance Review – Action Plan Progress</b>
<b>LEAD OFFICER:</b>	<b>Nigel Cook Head of Pensions and Treasury</b>
<b>CABINET MEMBER:</b>	<b>Councillor Callton Young OBE</b> <b>Cabinet Member for Resources &amp; Financial Governance</b>
<b>WARDS:</b>	<b>All</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON:</b> This report forms an important component of the governance arrangements for the stewardship of the Pension Fund.	
<b>FINANCIAL IMPACT</b> There are no financial implications associated with this report.	

### 1. RECOMMENDATIONS

The Committee are invited to comment on and note progress in respect of the Governance action plan

### 2. EXECUTIVE SUMMARY

- 2.1 An update was given to the Pension Board in their meeting on 15 October 2020. This report advises the Committee of the progress made in the Implementation of the Action Plan arising from the Aon Hewitt Governance Review of the Pension Fund. It invites them to comment as they see fit and note the progress.

### 3. DETAIL

- 3.1 At its meeting on 17 October 2019 the Board were asked to note the review of the Fund's governance arrangements prepared by Aon Hewitt. They were also asked to note that an action plan to deliver the findings would be developed and presented to the Pension Committee in December 2019, and subsequently, to

the Board.

- 3.2 The Board agreed:  
To fully endorse the findings of the Governance Review and to invite the Pension Committee to develop and, importantly, fully resource an action plan to comply with the Regulator's Code of Practice..
- 3.3 A draft action plan was considered by the Committee on 11 February and they came to the following decision:
- 3.4 **RESOLVED:** *The Committee resolved to AGREE the report with the following revisions/additions:*
- 1. An update on the implementation of the action plan will be provided Pension Committee every 12 months;*
  - 2. The Pension Committee will receive an item on conflicts of interests within 12 months of the meeting;*
  - 3. The need to follow/implement the decisions of the Pension Committee was reasserted; and*
  - 4. An item to give consideration to representation and voting rights would be added to the Pension Committee's work programme.*
- 3.5 Developments and progress since the Plan was agreed are included In Appendix A.

#### **4. CONSULTATION**

- 4.1 No consultation is required.

#### **5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS**

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

**Approved by:** Lisa Taylor, Director of Finance, Investment and Risk, S. 151 Officer.

#### **6. LEGAL CONSIDERATIONS**

The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that the Pension Committees role is to ensure the Fund is properly operated in accordance with the Local Government Pensions Scheme Regulations ("the Regulations") all other relevant legislation and best practice as advised by the Pensions Regulator, including financial, governance and

administrative matters. To adopt Fund specific policies concerning the administration of the Fund, investing of Fund monies and the management of the Fund's solvency level. In addition, the Committee is responsible for compliance with all financial and regulatory requirements of the Fund. The Pension Committees Terms of Reference (London Borough of Croydon's Constitution Part 4.N) includes at paragraph 2.3 that it shall: **Discharge its fiduciary responsibility in the best interest of the Fund, in particular:**

- a. *To set the investment policy and review the performance of the Fund's investment managers, pooling arrangements, scheme administration, and external advisors;*
- b. *To make arrangements for the triennial actuarial valuation;*
- c. *To determine the Pension Administration Strategy;*
- d. *To approve and monitor compliance of statutory statements and policies required under the Regulations;*
- e. *To approve the Fund's Statements of Accounts and annual report;*
- f. *To ensure that the Council discharges its obligation, as administrating authority for the local government pension scheme, to other scheme employers;*

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

## **7. HUMAN RESOURCES IMPACT**

- 7.1 There are no direct workforce implications arising from the recommendations within this report but the improvement to practice is welcomed as the pension scheme is a key employee benefit to employees.

**Approved by:** Sue Moorman, Director of Human Resources

## **8. EQUALITIES IMPACT**

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

## **9. ENVIRONMENTAL IMPACT**

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

## **10. CRIME AND DISORDER REDUCTION IMPACT**

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

## **11. DATA PROTECTION IMPLICATIONS**

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

**NO**

The Director of Human Resources comments that this report contains only information which can be publically disclosed.

**Approved by:** Sue Moorman, Director of Human Resources

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**CONTACT OFFICER:** Nigel Cook – Head of Pensions and Treasury ext. 62552

**BACKGROUND DOCUMENTS:** None

**APPENDICES:** Appendix A, Governance Action Plan update



**Governance Action Plan (Updated as at November 2020)**

The Croydon Pension Board commissioned Aon to carry out a Governance Review for the London Borough of Croydon Pension Fund which concluded in September 2019. Aon also undertook an independent review of the Fund's compliance with the Pension Regulator's (TPR's) Code of Practice No.14 which was completed in February 2019. Findings on both have been shared with senior officers of the Pension Fund and the Chair of the Pension Board.

This action plan relies heavily on work done by Aon on the Review. The table below sets out the areas which are recommended that the Fund consider in an action plan to address highlighted areas from the Governance Review and the review of compliance with TPR Code of Practice No.14. It includes timescales for action and aligns with the meeting schedule for both the Pensions Committee and Pension Board. These will be incorporated into the Fund's business plan.

The following action plan is set out in three overarching areas (i) Direction - which focuses on policies/strategies and the Fund's Annual Report and Accounts, (ii) Delivery - which focuses on how the Fund's implements its strategies and policies, together with appropriate monitoring as to whether they are being achieved, and good risk management to ensure effective and efficient delivery and (iii) Decisions - which focuses on the governance structure, approach to training and the overall ability of decisions makers to make appropriate decisions.

**Direction – What is the Fund trying to achieve?**

Having clear strategies and policies that also meet legislative requirements are fundamental. The following actions are drawn from the Aon Governance Report and TPR compliance review.

Reference	Title	Action	Officer Responsible	Due Date	Comments	Pension Board Review	Pensions Committee Decision	Date Completed
<b>1</b>	<b>Policies</b>							
1.1	<b>Knowledge and Skills Policy</b>	<p>Introduce a <b>Pension Fund Knowledge and Skills Policy</b> clarifying expectations for all those involved with the governance of the Fund (i.e. the Pensions Committee, Pension Board and Senior Officers). It should also have regard to the work with the London CIV.</p> <p>This needs to be supported by training, with reference to the CIPFA Guidance</p>	<b>Director of Finance, Investment &amp; Risk (Section S151) responsibility</b>	Q4 2019/20	<p>This recommendation was also made in the 2016 Governance review and not progressed. Local Pension Board Policy in place should be incorporated into one policy covering all areas. This policy should include details of the designated person, it is recommended this should be the S151 officer. If this is not achieved the shortfall can be reflected in individual training plans.</p> <p>Add list of documents that Board and Committee members should be conversant with to this policy.</p> <p>Links with training needs assessment and monitoring. It was also not clear if all Pension Board members have completed the TPR toolkit during the review.</p>	<p><b>Pension Board 2 APRIL 2020</b>  <b>14 January 2021 – Board to be invited to note the Knowledge and Skills Policy and the adoption of the CIPFA Knowledge and Skills Framework. The Committee and Board are to be asked to complete the learning needs analysis and will be forwarded details of online training offered by the LGA (fundamentals).</b></p>	<p><b>Pension Committee September 2020</b>  <b>17 March 2020 – Committee agreed the Knowledge and Skills Policy and adopted the CIPFA Knowledge and Skills Framework. Policy has been amended to include Committee, Board and Senior Officers. It covers the CIV and includes a list of relevant documents. Individual training logs have been appended.</b></p>	

1.2	<b>Conflicts of Interest</b>	Review Pension Board Conflict Policy and then expand to cover all of those involved with the management of the Fund (i.e. Pension Committee and senior officers) in a Fund wide <b>Conflicts of Interest Policy</b> . It should also have regard to the work with the London CIV		Q4 2019/20	Completed.			
1.3	<b>Funding Strategy Statement</b>	Some minor amendments could be made to this to incorporate the London CIV as part as the 2019 valuation.	<b>Head of Pensions and Treasury - Nigel Cook</b>	Q4 2019/20	This will be reviewed as part of the 2019 valuation and these minor changes should be reflected there	<b>N/A</b>	<b>Pension Committee 17 March 2020 17 March 2020 – Committee agreed the Funding Strategy Statement</b>	
1.4	<b>Governance Policy and Compliance Statement</b>	Review overall policy and update Statutory Compliance Statement to ensure includes all required areas.  Update to reflect the delegated responsibilities and governance structure relating to LGPS pooling through the London CIV. For example there is no mention in the current policy of asset pooling, such as changes to delegated responsibilities or the new governance bodies (Shareholder Committee).	<b>Governance &amp; Compliance Manager</b>	Q4 2019/20	This needs to be reviewed again in March 2020.  The policy refers to two appendices. Appendix B states the extent to which it complies with points in the Secretary of State's Statutory Guidance however not all points from the 2008 guidance are included. The appendices to the Policy are not available on the Fund website and we have not seen evidence that it has been updated since 2017 (currently annual but moving to three yearly). Also must be approved by Committee.  Note links with 10.1, 10.2 and 10.3.	<b>Agreed by Pension Board on 17 October 2019 – If necessary to comply with "decisions 10.1-10.3" will be reported to the Pension Board on 16 January 2020. To be reported to Board on 14 January 2021.</b>	<b>Agreed by Pension Committee 17 September 2019 - If necessary to comply with "Decisions 10.1-10.3" will be reported to Pension Committee on 17 March 2020 To be reported to Committee on 16 March 2021</b>	
1.5	<b>Investment Strategy Statement</b>	On next review once the 2019 valuation is concluding, re-introduce the Myners Compliance Statement.	<b>Head of Pensions and Treasury - Nigel Cook</b>	Q1 2020/21	This will be reviewed as part of the 2019 valuation and these changes should be reflected there	<b>N/A</b>	Amendments to the ISS were considered by the Committee on 17 March 2020.	

1.6	<b>Breaches of the Law Policy</b>	Review current Pension Board breaches procedure but in doing so, expand to cover all of those involved with the management of the Fund (i.e. Committee and senior officers).	<b>Governance &amp; Compliance Manager</b>	Q1 2020/21	There appears to have been no updates or changes since the previous review. See breaches monitoring and recording (6.1)	<b>Pension Board July 2020</b>  <b>Reported to Board on 15 October 2020.</b>	<b>Pension Committee June 2020</b> <b>15 September 2020 –</b> <b>Committee agreed revisions to Reporting Breaches of the Law Policy</b> <b>Procedure and documents updated to reflect Review requirements</b>
1.7	<b>Communications Policy</b>	Consider whether Policy should be updated to include mention of London CIV.  Reference to risks relating to the policy and how they are managed should be added.	<b>Governance &amp; Compliance Manager</b>	Q1 2020/21	This was last reviewed in June 2017 and currently due annual review but move to three yearly so review no later than June 2020.	<b>Agreed by Pension Board On 17 October 2019.</b>	<b>Agreed by Pension Committee On 17 September 2019.</b>
1.8	<b>Administering Authority Discretionary Policy</b>	Introduce a Pension Fund Administering Authority Discretionary Policy to provide clarity on these areas.	<b>Governance &amp; Compliance Manager</b>	Q1 2020/21	There have been no changes since the previous review. In a Board paper (January 2019) reference was made to a list of policies which are required, and this included a Policy Statement of Exercise of Discretionary Powers. It is not known if the Board agreed to focus on this policy. This is legally required.	<b>Plan for the Board to be invited to note the Administering Authority Discretionary Policy and Employer discretions policy in September 2021.</b>	<b>Plan for the Committee to be invited to agree the Administering Authority Discretionary Policy in June 2021.</b>
1.9	<b>Employer (admission / cessation / bulk transfer) Policy</b>	Consider whether to introduce admission and bulk transfer policies, to provide greater detail and expand on some of the areas in the FSS.  Update the "Policy for Employer leaving the Fund" in line with exit credit legislation (and review when further amendment regulations are made).	<b>Head of Pensions and Treasury - Nigel Cook</b>	TBC	Although not legally required, many administering authorities have now put admission and bulk transfer policies in place to provide greater detail and expand on some of the areas in the FSS.	<b>N/A</b>	<b>TBC</b>

1.10	<b>General points relating to policies</b>	<p>As each policy/strategy is reviewed, ensure it includes all the key areas of aims/objectives, measures, risks, who was consulted, when/how approved, when it is due for next review.</p> <p>Ensure that all relevant policies are updated to reflect pooling through the London CIV Ltd.</p> <p>Ensure all policies/strategies and key documents are on the Fund's website (and a process is in place to update them as new versions are agreed).</p>	<b>Governance &amp; Compliance Manager</b>	Ongoing Work in progress				
<b>2</b>	<b>Annual Report and Accounts</b>							
2.1	<b>Approval</b>	Ensure all future years' annual report are formally approved by the Committee.	<b>Head of Pensions and Treasury - Nigel Cook</b>	Q2 2020/21	The Annual Report and Accounts was considered at the September 2018 Committee meeting, including the associated audit report. However, the report was noted rather than approved by the Committee.	September 2021 – <b>Board to be invited to note the Annual Report and Accounts 2019/2020</b>	<b>The 2018/2019 Annual Report and Accounts have been published. The 2019/2020 versions will be considered by Pension Committee September 2021</b>	
2.2	<b>Adherence with CIPFA Guidance</b>	Review content of annual report to ensure it adheres to CIPFA guidance.	<b>Head of Pensions and Treasury - Nigel Cook</b>	Q2 2020/21	The 2017/18 annual report again do not appear to include the elements of the CIPFA annual guidance that were missing in the previous years. Note more recent guidance has been issued so a review against that will be required. Officers set out an explanation for departures from the guidance – these departures were largely due to lack of data collected for new reporting requirements. These explanations were accepted by the auditor.		<b>The 2018/2019 Annual Report and Accounts have been published. The 2019/2020 versions will be considered by Pension Committee September 2021</b>	

## Delivery

Having a clear plan for implementing the Fund's strategies and policies, together with appropriate monitoring as to whether they are being achieved, and good risk management ensure effective and efficient delivery. The following actions are drawn from the Aon Governance Report and TPR compliance review.

Reference	Title	Action	Officer Responsible	Due Date	Comments	Pension Board Review	Pensions Committee Decision	Date Completed
<b>3</b>	<b>Business Planning</b>							
3.1	<b>Develop a Fund Business Plan</b>	<p>Introduce a <b>three-year rolling business plan</b> incorporating the following areas:</p> <ul style="list-style-type: none"> <li>- legislation (e.g. valuation, implementation of a forthcoming legislative changes),</li> <li>- performance monitoring (e.g. the review of an area of a service that is failing to meet the agreed service standard)</li> <li>- standard practice (e.g. review of advisers, review of strategies and policies),</li> <li>- the evolving environment (e.g. new investment vehicles, a greater focus on information technology efficiencies)</li> <li>- risk management (e.g. reviewing staffing structure due to increasing manpower risk).</li> </ul> <p>Ensure the Fund's Business Plan aligns with the London CIV Business Plan and that London CIV are aware of LB of Croydon Pension Fund's requirements.</p>	<b>Governance &amp; Compliance Manager</b>	Q2 2020/2021.	<p>CIPFA guidance set out the requirement to have a business plan in place for the Fund.</p> <p>There is no explicit business plan for the Fund. However, some elements that would make up a business plan are undertaken, including a forward plan of both Pension Committee and Pension Board business.</p> <p>The current practice should be improved and made more transparent with the development of a central business plan incorporating or summarising all of these elements in a single place of reference. It should include (or be agreed at the same time) as the Fund's budget, including London CIV costs, and should be approved by the Pension Committee.</p>	<p><b>Pension Board 2 April 2020</b>  <b>June 2021 – Board to be asked to agree Business Plan for 2021/24</b></p>	<p><b>Pension Committee September 2020.</b>  <b>15 September 2020 – Committee agreed the Pension Fund Business Plan 2020/23</b></p> <p><b>March 2021</b>  <b>Committee to be asked to agree the Business plan for 2021/24</b></p>	
<b>4</b>	<b>Performance Measurement</b>							

4.1	<b>Build on Key Performance Indicator (KPI) information/measures provided to Pension Committee</b>	<p>Introduce additional performance measures including funding, governance, administration and communications matters ensuring measures are aligned to the objectives within the Fund's policies and strategies. Key measures should be referenced in strategies and policies.</p> <p>Ensure Administration and Communication updates, including these performance measures, are a standing item on Committee agendas.</p> <p>Review the objectives of the London CIV and elements that were highlighted as part of the initial business case, to identify any further matters that can be more scientifically measured and reported to the Fund as key performance indicators, including in relation to costs.</p>	<b>Head of Service</b>	Q4 2020/21 (likely to have multiple stages)	<p>In the 2016 report Aon noted that investment activity is covered in detail in the Committee papers. Aon recommend that other areas including funding, governance, administration and communications matters are also covered during Committee meetings. There is evidence of improvement with regular inclusion of Key Performance Indicators (KPIs) covering mainly administration as well as updates on funding and governance matters.</p> <p>Note that CIPFA Annual Report guidance issued in March 2019 sets out requirements for KPIs relating to administration to be reported on annually.</p>	<b>Additional KPIs to be included at Pension Board 2 April 2020. Initial results have already been presented to the Board and Committee.</b>	<b>Officers to investigate</b>	
4.2	<b>Data Improvement Plan</b>	Given TPR focus on data quality the Fund should develop a data improvement plan which should be subject to regular review. This should include regular measuring of and improving conditional and scheme specific data.	<b>Governance &amp; Compliance Manager</b>	December 2020.		<b>January 2022 Board to be asked to comment on Data Improvement Plan</b>	<b>To be presented to Pension Committee September 21</b>	
5	<b>Risk Management</b>							

5.1	<b>Risk Register</b>	<p>Risk register should be updated regularly and a standing item at the Pensions Committee and Local Pension Board meetings.</p> <p>TPR guidance states that a scheme manager "must establish and operate internal controls". LB of Croydon should ensure it full meets the requirements of this guidance.</p>	<b>Governance &amp; Compliance Manager</b>	Q4 2019/0	Completed. A 6-monthly review of the risk register happens. The Committee considers risks rated as amber or red.	<b>Full Register to be provided to alternate Pension Boards, i.e. 2 April 2020, September 2020, March 2021 and subsequent alternate. 14 January 2021 – Board to be asked to note the contents of Risk Register</b>	<b>Full register to be provided to alternating Pension Committees, i.e. 17 March 2020, September 2020, March 2021 and subsequent alternate meetings. 15 September 2020 – Committee noted contents of Risk Register 8 December 2020 – Committee to be asked to note contents of Risk Register</b>
5.2	<b>Formal review of risk management and time spent on risk management</b>	Suggest that activity to consider risk management and internal controls are undertaken and documented in addition to monitoring the risk register.	<b>Governance &amp; Compliance Manager</b>	Completed.	Internal and external audit reviews meet this requirement.	<b>Pension Board 2 April 2020</b>	<b>Pension Committee 17 March 2020 17 March 2020 – Risk Management Policy re-adopted</b>
<b>6</b>	<b>Breaches</b>						
6.1	<b>Breaches recording and monitoring</b>	Introduce a system to record and monitor breaches and introduce reporting of these to Committee and Board via a clear and regularly updates breaches log.	<b>Head of Service / Governance &amp; Compliance Manager</b>	Q2 2020/21	Should include but not be restricted to legal timescales for administration tasks (many of which are now in CIPFA annual report requirements).	<b>Report to each meeting 15 October – Board to be asked to note revisions to Reporting Breaches of the Law Policy and to note update of the Fund’s Breaches of the Law Log The Policy was noted by the Board on 15 October 2020</b>	<b>Report to each meeting 15 September 2020 – Committee agreed revisions to Reporting Breaches of the Law Policy and noted update of the Fund’s Breaches of the Law Log 8 December 2020 – Committee to be asked to note update of the Fund’s Breaches of the Law Log</b>
<b>7</b>	<b>Resources</b>						



7.1	<b>Adequate resources and succession planning</b>	Review appropriateness of staffing levels and consider succession planning	<b>Head of Service</b>	Ongoing	A number of senior officers involved in the management of the Fund have left the Administering Authority. Consider whether some of the areas for improvement identified in this report have been impacted by a lack of resource, and perhaps a gap in expertise, as result of these departures. If so, review the appropriateness of the staffing levels and also consider succession planning. This will be added to the administration KPI report.	<b>Monitored annually by the Pension Board.</b>	<b>The Chair of the Board reports annually to the Pensions Committee.</b>
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## Decisions

Having an appropriate governance structure, involving the right people, with the right attitude and the appropriate skills and knowledge is key. The following actions are drawn from the Aon Governance Report and TPR compliance review.

Reference	Title	Action	Officer Responsible	Due Date	Comments	Pension Board Review	Pensions Committee Decision
<b>8</b>	<b>Conflict of Interest</b>						
8.1	<b>Conflict of Interest declarations and approach for implementing Fund wide policy</b>	This should involve implementing the requirements of the Fund wide Conflict of Interest Policy including: <ul style="list-style-type: none"> <li>- it should clearly set out who conflicts should be reported to</li> <li>- require all parties to complete a declaration and allow for an annual exercise to reaffirm declarations</li> <li>- implement conflict register</li> </ul>	<b>Governance &amp; Compliance Manager</b>	Completed.	Covered by Council's Constitution. .	<b>Interests disclosed at every meeting.</b>	<b>Interests disclosed at every meeting; there is a reference to the member's entry in the Register of Interests.</b>
<b>9</b>	<b>Knowledge and Skills</b>						
9.1	<b>Training plan implemented, assessed and managed</b>	Implement training plan as part of Knowledge and Skills Policy including: <ul style="list-style-type: none"> <li>- training needs assessment of the Committee and Board annually.</li> <li>- introduce induction training and ongoing regular training on conflicts of interest and pension fund responsibilities (including fiduciary responsibility), and consider further training requirements relating to the London CIV and asset pooling.</li> <li>- consider further training opportunities including access to external training events to expand the knowledge of members.</li> <li>- an up to date training log should be maintained for the Board and Committee.</li> </ul>	<b>Governance &amp; Compliance Manager</b>	Q2 2020/21. Delivery is linked to 1.1 above.		<b>Committee and Board to be asked to complete the learning needs analysis and forward details of online training offered by the LGA (fundamentals).</b>	<b>Policy has been amended to include Committee, Board and Senior Officers. It covers the CIV and includes a list of relevant documents. Individual training logs have been appended</b>

<b>10</b>	<b>Governance Structure</b>						
10.1	<b>Governance Structure – Functions of the Pensions Board</b>	Update Part 3 of the Constitution is updated to be consistent to avoid any confusion around the responsibilities of the Pension Board.	<b>Governance &amp; Compliance Manager</b>	June 2020.	Part of overall constitutional role	<b>To be reported to Board June 2021</b>	<b>June 2020 To be reported to Committee on 16 March 2021</b>
10.2	<b>Governance Structure - Scheme of Delegation</b>	Consider officer delegations (within Constitution and more generally) and ensure they are clearly documented.  Given some concerns that have been raised about who makes decisions, consider review of the Committee terms of reference.	<b>Governance &amp; Compliance Manager</b>	Q1 2020/21	Completed.	<b>To be reported to Board June 2021</b>	<b>To be reported to Committee on 16 March 2021</b>
10.3	<b>Governance Structure - London CIV</b>	Update Constitution as required to reflect new London CIV governance arrangements.  Review information sharing with and from the London CIV and its governance bodies to ensure appropriate information is being provided to the officers, Pension Committee and Pension Board, and there is appropriate engagement.  Ensure that the new client engagement approach to be provided by the London CIV is agreed and put in place.	<b>Governance &amp; Compliance Manager</b>	Ongoing	Now in place.	<b>To be reported to Board June 2021</b>	<b>To be reported to Committee on 16 March 2021</b>
<b>11</b>	<b>Meeting Administration</b>						
11.1	<b>Meeting Minutes</b>	Review minutes to ensure appropriate level of detail and all comments and concerns raised at meetings are captured.	<b>Democratic Services</b>		Complete. Minutes are taken in the standard LB Croydon format. Members are able to request comments are noted in minutes.		

## Additional items

These are additional areas that arose from the review of compliance with the Pension Regulator's code of practice No. 14 and the Scheme Advisory Board (SAB) guidance.

Reference	Title	Action	Officer Responsible	Due Date	Comments	Pension Board Review	Pensions Committee Decision
<b>12</b>	<b>TPR Survey</b>						
12.1	<b>Annual Survey</b>	Ensure Response provided to TPR annual survey request - normally November each year	<b>Pensions Administration Manager.</b>	<b>Done.</b>	<b>To be completed by officers as required</b>	<b>Governance and Compliance Manager currently collating data in anticipation of issuing of notice from TPR</b>	
<b>13</b>	<b>Publishing information about the Board</b>						
13.1	<b>Website</b>	Consider adding additional information from Code of Practice paragraph 96 about the Pension Board and Pension Committee members onto the Fund website.	<b>Hymans, as provider of website.</b>	<b>In progress.</b>			
<b>14</b>	<b>Maintaining accurate member data</b>						
14.1	<b>Record Management Policy</b>	It is recommended that a Record Management Policy is implemented setting out how records are maintained and the future deletion policy.	<b>Pensions Administration Manager.</b>	December 2020		Jan-21 <b>To be reported to Board in Jan 2021</b>	NA
14.2	<b>AVC providers</b>	Consider checking with AVC providers regarding data held.	<b>Pension Administration Manager.</b>	Done	Done	<b>Done</b>	
<b>15</b>	<b>Maintaining contributions</b>						
15.1	<b>Formalise procedure regarding reporting and monitoring contributions</b>	Suggest the Fund formalise reporting and monitoring requirements for receipt of contributions in formal process notes and refer to in administration strategy.	<b>Governance and Compliance Manager</b>	<b>December 2020.</b>		Dec-20  Much work has been done around this. New templates issued and checking sheet put in place. Currently working on I-connect employers and liaising with accountancy regarding payment receipt reconciliation. Process to be created when these items are finalised.	NA
<b>16</b>	<b>Providing information to members and others</b>						

16.1	<b>ABS - Active</b>	Ensure accompanying notes to ABS statement are fully compliant with requirements	<b>Pensions Administration Manager.</b>	Q1/2 2020/21	Active ABS and notes independently reviewed by Aon & not fully compliant. To be addressed by reporting KPIs.		
16.2	<b>ABS - Deferred</b>	Ensure accompanying notes to ABS statement are fully compliant with requirements	<b>Pensions Administration Manager.</b>	Q1/2 2020/21	Deferred 2018 ABS and notes independently reviewed by Aon & not fully compliant.	<b>Engage with Board to complete - Officers to lead.</b>	<b>Share confirmation with Pensions Committee for information.</b>
16.2	<b>Benefit Statements - requested by member</b>	We suggest that KPI/SLA statistics are held on whether benefit statements following a request by an active, deferred or pension credit member are provided no more than two months after the date the request is made.	<b>Pensions Administration Manager.</b>	Ongoing	To be included in the KPI reporting process.	NA	NA
<b>17</b>	<b>Internal Dispute Resolution</b>						
17.1	<b>IDRP</b>	Next update to this guide to include details on what is exempt (as per section 50(9) of the 1995 Pensions Act.  Officers also confirmed they would check approach of non-administering authority employers relating to stage 1 IDRPs.  It is recommended that the Fund maintain a log of IDRP cases is maintained including receipt and issuing of letters to monitor timescales.	<b>Head of Pensions Administration.</b>	December 2020.		<b>Engage with Board to complete</b>	Committee to sign off PENSION COMMITTEE SEPTEMBER 2020 December 2020 September 2021
17.2	<b>TPAS role - amend guidance</b>	Update to include details on what is TPAS role now is.	<b>Head of Pensions Administration.</b>	June 2020.	The signposting requirements have changed as a result of the disputes arm of TPAS moving to the Ombudsman. The guide needs to be updated to reflect this as it still refers to TPAS offering support for disputes. TPAS is now only available for general guidance.	June	NA
<b>18</b>	<b>SAB requirements</b>						
18.1	<b>Freedom of Information</b>	Suggest report to Pension Board on FOI compliance is issued by officers, this should be accompanied by appropriate guidance and or training (as required).		TBC	Will follow the same process as the Council.		Done - Council FOI process
18.2	<b>Board Annual Report</b>	Consider producing an annual report for the Board (which could form part of the Fund's annual report).	<b>Governance and Compliance Manager.</b>	Done	We would expect this to be prepared by the Board itself, probably initial draft by the Chair.	<b>To be reported to Board on 15 October 2020 Reported to Board on 15 October 2020</b>	To be noted by the Committee 8.12.2020

## Croydon Council

For General Release

<b>REPORT TO:</b>	<b>PENSION COMMITTEE</b> <b>Date 8 December 2020</b>
<b>SUBJECT:</b>	<b>Review of Risk Register</b>
<b>LEAD OFFICER:</b>	<b>Nigel Cook Head of Pensions and Treasury</b>
<b>CABINET MEMBER:</b>	<b>Councillor Callton Young OBE</b> <b>Cabinet Member for Resources &amp; Financial Governance</b>
<b>WARDS:</b>	<b>All</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON:</b> Sound Financial Management: This report forms an important component of the governance arrangements for the stewardship of the Pension Fund.	
<b>FINANCIAL IMPACT</b> Financial risks relating to the Pension Fund are substantial and can impact on the General Fund of the Council.	

### 1. RECOMMENDATIONS

- 1.1 The Committee is asked to note the contents of the Pension Fund Risk Register and to comment as appropriate.

### 2. EXECUTIVE SUMMARY

- 2.1 It is recommended best practice for the Pension Committee to maintain a risk register covering the most significant risks faced by the Fund. This report presents the current register (Appendix A) for the Committee's consideration.

### 3. DETAIL

- 3.1 Best practice recommends that a risk register is maintained by the Pension Committee recording relevant risk scenarios, together with an assessment of their likelihood and impact and appropriate mitigations. This report discusses the most significant risks relating to governance, funding, assets and liabilities and

operational matters. Appendix A details these risks.

- 3.2 The Committee is invited to comment on whether it considers this list sufficiently exhaustive, whether the assessment of each risk matches its perception and on the adequacy of existing and future controls.
- 3.3 In accordance with the Risk Management Policy, the Risk Register is to be reviewed periodically and reported to the Committee on a quarterly basis. To fit with the “quarterly” requirements a report will be presented to most meetings of the Committee.
- 3.4 Risks are rated on a scale of 1 to 5 on the likelihood of the risk occurring and its impact if it does. This allows a range of potential scores of between 1 and 25. The register shows there are 14 significant risks for the Fund (ie scored 12 or higher) and one risk scored under 12. The document detailing these risks is attached as Appendix A to this report.
- 3.5 Since the Committee last reviewed the Register, one new risk has been added in relation to the 95K cap and Exit payment reforms.
- 3.6 The Committee is asked to note the contents of the Pension Fund Risk Register and to comment as appropriate.

3.1

#### 4. CONSULTATION

- 4.1 No consultation is required.

#### 5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

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

**Approved by:** Lisa Taylor, Director of Finance, Investment and Risk, S. 151 Officer.

#### 6. LEGAL CONSIDERATIONS

- 6.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that the Pension Committees role is to ensure the Fund is properly operated in accordance with the Local Government Pensions Scheme Regulations (“the Regulations”) all other relevant legislation and best practice as advised by the Pensions Regulator, including financial, governance and administrative matters. To adopt Fund specific policies concerning the administration of the Fund, investing of Fund monies and the management of the Fund’s solvency level. In addition, the Committee is responsible for compliance with all financial and regulatory requirements of the Fund. The Pension Committees Terms of Reference (London Borough of Croydon’s Constitution Part 4.N) includes at paragraph 2.3 that it shall: ***Discharge its fiduciary responsibility in the best interest of the Fund, in particular:***

*d. To approve and monitor compliance of statutory statements and policies*

*required under the Regulations;*

*f. To ensure that the Council discharges its obligation, as administering authority for the local government pension scheme, to other scheme employers;*

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

## **7. HUMAN RESOURCES IMPACT**

- 7.1 There are no direct workforce implications arising from the recommendations within this report but the improvement to practice is welcomed as the pension scheme is a key employee benefit to employees.

**Approved by:** Sue Moorman, Director of Human Resources

## **8. EQUALITIES IMPACT**

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

## **9. ENVIRONMENTAL IMPACT**

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

## **10. CRIME AND DISORDER REDUCTION IMPACT**

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

## **11. DATA PROTECTION IMPLICATIONS**

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

**NO**

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

**Approved by:** Sue Moorman, Director of Human Resources

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**CONTACT OFFICER:** Nigel Cook – Head of Pensions and Treasury ext. 62552

**BACKGROUND DOCUMENTS:** None

**APPENDICES:** Appendix A: Risk Register

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Pensions Risk Register

Risk Scenario	Assigned to	Existing Controls	Current Risk Rating			Future controls	Future risk rating		
Risk			Impact	Likelihood	Risk factor		Impact	Likelihood	Risk Factor
<b>Governance Risks</b>									
If other scheme employers cease trading or operating for any reason the Scheme Actuary will calculate a cessation valuation of their liabilities. If that employer cannot meet that liability the Council has to make good the shortfall.	Governance and Compliance Manager	Employers contributions are monitored on a monthly basis. Council officers rely on good communications to identify any problems at the earliest stage. The range of remedies includes reporting to The Pensions Regulator, involving other statutory bodies, such as the Education Funding Agency, up to court enforcement action.	3	4	12	The team are currently putting in place an employer risk strategy, which will lead to the early identification of employers at risk. The Government (MHCLG) have consulted on this issue and mitigations should reduce the potential impact of this risk.	3	3	9
<b>Funding - Assets and Liabilities Risks</b>									
The Fund's invested assets are not sufficient to meet its current or future liabilities.	Head of Pensions and Treasury	A formal actuarial valuation is carried out every three years, although the Government have consulted on changing this to every 4 years. This results in a Funding Strategy Statement which is regularly reviewed to ensure contribution rates and the investment strategy are set to meet the long term solvency of the Fund. The Scheme Actuary's view is that there is a 75% chance that the funding target will be achieved. The current Strategy was agreed by the Committee on 17 March 2020.	4	3	12	Officers are looking at ways of monitoring the funding level on a more frequent basis rather than waiting for a full valuation every three years, although this needs to be done efficiently and in a cost effective manner. When the current valuation is completed officers will work with the Actuary to seek a cost efficient way of more frequent monitoring.	4	2	8
Between a quarter and a third of the Fund is held in illiquid investments. This means there is a risk that the authority might find itself with insufficient cash to meet short term and medium term liabilities without having to disinvest and thus damage the prospects of generating adequate investment returns.	Pension Fund Investment Manager	The Fund's contribution income is currently enough to cover the short term liabilities. This is kept under constant review and officers monitor the cashflow carefully on a monthly basis. This cash will be invested in liquid assets to mitigate this risk.	3	3	9	Officers have identified a potential cash shortfall due to the changing investment strategy towards alternatives. At present, all dividend income is reinvested but officers are monitoring cash flow requirements to ensure that this remains an efficient part of maintaining sufficient funds to meet immediate liabilities.	3	2	6
There is a possible risk of scheduled or admitted bodies not paying over contributions, which involves the administering authority in incurring unnecessary costs.	Governance and Compliance Manager	The authority has retained legal advisors to mitigate this risk, possibly through legal channels. There is one significant case, in terms of contributions due, which is currently being considered by the Pensions Ombudsman.	3	5	15	To mitigate the risk going forward measures have been put into place to set up processes and procedures around schedules (new templates with in-built checks have been issued to employers and a checklist has been created to record receipt) and reconciling figures on a monthly basis, checking payment has been received. It will be necessary to do retrospective checks to April 2020 so it is expected that this will take some time to complete with the current resources available. However, once the new measures have been embedded, payments can be chased where necessary quickly.	3	5	15

<p>Under the S.13 reporting regime, the Government Actuary's Department (GAD) form a view of the viability of LGPS funds. Using GAD assumptions, rather than the Scheme Actuary's, the Fund is in the bottom decile for funding. There is a risk that the Government may intervene in the investment of the Fund.</p>	<p>Head of Pensions and Treasury</p>	<p>The current Scheme Actuary has indicated that there is a 75% likelihood that the Scheme will be fully funded in 22 years. The valuation states: For the purpose of reporting a funding level and an associated funding surplus/deficit for the 2019 valuation, an investment return of 4.0% p.a. has been used. It is estimated that the Fund's assets have a 75% likelihood of achieving this return.</p>	<p>4 3 12</p>	<p>The authority is revisiting the funding position and contribution levels during the current valuation. Initial draft results from the valuation are encouraging.</p>	<p>4 2 8</p>
<p><b>Investment Risks</b></p>					
<p>There is a risk that, under any set of circumstances, an asset class will underperform. The Fund has a significant allocation to several single asset categories - for example, equities, fixed interest, property or alternatives - which potentially leaves the Fund exposed to the possibility that a particular class of assets will underperform relative to expectation.</p>	<p>Pension Fund Investment Manager</p>	<p>The investment allocation mix is in a variety of uncorrelated investments designed to give a diverse portfolio, meaning any one investment class should not unduly impact on the performance of the overall portfolio if it underperforms relative to expectation. Due to a re-balancing exercise carried out during 2018-2019 investments are now in accordance with the allocation strategy.</p>	<p>4 3 12</p>	<p>A new asset allocation strategy is currently being considered to take effect from 1 April 2020.</p>	<p>3 2 6</p>
<p>The London CIV has been experiencing problems recruiting to key roles, including to the Chief Investment Officer vacancy. This raises a number of concerns, including: fund launches; progress on the ESG project; and expanded permissions from the FCA. This latter point relates to their ability to transition funds.</p>	<p>Head of Pensions and Treasury</p>	<p>The Fund retains the services of an external consultant to assess the efficacy of transitions. This is a backward-looking review and the Fund does not have visibility of the process when the transition is happening or when the Fund is out of the market. The fund can rely on its investment advisor to ensure ESG issues are adequately addressed. Fund launches will be carefully monitored.</p>	<p>4 3 12</p>	<p>The appointment of a new Chief Investment Officer is not likely to start until 2020/21 and until then the post will be filled by an interim.</p>	<p>4 3 12</p>
<p><b>Global Macro-economic Risks</b></p>					
<p>Specific macro-economic risks are addressed below but there is a more general, underlying risk of a global collapse in investment markets. The markets have experienced a continuous sequence of such events: Latin American sovereign debt; Black Friday crash; the Dot.com bubble; sub-prime and credit crunch. Other crises are inevitable.</p>	<p>Pension Fund Investment Manager</p>	<p>The discount rate assumption is reviewed at every valuation to ensure it gives appropriate views on future return expectations. The Fund is also well-diversified which provides a degree of protection.</p>	<p>4 3 12</p>	<p>A new asset allocation strategy is currently being considered to take effect from 1 April 2020. Consultations with the Fund's Investment Adviser are ongoing to ensure that, so far as possible, the Fund remains conscious of these risks and is taking reasonable precautions eg recently a currency hedging exercise has been carried out.</p>	<p>4 3 12</p>

<p>There is still a risk that a "Hard Brexit" will result in disruption to the way that fund managers can operate and that this will have a deleterious impact on the Fund.</p>	<p>Head of Pensions and Treasury</p>	<p>The Government has rolled out a temporary permissions regime and EU27 governments are introducing mirror regimes to allow existing arrangements to continue. All the significant EU markets have introduced such regimes. However, a long-term solution to passporting has not been agreed.</p>	<p>3      4      12</p>	<p>There will be unresolved problems for a number of years due to the scale and complexity of the issue. The Fund will expect its managers to take all necessary steps to ensure they are prepared as well as possible for the developing situation.</p>	<p>3      3      9</p>
<p>Coronavirus – risk to investment returns of the Pension Fund from a global financial crisis. The UK economy is in recession and European and US markets are fragile. If returns on the investment of the Pension Fund are negatively impacted long term there may not be adequate resources to meet the Fund's liabilities. This may lead to a need to increase employer contribution rates. This impacts on Council budgets.</p>	<p>Pension Fund Investment Manager</p>	<p>The situation is being monitored by the Investment Manager and the LCIV Investment Team. While a temporary drop was experienced the market has now recovered and no long-term adverse effect is expected.</p>	<p>3      4      12</p>	<p>The current monitoring arrangements are effective and will continue going forward.</p>	<p>3      4      12</p>
<p>There are a number of specific geopolitical risks which could affect the performance of global equities. The ones most likely to impact on the Fund are global trade tensions especially those arising from US/China competition. Others with potentially serious impact are internal US politics, Gulf tensions, and Brexit.</p>	<p>Pension Fund Investment Manager</p>	<p>Equities have performed well to the extent that the Fund was over-weight in the asset class. This has now been addressed.</p>	<p>4      3      12</p>	<p>The rebalancing has now been completed and the allocation strategy is being reviewed.</p>	<p>3      2      6</p>
<p><b>Operational Risks</b></p>					
<p>Cyber Security – Risk to systems including by system failure, ineffective business continuity plan and lack of adequate monitoring arrangements for third party suppliers. If adequate protections are not in place to prevent system failure working time could be affected impacting workloads and delivery of key performance indicators. If an effective business continuity plan is not in place and communicated to staff the impact of any system failure will be increased. If adequate monitor arrangements for suppliers are not implemented and reviewed service delivery may be adversely affected.</p>	<p>Head of Pensions Administration</p>	<p>Heywoods is a hosted system. They have processes in place for backing up files, storing data safely and preventing system failure. This is included in the contract we have with them. The technical team keep logs of issues and responses to monitor this. We have a business continuity plan in place should issues arise.</p>	<p>4      3      12</p>	<p>Communication of the business continuity plan to relevant staff could be considered</p>	<p>4      2      8</p>

<p>Cyber security - risk of unauthorised access to personal and other data including by unsafe home working practices, data access protection and levels and safe storage of data. If safe working practices are not followed devices could be lost or stolen or data could be viewed or tampered with. If data access levels are not kept up to date and set at a level appropriate for the performance of the duties of the role only, any possible misuse or error will have a more severe effect. If data held on the pension system is not backed up there is a risk of data being lost in the event of a system failure.</p>	<p>Pensions Administration Manager</p>	<p>Heywoods have systems in place for backing up data as specified in the Cloud Hosting Agreement 2016 (11). When working from home devices are encrypted and accessed via a VPN. Bit locker and passwords are required to access systems. No physical papers are taken home and staff are advised of the need to keep computers in a secure place, never to leave devices unattended and not to access systems in public locations. Data access levels are assigned by the Technical Team on appointment or change of role according to the requirements of the role.</p>	<p>4 3 12</p>	<p>Working from home arrangements could be strengthened by creating a policy and / or procedure.</p>	<p>4 2 8</p>
<p>McCloud Judgement. There is a risk affecting our ability to implement the requirements of the McCloud judgement post resolution. Issues include lack of historic data, appropriate resource, capacity or budget to undertake the work. This could result in legal breaches reportable to the Pensions Regulator, incorrect pension entitlements being calculated for pensioners and loss of confidence in the service by scheme members and employers.</p>	<p>Pensions Manager</p>	<p>Keeping up to date with information from the Scheme Advisory Board, Local Government Association, and the Government actuary's Department. The Technical Team are ensuring that part time hours are being recorded on Altair.</p>	<p>4 4 16</p>	<p>Develop a detailed project plan, implement robust project governance arrangements and ensure the pensions admin team is adequately resourced to implement the remedies in the required timescales.</p>	<p>4 3 12</p>
<p>95K Cap and Exit Payment Reforms. There is a risk affecting our ability to implement the requirements of the 95K cap. The Public Sector Exit Payments Regulations 2020 come into force on 4 November 2020. This is in advance of changes to the LGPS regulations. From this date there will be conflicting legislative requirements. Under the Cap Regulations there is a requirement to limit strain costs but existing LGPS regulations require administering authorities to pay unreduced pensions to qualifying scheme members. Further legislative amendments are expected to the LGPS Discretionary Compensation Regulations concerning recovery of pension strain costs. Not all LGPS employers will be covered by the changes. This could lead to legal challenges. Amendments are needed to the pension administration system to accommodate these changes. Lack of certainty around the regulatory requirements could delay system changes and lead to uncertainty around benefit calculation, resulting in inaccurate or late benefit notifications, lack of confidence in the service and legal breaches reportable to The Pensions Regulator. There are cost implications in terms of staffing and administration systems. Staffing resources will be impacted by these changes, increasing administration time required for each case and the options available to members in respect of their benefits will be increased. This could lead to confusion affecting member's abilities to make informed decisions and disparity between scheme members of different employers.</p>	<p>Pensions Manager</p>	<p>Keeping up to date with information from the Scheme Advisory Board, Local Government Association, and the Government actuary's Department and our Pensions Admin Software provider, Aquila Heywood.</p>	<p>4 4 16</p>	<p>Once we have clarity from central government, providing staff training and guidance, implementing temporary mechanisms for calculating benefits whilst awaiting software updates, ensuring the admin team is adequately resourced to deal with the increased complexity arising from these changes, communicating with scheme employers and reviewing the process and timescales for providing estimates.</p>	<p>4 2 8</p>

<p>Issuing of Section 114 Notice. There is a risk affecting the ability of the Pension Administration Team to be able to respond to the increased demand for benefit calculations. As a result of the Notice many Council services are being reviewed in order to make financial savings. This will result in large numbers of staff being made redundant. With the added uncertainty of the Council's financial situation some staff are seeking employment elsewhere so numbers of voluntary resignations could also increase. Those staff who are members of the scheme will all need benefit calculations. This will be a considerable extra workload for the team, which is currently operating with vacancies which are waiting to be filled. With the introduction of the exit cap reforms benefit calculations for staff leaving on redundancy or interests of efficiency grounds have become considerably more complex and far more time consuming to perform. The pension administration software has not been updated to incorporate the regulatory changes yet so, as an interim measure, a calculation facility will be provided by Hymans. This will be a new process and so will take time for the team to become familiar with. As in risk 15 concerning the exit payment reforms there is a risk of legal challenge from members and possible financial costs to the Fund. Lack of certainty around the regulatory requirements could lead to uncertainty around benefit calculation, resulting in inaccurate or late benefit notifications, lack of confidence in the service and legal breaches reportable to The Pensions Regulator. Increased options available to members could lead to confusion affecting their ability to make informed decisions. Increased demand on the Pension Administration Team means that there may be insufficient capacity to cope. It may be necessary to recruit additional staff which will have a financial cost. However, with the impact of McCloud and the exit payment reforms, the level of expertise required is far greater and recruiting adequate numbers of suitably experienced and able staff could be difficult; other local authorities will all be looking to recruit and they may be more attractive to possible candidates given Croydon's current financial situation in terms of the Section 114 notice.</p>	<p>Pensions Manager</p>	<p>Keeping up to date with information from the Scheme Advisory Board, Local Government Association, and the Government actuary's Department and our Pensions Admin Software provider, Aquila Heywood. Sourcing interim calculation software from Hymans. Recruiting staff to fill existing vacancies.</p>	<p>3                      5                      15</p>	<p>Once we have clarity from central government, providing staff training and guidance, implementing temporary mechanisms for calculating benefits whilst awaiting software updates, ensuring the admin team is adequately resourced to deal with the increased complexity arising from these changes, communicating with scheme employers and reviewing the process and timescales for providing estimates.</p>	<p>3                      4                      12</p>
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**Key**

- Below 10 is considered a Green Risk.
- A score between 10 and 19 is an Amber Risk.
- A score of 20 or above is a Red Risk.

Impact is measured on a scale of 1 to 5.  
 A score of 1 suggests that the potential impact would be insignificant and a score of 5 would be catastrophic.  
 Likelihood is also measured on a scale of 1 to 5.  
 In this instance a score of 1 suggests that the occurrence will be rare and score of 5 would be almost certain to happen.

**Risk Matrix**

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		<b>IMPACT</b>				
		1	2	3	4	5
		Insignificant	Minor	Moderate	Major	Catastrophic
5 Almost Certain		5	10	15	20	25
4 Likely		4	8	12	16	20
3 Possible		3	6	9	12	15
2 Unlikely		2	4	6	8	10
1 Rare		1	2	3	4	5

## Croydon Council

For General Release

<b>REPORT TO:</b>	<b>PENSION COMMITTEE</b> <b>8 December 2020</b>
<b>SUBJECT:</b>	<b>Breaches Log update</b>
<b>LEAD OFFICER:</b>	<b>Nigel Cook Head of Pensions and Treasury</b>
<b>CABINET MEMBER:</b>	<b>Councillor Callton Young OBE</b> <b>Cabinet Member for Resources &amp; Financial Governance</b>
<b>WARDS:</b>	<b>All</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON:</b> Sound Financial Management: This report forms an important component of the governance arrangements for the stewardship of the Pension Fund	
<b>FINANCIAL IMPACT</b> Financial risks relating to the Pension Fund are substantial and can impact on the General Fund of the Council.	

### 1. RECOMMENDATIONS

- 1.1 The Committee is asked to note the contents of the Pension Fund Breaches Log and to comment as appropriate.

### 2. EXECUTIVE SUMMARY

- 2.1 It is a requirement of The Pension Regulator for the Pension Fund to maintain a breaches log detailing incidences where breaches have occurred. In line with the recommendations of the Aon Hewitt Governance Review, on 15 September 2020 the Committee agreed the revised Reporting Breaches of the Law Policy. This included a requirement for the Committee to monitor breaches on a regular basis. This report presents the current log (Appendix A) for the Committee's consideration.

### 3. DETAIL

- 3.1 The Pension Regulator requires that a Breaches Log is maintained by the Fund. In their Governance Review Aon Hewitt recommended that the log was reviewed regularly by the Pension Committee. The current log is attached (Appendix A)
- 3.2 Since the Committee last reviewed the log one breach has been added in relation In relation to the Annual Benefit Statement provision in August 2020.
- 3.3 The Committee is asked to note the contents of the Breaches Log and to Comment.

### 4. CONSULTATION

- 4.1 No consultation is required.

### 5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

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

**Approved by:** Lisa Taylor, Director of Finance, Investment and Risk, S. 151 Officer.

### 6. LEGAL CONSIDERATIONS

- 6.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that the Pension Committees role is to ensure the Fund is properly operated in accordance with the Local Government Pensions Scheme Regulations (“the Regulations”) all other relevant legislation and best practice as advised by the Pensions Regulator, including financial, governance and administrative matters. To adopt Fund specific policies concerning the administration of the Fund, investing of Fund monies and the management of the Fund’s solvency level. In addition, the Committee is responsible for compliance with all financial and regulatory requirements of the Fund. The Pension Committees Terms of Reference (London Borough of Croydon’s Constitution Part 4.N) includes at paragraph 2.3 that it shall: ***Discharge its fiduciary responsibility in the best interest of the Fund, in particular:***
  - d. To approve and monitor compliance of statutory statements and policies required under the Regulations;*
  - f. To ensure that the Council discharges its obligation, as administering authority for the local government pension scheme, to other scheme employers;*

**Approved by:** Sandra Herbert, Head of Litigation and Corporate Law on behalf



of the Director of Law and Governance and Deputy Monitoring Officer.

## **7. HUMAN RESOURCES IMPACT**

- 7.1 There are no direct workforce implications arising from the recommendations within this report but the improvement to practice is welcomed as the pension scheme is a key employee benefit to employees.

**Approved by:** Sue Moorman, Director of Human Resources

## **8. EQUALITIES IMPACT**

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

## **9. ENVIRONMENTAL IMPACT**

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

## **10. CRIME AND DISORDER REDUCTION IMPACT**

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

## **11. DATA PROTECTION IMPLICATIONS**

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

**NO**

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

**Approved by:** Sue Moorman, Director of Human Resources

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**CONTACT OFFICER:** Nigel Cook – Head of Pensions and Treasury ext. 62552

**BACKGROUND DOCUMENTS:** None

**APPENDICES:** Appendix A, Breaches Log

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Date	Category	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to the breach	Reported/Not reported (with justification if not reported and dates)	Traffic light colour	Outcome of report and or investigations	Outstanding actions	Comments
01-Oct-17	Administration Immaterial	Failure of the scheme employer (not the Council) to obtain a report from a Registered Medical Practitioner (IRMP). Failure of employer to decide whether to refer the employee to an Independent IRMP and to make a decision on their entitlement under reg 35. Failure to notify the member of any decisions made.	Failure of the employer to follow the correct procedures in relation to the LGPS has prevented timely and appropriate action under the regulations.	Member contacted the Pensions Team on 9 April 2015. Deferred benefits sent out 26 April 2017. Internal Dispute Resolution Procedure application received on 19 January 2018.	The matter was referred to the Pensions Ombudsman. No referral has been made to The Pensions Regulator.		Stage 1 complaint upheld on 1 May 2018. Compensation payment of £500.00 made 28 March 2019 for failure to notify benefits within required timescales. Stage 2 complaint upheld on 1 November 2019. Pension Ombudsman has closed the case.		
Aug-19	Administration	Failure to produce 100% of Annual Benefit Statement notifications	Members and former members do not receive up to date information on the value of their LGPS benefits affecting their ability to make informed decisions around pension provision. Non-compliance with LGPS regulations timescales. Member has been unable to check personal data is complete and accurate or that the correct contributions have been credited.	Error reports identified members without statements which the technical team checked. Some had not required a statement as they had not passed an increase date. The remainder had the issues resolved and statements were sent out.	the matter was not referred to the Pensions Regulator. All the issues were identified through error reports and resolved. Statements were sent to all individuals where a statement was required. No further action was needed.		Not reported. Only 3.36% for active and 2% for deferred members not issued. The issues are being addressed so that notifications can be sent.		
Aug-20	Administration	Failure to produce 100% of Annual Benefit Statement notifications	Members and former members do not receive up to date information on the value of their LGPS benefits affecting their ability to make informed decisions around pension provision. Non-compliance with LGPS regulations timescales. Member has been unable to check personal data is complete and accurate or that the correct contributions have been credited.	Error reports identified members without statements which the technical team checked. There was an error suppressing ABS for members over age 65 and under NPA. The technical team issued 98.69% of the statements due. They are continuing to work on the remainder.	The matter was not referred to the Pensions Regulator. All the issues were identified through error reports and are being resolved. Statements have been or are being sent to all individuals where a statement was required.		Not reported. Only 2.12% for active and 0.27% for deferred members not issued. The issues are being addressed so that notifications can be sent.		

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## Croydon Council

For General Release

<b>REPORT TO:</b>	<b>PENSION COMMITTEE</b> <b>8 December 2020</b>
<b>SUBJECT:</b>	<b>SAB / TPR update</b>
<b>LEAD OFFICER:</b>	<b>Nigel Cook Head of Pensions and Treasury</b>
<b>CABINET MEMBER:</b>	<b>Councillor Callton Young OBE</b> <b>Cabinet Member for Resources &amp; Financial Governance</b>
<b>WARDS:</b>	<b>All</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON:</b> Sound Financial Management: This report advises the Committee of the matters currently being considered by the Local Government Pension Scheme Advisory Board and The Pensions Regulator some of which are relevant to the financial management of the Fund.	
<b>FINANCIAL IMPACT</b> There are no financial implications associated with this report.	

### 1. RECOMMENDATIONS

The Committee is asked to note the contents of this report.

### 2. EXECUTIVE SUMMARY

- 2.1 This report advises the Committee of the matters currently being considered by the Local Government Pension Scheme Advisory Board and The Pensions Regulator which are relevant to the Fund.

### 3. DETAIL

#### 3.1. Scheme Advisory Board (SAB)

##### Exit payments and 95k cap

On 15 October the Exit Cap regulations were made.

At the end of October a letter was sent from the Local Government minister to all administering authorities, in respect of the implementation of the public sector exit

payment regulations from 4th November. The SAB was also sent a copy of the letter and considered its contents alongside legal advice it had received.

**On 30 October** the SAB website was updated to include a commentary on the legal advice it had received.

On 9 November the public sector exit payments page of the SAB website was updated to include a link to exit cap information for employers.

### Covid -19

On 2 November the Covid-19 information and updates page of the SAB website was updated with the results of the follow up survey conducted by the SAB

### McCloud response

On 6 October the SAB published its final response to the MHCLG consultation

### The Pensions Regulator's Funding Code Consultation

On 28 August the SAB Chair responded to The Pensions Regulator's funding code consultation

### Local Pension Board Meetings cancellations

On 27 July the SAB issued a statement on Local Pension Board meeting cancellations

## **3.2. The Pensions Regulator**

The Pensions Regulator has a wider remit than the SAB and most of its recent publications / press releases have concerned private sector schemes. Its only recent "statement" of immediate relevance to the LGPS was Guidance on Covid-19 published on 16 September.

## **4. CONSULTATION**

4.1 No consultation is required.

## **5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS**

5.1 There are no financial considerations arising from this report.

**Approved by:** Lisa Taylor, Director of Finance, Investment and Risk, S. 151 Officer.

## **6. LEGAL CONSIDERATIONS**

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.

## **7. HUMAN RESOURCES IMPACT**

- 7.1 There are no direct workforce implications arising from the recommendations within this report but the improvement to practice is welcomed as the pension scheme is a key employee benefit to employees.

**Approved by:** Sue Moorman, Director of Human Resources

## **8. EQUALITIES IMPACT**

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

## **9. ENVIRONMENTAL IMPACT**

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

## **10. CRIME AND DISORDER REDUCTION IMPACT**

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

## **11. DATA PROTECTION IMPLICATIONS**

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

**NO**

This report relates to matters relating to the administration of the LGPS and the Croydon Pension Fund.

**Approved by:** Sue Moorman, Director of Human Resources

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**CONTACT OFFICER:** Nigel Cook – Head of Pensions and Treasury ext. 62552

**BACKGROUND DOCUMENTS:** None

**APPENDICES:** None.

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## Croydon Council

<b>REPORT TO:</b>	<b>Pension Committee 8 December 2020</b>
<b>SUBJECT:</b>	<b>Training Update</b>
<b>LEAD OFFICER:</b>	<b>Nigel Cook Head of Pensions and Treasury</b>
<b>CABINET MEMBER</b>	<b>Councillor Callton Young OBE Cabinet Member for Resources &amp; Financial Governance</b>
<b>WARDS:</b>	<b>All</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b>	
<p>Sound Financial Management: The Fund's "governance" objectives are set out in its Governance Policy Statement and prominent amongst them is that: All officers and Pension Committee Members charged with the financial administration and decision-making with regard to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them. All members and officers to whom this Policy applies are expected continually to demonstrate their personal commitment to training and to ensuring that the knowledge and skills objective is met.</p>	
<b>FINANCIAL SUMMARY:</b>	
There are no direct financial implications associated with this report.	
<b>FORWARD PLAN KEY DECISION REFERENCE NO.: N/A</b>	

### 1. RECOMMENDATION

- 1.1 It is recommended that the Committee review the record of training undertaken and comment as they see fit.

### 2. EXECUTIVE SUMMARY

- 2.1 This report advises the Committee of training undertaken by the Pension Board and Pension Committee.

### 3. DETAIL

- 3.1. At their meeting on 17 October 2019 the Board noted the updated training policy.

- 3.2 As the Board are aware, to comply with requirements imposed by regulations which are enforced by the Pensions Regulator, they are required to have the relevant experience and be available to attend meetings. In order to do this they must undertake training to maintain their knowledge and understanding of the LGPS and pensions in general. The Governance Review carried out by Aon Hewitt recommended that the Knowledge and Skills Policy be amended to include the Pension Committee which has now been done.
- 3.3 The requirement for Knowledge and Skills is set out in the Knowledge and Skills Training Policy:

### **Aims and objectives**

The Fund's "governance" objectives are set out in its Governance Policy Statement and prominent amongst them is that:

- All officers and Pension Committee Members charged with the financial administration and decision-making with regard to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.

All members and officers to whom this Policy applies are expected continually to demonstrate their personal commitment to training and to ensuring that the knowledge and skills objective is met.

To assist in achieving the objective the Fund will aim to comply with:

- CIPFA Knowledge and Skills Frameworks;
- knowledge and skills requirements of the Public Service Pensions Act 2013; and
- The Pensions Regulator's (TPR) Code of Practice for Public Service Schemes.

3.4 This report provides the Committee with a summary of the training opportunities provided for the current year in the attached document (Appendix A)

## **4. CONSULTATION**

4.1 No consultation is required.

## **5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS**

5.1 There are no financial considerations arising from this report.

**Approved by:** Lisa Taylor, Director of Finance, Investment and Risk, S. 151 Officer.

## **6. LEGAL CONSIDERATIONS**

- 6.1** The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that the Pension Committees Terms of Reference (London Borough of Croydon's Constitution Part 4.N) Paragraph 7. **Knowledge and Understanding** (7.1) *Members of the Committee are expected to continually demonstrate their own personal commitment to training and to ensure that governance objectives are met. To assist in achieving these objectives training sessions will be organised to ensure Committee members are familiar with the rules of the Fund with relevant legislation.* Also, the Local Pension Board members must be appropriate knowledge and skills (see Constitution, Part 4.M Local Pension Board Procedures - paragraph 12).

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

## **7. HUMAN RESOURCES IMPACT**

- 7.1 There are no direct workforce implications arising from the recommendations within this report but the improvement to practice is welcomed as the pension scheme is a key employee benefit to employees.

**Approved by:** Sue Moorman, Director of Human Resources

## **8. EQUALITIES IMPACT**

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

## **9. ENVIRONMENTAL IMPACT**

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

## **10. CRIME AND DISORDER REDUCTION IMPACT**

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

## **11. DATA PROTECTION IMPLICATIONS**

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

**NO**

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

**Approved by:** Sue Moorman, Director of Human Resources

**CONTACT OFFICER:** Nigel Cook – Head of Pensions and Treasury ext. 62552

**BACKGROUND DOCUMENTS:** None

**Appendices:** Appendix A, Training Summary

## Training Summary

Event	Details	Date	Offered to	Form
Cyber Security -AON	Cyber Security	19/11/20	All Board, Committee and Reserves	Webinar
LGE Fundamentals Course	Legal structure of LGPS	06/10/20	All Board, Committee and Reserves	Webinar
LGE Fundamentals Course	Investment framework of the LGPS	07/10/20	All Board, Committee and Reserves	Webinar
LGE Fundamentals Course	Governance and oversight of the LGPS	08/10/20	All Board, Committee and Reserves	Webinar
McCloud Presentation	Board Meeting	15/10/20	All Board	Officer Presentation
Competency Self Assessment Matrix	Form to be completed		All Board, Committee and Reserves	Form to be completed
The Pension Regulator Toolkit	Introducing Pension Schemes	Open	All Board, Committee and Reserves	On line
The Pension Regulator Toolkit	The Trustee's Role	Open	All Board, Committee and Reserves	On line
The Pension Regulator Toolkit	Running a Scheme	Open	All Board, Committee and Reserves	On line
The Pension Regulator Toolkit	Pensions Law	Open	All Board, Committee and Reserves	On line
The Pension Regulator Toolkit	An Introduction to Investment	Open	All Board, Committee and Reserves	On line
The Pension Regulator Toolkit	How a DB Scheme Works	Open	All Board, Committee and Reserves	On line
The Pension Regulator Toolkit	Funding your DB Scheme	Open	All Board, Committee and Reserves	On line
The Pension Regulator Toolkit	DB Recovery Plans, Contributions and Funding Principles	Open	All Board, Committee and Reserves	On line
The Pension Regulator Toolkit	Investment in a DB Scheme	Open	All Board, Committee and Reserves	On line
Investing in a time of Climate Crisis	Investment	05/11/19	All Committee	Presentation
Impact on investment of geo-political factors	Investment	07/01/20	All Committee	Presentation
Presentation by the Secretary of the Scheme Advisory Board	Various	16/01/20	All Board	Presentation
Hymans funding, risk and regulatory changes	Funding, governance, exit reform and 95K cap, McCloud, Goodwin, cost management and employer risk management regulations	08/12/20	All Committee	Teams meeting

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**FOR GENERAL RELEASE**

<b>REPORT TO:</b>	<b>PENSION COMMITTEE 8 December 2020</b>
<b>SUBJECT:</b>	<b>Exit Payment Cap</b>
<b>LEAD OFFICER:</b>	<b>Vicki Richardson Head of HR &amp; Finance Service Centre</b>
<b>CABINET MEMBER:</b>	<b>Councillor Callton Young OBE Cabinet Member for Resources &amp; Financial Governance</b>
<b>WARDS:</b>	<b>All</b>

**SUMMARY OF REPORT:**

This report relates to the implementation of the Public Sector Exit Payments Regulations 2020 and the impact on the Local Government Pension Scheme

**POLICY CONTEXT/AMBITIOUS FOR CROYDON:**

Sound Financial Management: This report sets out the options available to the fund for payment of benefits whilst there is a conflict between the exit cap regulations and the LGPS regulations.

**FINANCIAL IMPACT:**

This report will impact on the level of benefits paid to scheme members.

**KEY DECISION REFERENCE NO.: N/A**

**RECOMMENDATIONS:**

The committee is asked to agree that whilst there is a conflict between the exit cap regulations and the LGPS regulations the funds policy will be to:

- i. offer scheme members the opportunity to take a deferred benefit under LGPS regulation 6 or a fully actuarially reduced pension under LGPS regulation 30(5) if the cap is breached when an LGPS member aged 55 or over exits, whilst there is a conflict between the exit cap regulations and the LGPS regulations.
- ii. adopt the factors and calculation methodology consistent with Government Actuary's Department (GAD's) draft guidance for calculating early retirement strain factors.

## 1. Background

- 1.1 The Restriction of Public Sector Exit Payments Regulations 2020 (Appendix A) implementing the £95k cap on exit payments came into force on 4<sup>th</sup> November 2020. An exit payment includes redundancy payments (including statutory redundancy payments), severance payments, pension strain costs that 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 result of termination of employment.
- 1.2 The Ministry of Housing, Communities & Local Government (MHCLG) has launched a consultation on changes to the LGPS and Discretionary Compensation Regulations (Appendix B). The consultation covers the required changes to compensation and pension regulations to comply with the £95K exit payment cap, which closes on 18 December 2020.
- 1.3 As the required changes to the LGPS regulations are still subject to consultation there is a conflict between the exit cap regulations and the LGPS regulations if the cap is breached when an LGPS member aged 55 or over exits. The LGPS regulations still entitle the member to receive and require them to take immediate payment of an unreduced pension, but the exit cap regulations prevent the employer from paying the full strain cost.
- 1.3 The Croydon Pension Fund (the fund), as an administering authority needs to decide whether to pay an unreduced pension in line with The Local Government Pension Scheme Regulations 2013 regulation 30(7) (Appendix C) or provide the option of either a deferred pension under regulation 6(1) (Appendix D) or an immediate reduced pension under regulation 30(5) in line with the Government's recommendations.
- 1.5 To assist administering authorities with this decision, the Scheme Advisory Board (SAB) has obtained legal advice (Appendix E). Following that advice the Scheme Advisory Board has expressed opinion that the course of action presenting the least risk to both LGPS administering authorities and scheme employers is for the;
  - LGPS administering authority to offer the member the opportunity to take a deferred benefit under LGPS regulation 6 or a fully actuarially reduced pension under LGPS regulation 30(5)
  - Scheme employer to delay the payment of a cash alternative under regulation 8 of the Exit Cap Regulations
- 1.6 MHCLG also wrote to LGPS administering authorities on 28 October 2020 (Appendix F) advising the recommended course of action for an administering authority to act consistently with its legal duties is that the provisions of



Regulation 30(7) are subject to the cap and so the provisions of Regulation 8 of the 2020 Regulations and Regulation 30(5) of the LGPS 2013 Regulations should be engaged. The Government's view is that LGPS members in that position should be able to elect to receive an immediate but fully reduced pension or, if they do not so elect, a deferred pension plus a lump sum equal to the capped strain cost.

- 1.7 The fund also needs to consider what factors to use when calculating strain costs. Until now, local factors supplied by the funds actuary have been used to calculate strain costs.

## Issues

- 1.8 If the fund decides to pay an unreduced pension, there is a risk of challenge under the doctrine of implied repeal which, if successful, would result in the fund having to seek repayment of the overpaid element of the pension. The doctrine of implied repeal provides that where a piece of legislation conflicts with an earlier one, the later legislation takes precedence. This means that the fund could end up in the position of having to try and recover monies from the employer and/or the member. The fund will not be able to obtain the whole strain cost from the employer. The employer will be restricted to a maximum of £95k for all exit payments including the strain cost.
- 1.9 Offering a deferred or reduced pension also risks challenge, this time from the member seeking to enforce their rights to an unreduced pension under regulation 30(7).
- 1.10 The funds actuaries have confirmed that early retirement strain factors provided to the Fund in the past used to calculate the strain charged to employers were developed to address the funding shortfall that would present itself due to paying a pension early and were never intended to impact member benefits. They did not impact the benefits received by members and therefore they followed standard actuarial principles, also adopted in most if not all other LGPS funds, which result in:
  - Them being based on the Fund's valuation funding assumptions which have an allowance for prudence built in; and
  - Strains being larger for women than men as women tend to live, on average, longer than men.

## Options

### Payment of Benefits

- 1.11 The options available to the fund in relation to payment of benefits whilst there is a conflict between the exit cap regulations and the LGPS regulations if the cap is breached when an LGPS member age 55 or over exits are:-

### Option 1

- to pay an unreduced pension in line with The Local Government Pension Scheme Regulations 2013 regulation 30(7), which could result in breach of the Restriction of Public Sector Exit Payments Regulations and be subject to challenge under the doctrine of implied repeal which if successful would result in the fund having to seek repayment of the overpaid element of the pension.

### Option 2

- to offer the member the opportunity to take a deferred benefit under LGPS regulation 6 or a fully actuarially reduced pension under LGPS regulation 30(5), which carries the risk of challenge from scheme members seeking to enforce their rights to an unreduced pension. It is noted that James Gouldie QC comments (at Appendix E) that he considers the risk of challenge to an administering authority by a capped individual seeking to enforce their rights under Regulation 30(7) of the LGPS Regulations to an immediate unreduced pension regardless of the strain costs attributable to them, is high.

### Early Retirement Strain Factors

- 1.12 In order to minimise the risk of challenge from employers or members, the Fund has two options in relation to the early retirement strain factors:

#### Option 1

- adopt the factors and calculation methodology consistent with Government Actuary's Department (GAD's) draft guidance. The benefit of this option is that these factors are expected to apply in the future once the LGPS Regulations are updated, so the calculations would be consistent over time. However, the Fund's admin software system cannot currently carry out these calculations. The funds actuaries are able to provide a calculator to allow the fund to efficiently carry out these calculations which attracts a cost of £7k which will need to be met by the fund.

#### Option 2

- adopt a halfway house approach until the new LGPS Regulations come into force. With this option there would be a step change in methodology and factors at the point new LGPS Regulations and the GAD factors come into force, meaning a quote for a retirement carried out 2 days apart, could yield different strains and therefore have different impacts on member benefits. Similar to option 1, there would remain a risk the Fund's admin software system is not updated in time for the new LGPS Regulations / GAD Guidance coming into force and an 'off the system' calculator would

be required to allow the fund to efficiently carry out these calculations anyway.

## **Reasons for recommended options**

### Payment of Benefits

- 1.13 It is recommended that the fund offer scheme members the opportunity to take a deferred benefit under LGPS regulation 6 or a fully actuarially reduced pension under LGPS regulation 30(5) if the cap is breached when an LGPS member aged 55 or over exits, whilst there is a conflict between the exit cap regulations and the LGPS regulations.

Whilst there is a risk of challenge from scheme members this will negate the financial risk to the fund of having to try and recover monies from the employer and/or the member or being in a position where the employer is unable to meet the full strain costs.

This option would also negate the risk to scheme members of having made life changing decisions based on a pension that is later reduced and being in the position where the fund also needs to seek recovery of overpaid pension.

### Early Retirement Strain Factors

- 1.14 It is recommended that the fund adopt the factors and calculation methodology consistent with Government Actuary's Department (GAD's) draft guidance for calculating early retirement strain factors, to ensure consistency of calculations over time.

## **2. CONSULTATION**

- 2.1 No consultation is required

## **3. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS**

- 3.1 There will impact on the level of benefits paid to scheme members. The recommended option on payment of benefits minimises the risk of financial loss to the fund.

- 3.2 There will be a cost of £7k for the purchase of a calculator to enable the fund to efficiently calculate strain costs using the Government Actuary's Department (GAD's) draft guidance, the cost of which will need to be met by the fund.

**Approved by:** Lisa Taylor, Director of Finance, Investment and Risk, S. 151 Officer

#### 4. LEGAL CONSIDERATIONS

- 4.1 The Head of Litigation and Corporate Law comments on behalf of the Interim Director of Law and Governance that under Regulation 30(7) of the LGPS Regulations 2013 any pension paid to the member, including an entitlement to an unreduced pension, is payable by, and the responsibility of, the LGPS administering authority.

The LGPS administering authority can request a strain payment from the employer, which could be a sum which would result in a breach of the £95k cap. Under the **Restriction of Public Sector Exit Payments Regulations 2020** employers can make a strain payment up to that amount, taking into account of the value of other exit payments made to the individual.

[The letter of 28 October](#) from MHCLG Minister, Luke Hall, sent to LGPS administering authorities and local authority chief executives, set out the Government's view that the **Restriction of Public Sector Exit Payments Regulations** effectively curtail the use of LGPS Regulation 30(7) to pay an immediate unreduced pension when the cap is breached. According to this view, a 'capped' member should only receive an immediate pension under LGPS Regulation 30(5) (with actuarial reductions applied), or a deferred pension, together with a 'cash alternative' payable by the employer under Regulation 8 of the Exit Cap Regulations.

Until the LGPS Regulations are expressly amended to remove the entitlement to an unreduced pension under Regulation 30(7) the SAB opinion which is based on the legal advice it has obtained, is that the course of action presenting the least risk to both LGPS administering authorities and scheme employers is for the:

- LGPS administering authority to offer the member the opportunity to take a deferred benefit under LGPS regulation 6 or a fully actuarially reduced pension under LGPS regulation 30(5)
- Scheme employer to delay the payment of a cash alternative under regulation 8 of the Exit Cap Regulations

It is for the LGPS administering authority, (not the employer), to decide whether to pay an unreduced pension under LGPS Regulation 30(7) or a reduced pension under Regulation 30(5).

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

**5. HUMAN RESOURCES IMPACT**

- 5.1 The report sets out the challenges for LGPS on the best way to ensure we provide our workforce with the best advice and information, until the revised pension regulations are in force following the current consultation. As the London Borough of Croydon is about to enter into consultation on workforce reductions, the interim position must be addressed urgently.

(Approved by: Sue Moorman on behalf of the Director of Human Resources)

**6. EQUALITIES IMPACT**

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

**7. ENVIRONMENTAL IMPACT**

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

**8. CRIME AND DISORDER REDUCTION IMPACT**

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

**9. DATA PROTECTION IMPLICATIONS**

- 9.1 **WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?**

**YES/NO**

*(If yes, please provide brief details as to what 'personal data' will be processed and complete the next question).*

*(If no, please complete the sign off)*

- 9.2 **HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?**

**NO**

The Director of Human Resources comments that this report contains only information which can be publically disclosed.

**Approved by:** Sue Moorman, Director of Human Resources

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**CONTACT OFFICER:** Vicki Richardson, Head of HR & Finance Service Centre,  
Extn. 62460

**BACKGROUND DOCUMENTS:**

A: The Restriction of Public Sector Exit Payments Regulations 2020  
[https://www.legislation.gov.uk/ukxi/2020/1122/pdfs/ukxi\\_20201122\\_en.pdf](https://www.legislation.gov.uk/ukxi/2020/1122/pdfs/ukxi_20201122_en.pdf)

B: MHCLG consultation  
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/916615/Reforming\\_local\\_government\\_exit\\_pay\\_consultation.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/916615/Reforming_local_government_exit_pay_consultation.pdf)

C: The Local Government Pension Scheme Regulations 2013 – Regulation 30  
<https://www.legislation.gov.uk/ukxi/2013/2356/regulation/30/made>

D: The Local Government Pension Scheme Regulations 2013 – Regulation 6  
<https://www.legislation.gov.uk/ukxi/2013/2356/regulation/6/made>

E: SAB legal advice  
<https://lgpsboard.org/images/Guidance/JGSAB061020201.pdf>  
<https://lgpsboard.org/images/Guidance/JGSAB20102020.pdf>

F: MHCLG letter to LGPS administering authorities dated 28 October 2020  
<https://lgpsboard.org/images/PDF/letters/MHCLGtoLAs.pdf>

**APPENDICES:** None