

# Pension Board Agenda



To: Michael Ellsmore (Chair)  
Co-optees: Richard Elliott, Teresa Fritz, Daniel Pyke, Ava Payne and David Whickman

A meeting of the **Pension Board** which you are hereby summoned to attend, will be held on **Thursday, 14 January 2021** at **2.00 pm**. This meeting is being held remotely.

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

Democratic Services  
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[www.croydon.gov.uk/meetings](http://www.croydon.gov.uk/meetings)  
Wednesday, 6 January 2021

PLEASE NOTE: Members of the public are welcome to remotely attend this meeting via the following web link - <http://webcasting.croydon.gov.uk/meetings/11370>

N.B This meeting will be paperless. The agenda can be accessed online at [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 Board.

**2. Minutes of the Previous Meeting (Pages 5 - 6)**

To approve the minutes of the meeting held on 15 October 2020 as an accurate record.

**3. Disclosure of Interests**

In accordance with the Council's Code of Conduct and the statutory provisions of the Localism Act, Members and co-opted Members of the Council are reminded that it is a requirement to register disclosable pecuniary interests (DPIs) and gifts and hospitality to the value of which exceeds £50 or multiple gifts and/or instances of hospitality with a cumulative value of £50 or more when received from a single donor within a rolling twelve month period. In addition, Members and co-opted Members are reminded that unless their disclosable pecuniary interest is registered on the register of interests or is the subject of a pending notification to the Monitoring Officer, they are required to disclose those disclosable pecuniary interests at the meeting. This should be done by completing the Disclosure of Interest form and handing it to the Democratic Services representative at the start of the meeting. The Chair will then invite Members to make their disclosure orally at the commencement of Agenda item 3. Completed disclosure forms will be provided to the Monitoring Officer for inclusion on the Register of Members' Interests.

**4. Urgent Business (if any)**

To receive notice of any business not on the agenda which in the opinion of the Chair, by reason of special circumstances, be considered as a matter of urgency.

**5. Pensions Administration Key Performance Indicators Report (Pages 7 - 18)**

To Receive the Key Performance Indicators for the administration of the Local Government Pension Scheme for the three month period up to the end of November 2020.

**6. Breaches of the Law (Pages 19 - 22)**

The Board to note the Fund's Breaches of the Law Log.

- 7. Risk Register Report (Pages 23 - 30)**  
The Board to consider all risks assessed at amber and above.
- 8. Local Government Pension Scheme Advisory Board/ The Pensions Regulator Update Report (Pages 31 - 32)**  
To review matters currently being considered by the Local Government Pension Scheme Advisory Board and The Pensions Regulator which are relevant to the Fund.
- 9. Exit Payment Cap Report (Pages 33 - 36)**  
To note the implementation of the Public Sector Exit Payments Regulations 2020 and the impact on the Local Government Pension Scheme.
- 10. LCIV Report (Pages 37 - 40)**  
To receive details of the extent to which the Fund is complying with the pooling requirements of Guidance issued by the, then, Department for Communities & Local Government in 2015 and of the savings made through pooling.
- 11. 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**

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## Pension Board

Meeting held on Thursday, 15 October 2020 at 2.00 pm in This meeting will be held remotely

### MINUTES

- Present:** Michael Ellsmore (Chair);  
Co-optees: Richard Elliott, Teresa Fritz, Daniel Pyke and David Whickman  
Councillor Andrew Pelling
- Also Present:** Councillor  
Nigel Cook (Head of Pensions and Treasury), Alison Fisher (Pensions Administrator), Victoria Richardson (Head of HR and Finance Service Centre) and Gillian Phillip (Pensions Manager)
- Apologies:** Councillor

### PART A

#### 1/20 Minutes of the Previous Meeting

The minutes of the meeting held on XXX were agreed as an accurate record

#### 2/20 Disclosure of Interests

There were none.

#### 3/20 Urgent Business (if any)

There were no items of urgent business.

#### 4/20 Key Performance Indicators for the Period 1 June to 31 August 2020

#### 5/20 Update on the McCloud Case

#### 6/20 Pension Board Annual Report

#### 7/20 Reporting Breaches of the Law

#### 8/20 Pension Fund Governance Review - Action Plan Progress

#### 9/20 Pension Board Forward Plan 2020/21 and 2021/22

#### 10/20 Remuneration Report

#### 11/20 Pension Regulator

#### 12/20 Exclusion of the Press and Public

.....

“That, under Section 100A(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following items of business on the grounds that it involves the likely disclosure of exempt information falling within those paragraphs indicated in Part 1 of Schedule 12A of the Local Government Act 1972, as amended.”

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

The meeting ended at 3.19 pm

**Signed:**

**Date:**

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## Croydon Council

### For General Release

<b>REPORT TO:</b>	<b>Local Pension Board</b> <b>14 January 2021</b>
<b>SUBJECT:</b>	<b>Croydon Pensions Administration Team Key Performance Indicators for the Period</b> <b>1 September 2020 to 30 November 2020</b>
<b>LEAD OFFICER:</b>	<b>Vicki Richardson</b> <b>Head of HR &amp; Finance Service Centre</b>

#### 1. RECOMMENDATIONS

The Board 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 November 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 September 2020 to 30 November 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.
- 3.4 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 Hyman

Robertson to provide third party administration services to clear this backlog. This project is currently in the mobilisation phase and it is expected that Hymans will start processing cases in January 2021.

- 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. DATA PROTECTION IMPLICATIONS**

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

NO

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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,  
August 2020











# Croydon Pensions Admin Team Performance Report

*November 2020*

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# 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
		September 2020		October 2020		November 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	10	80%	68	70.59%	152	61.18%	↓	A large number of cases setup as part of year end process were cleared during November.
<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)	20	35%	22	22.73%	26	15.38%	↓	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)	41	85.37%	46	86.96%	33	81.82%	↓	

## 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
		September 2020		October 2020		November 2020			
<b>Obtain transfer details for transfer in, calculate and provide quotation to member</b>	Two months from the date of request	10	100%	3	100%	7	85.71%		Lockdown resulted in delays in requesting quotes as there was less office presence to undertake printing required.
<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	34	100%	50	100%	31	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	67	100%	59	100%	47	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
		September 2020		October 2020		November 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)	21	100%	27	96.30%	33	100%		
<b>Provide all active and deferred members with annual benefit statements each year</b>	By 31 <sup>st</sup> August	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

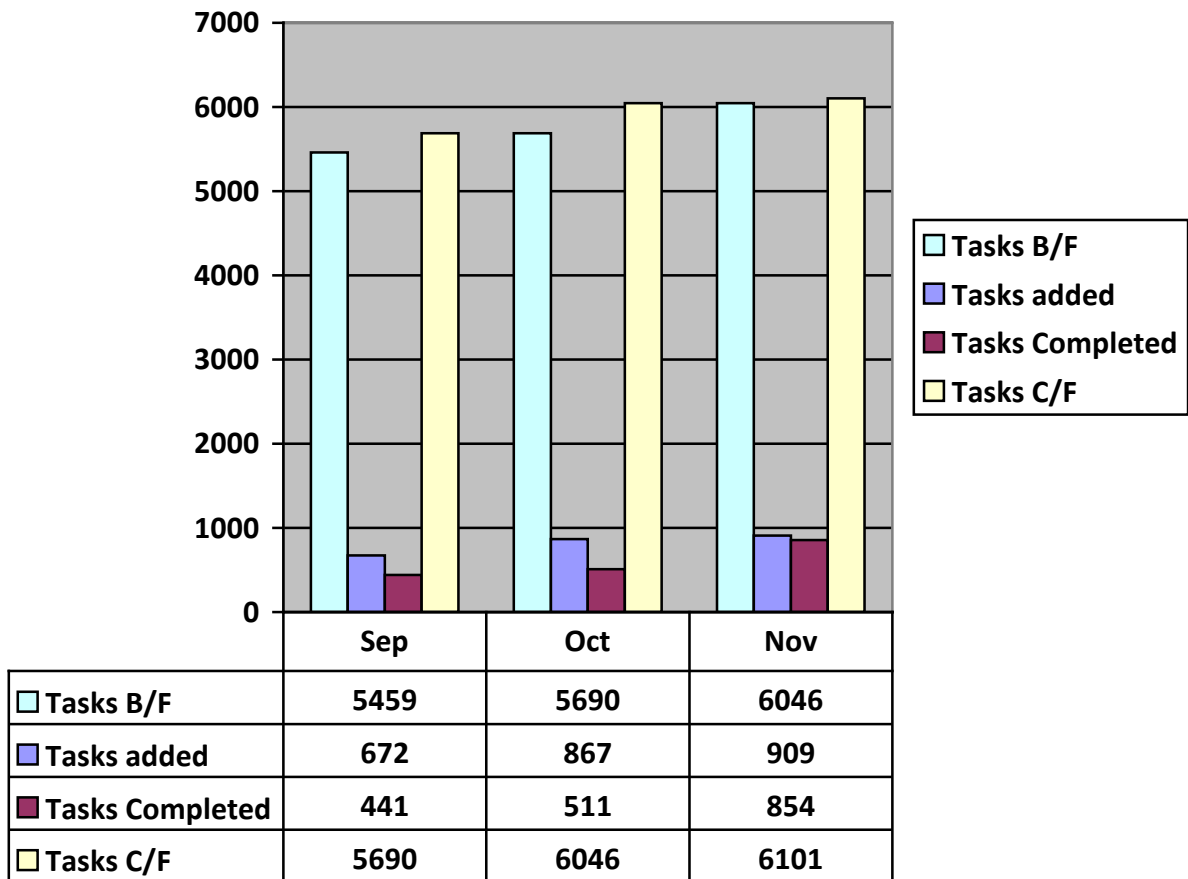
Process	Team Target	Total Number Completed	% Achieved against target	Average days to process	Total Number Completed	% Achieved against target	Average days to process	Total Number Completed	% Achieved against target	Average days to process	Direction of Travel	Comments
		September 2020			October 2020			November 2020				
Send a notification of joining the LGPS to a scheme member	30 days from date of notification of joining member	10	80%	21	68	63.24%	28	152	49.34%	46	↓	A large number of cases setup as part of year end process were cleared during November.
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)	20	30%	365	22	22.73%	710	26	15.38%	523	↓	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)	41	56.10%	41	46	63.04%	36	33	72.73%	44	↑	
Obtain transfer details for transfer in, calculate and provide quotation to member	40 working days from the date of request	10	100%	7	3	100%	9	7	71.43%	23	↓	Lockdown resulted in delays in requesting quotes as there was less office presence to undertake printing required.

# Team Performance Targets

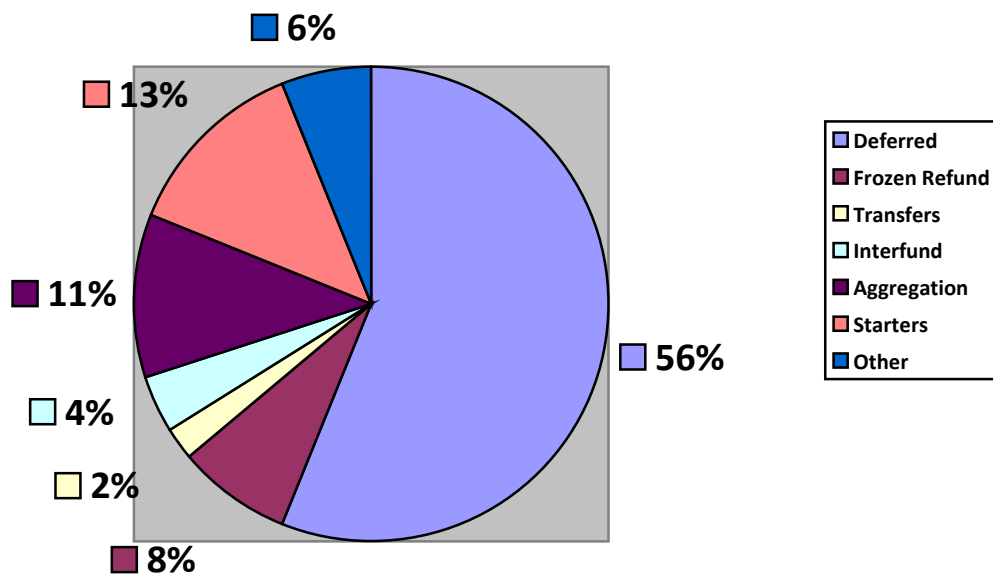
Process	Team Target	Total Number Completed	% Achieved against target	Average days to process	Total Number Completed	% Achieved against target	Average days to process	Total Number Completed	% Achieved against target	Average days to process	Direction of Travel	Comments
		September 2020			October 2020			November 2020				
<b>Notify the amount of retirement benefits</b>	20 working days from date of retirement	34	100%	2	50	100%	3	31	100%	3		
<b>Provide a retirement quotation on request</b>	15 working days from date of request	67	95.52%	5	59	93.22%	6	47	93.62%	7		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	21	95.24%	7	27	92.59%	8	33	93.94%	8		Small number of cases not processed in deadline as further information was needed



## 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>Local Pension Board</b> <b>14 January 2021</b>
<b>SUBJECT:</b>	<b>Review of Breaches Log</b>
<b>LEAD OFFICER:</b>	<b>Nigel Cook Head of Pensions and Treasury</b>

#### 1. RECOMMENDATIONS

The Board is asked to:

Note the contents of the 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 requirement of the Reporting Breaches of the Law Policy for the Board to monitor breaches on a regular basis, this report presents the current log (Appendix A) for the Board'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 Board. The current log is attached (Appendix A).

3.2 The Board is asked to note the contents of the Breaches Log and to Comment.

#### 4. DATA PROTECTION IMPLICATIONS

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

NO

**Approved by:** Lisa Taylor, Director of Finance, Investment and Risk, S151 Officer

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**CONTACT OFFICER:** Nigel Cook, Head of Pensions and Treasury,  
Resources Department, ext. 62552.

**BACKGROUND DOCUMENTS:** None

**APPENDICES:** Appendix A Breaches Log

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>Local Pension Board</b> <b>14 January 2021</b>
<b>SUBJECT:</b>	<b>Review of Risk Register</b>
<b>LEAD OFFICER:</b>	<b>Nigel Cook Head of Pensions and Treasury</b>

#### 1. RECOMMENDATIONS

The Board is asked to:

Note the contents of the Risk Register and to comment as appropriate.

#### 2. EXECUTIVE SUMMARY

- 2.1 To follow best practice it is recommended that the Pension Board should maintain a risk register covering the most significant risks faced by the Fund. This report presents the current register (Appendix A) for the Board's consideration.

#### 3. DETAIL

- 3.1 Best practice recommends that a risk register is maintained by the Pension Board 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 and the mitigations put in place for the current period and for future years.
- 3.2 The Register is divided into sections: Governance Risks (1 risk); Funding - Assets and Liabilities Risks (4); Investment Risks (2); Global Macro-economic Risks (4); and Operational Risks (5). 2 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.
- 3.3 The majority of these risks are shared by LGPS administering authorities across the country, to a greater or lesser extent, and the mitigations are well understood. For example the Actuarial Valuation process, portfolio construction and the importance of diversification and access to professional advisors. However there are several new concerns which deserve closer scrutiny, including the impact of the post-Brexit trading arrangements, the impact of the COVID 19 Pandemic, the McCloud judgment and the impact of the 95K Cap

and Exit Payment Reforms., and the effect of the issuance of the S.114 Notice by Croydon's Section 151 Officer.

- 3.4 Arguably the markets appear to be considering both Brexit and the pandemic as macro-economic events and reacting as such; for instance rallying with news of a COVID vaccine and reacting earlier to news of delays in the trade talks. In the background though there are major headwinds that will have an adverse impact on returns. The impact of these events on other Scheme Employers is currently less well understood. Changes to the regulations governing the LGPS have introduced more uncertainty though, for instance in respect of staff recruitment and retention, the impact of strain costs, and the assessment of the Scheme's liabilities. Almost certainly these issues will play out over the months and years to come and the best response will be to monitor their impact on the Scheme closely.
- 3.5 The Board is asked to note the contents of the Pension Fund Risk register and are invited to comment as appropriate.

#### **4. DATA PROTECTION IMPLICATIONS**

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

NO

**Approved by:** Lisa Taylor, Director of Finance, Investment and Risk, S151 Officer

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**CONTACT OFFICER:** Nigel Cook, Head of Pensions and Treasury,  
Resources Department, ext. 62552.

**BACKGROUND DOCUMENTS:** None

**APPENDICES:** Appendix A Risk Register



Pensions Risk Register

Risk	Assigned to	Existing Controls	Current Risk Rating			Future controls	Future risk rating		
			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 Insignificant	2 Minor	3 Moderate	4 Major	5 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

<b>REPORT TO:</b>	<b>Pension Board 14 January 2021</b>
<b>SUBJECT:</b>	<b>Local Government Pension Scheme Advisory Board / The Pensions Regulator Update</b>
<b>LEAD OFFICER:</b>	<b>Nigel Cook Head of Pensions and Treasury</b>

### 1. RECOMMENDATION

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

### 2. EXECUTIVE SUMMARY

- 2.1 This report advises the Board 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 and 9 December the public sector exit payments page of the SAB website was updated to include a link to exit cap information for employers and to include the SAB response to the draft MHCLG regulations.

##### 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 DATA PROTECTION IMPLICATIONS**

4.1 Will the subject of the report involve the processing of 'personal data'?

No.

**Approved by:** Lisa Taylor, Director of Finance, Investment and Risk, S151 Officer

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**CONTACT OFFICER:** Nigel Cook, Head of Pensions and Treasury,  
Resources Department, ext. 62552

**BACKGROUND DOCUMENTS:** None

**APPENDICES:** None



## Croydon Council

### For General Release

<b>REPORT TO:</b>	<b>Local Pension Board</b> <b>14 January 2021</b>
<b>SUBJECT:</b>	<b>Exit Payment Cap</b>
<b>LEAD OFFICER:</b>	<b>Vicki Richardson</b> <b>Head of HR &amp; Finance Service Centre</b>

#### 1. RECOMMENDATIONS

The Board is asked to:

Note the recommendations agreed by Pension Committee on 8 December 2020.

#### 2. EXECUTIVE SUMMARY

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

#### 3. DETAIL

- 3.1 The Restriction of Public Sector Exit Payments Regulations 2020 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.
- 3.2 The Ministry of Housing, Communities & Local Government (MHCLG) has launched a consultation on changes to the LGPS and Discretionary Compensation Regulations. 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.
- 3.3 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.
- 3.4 The Croydon Pension Fund (the fund), as an administering authority needed to decide whether to pay an unreduced pension in line with The Local

Government Pension Scheme Regulations 2013 regulation 30(7) or provide the option of either a deferred pension under regulation 6(1) or an immediate reduced pension under regulation 30(5) in line with the Government's recommendations.

- 3.5 To assist administering authorities with this decision, the Scheme Advisory Board (SAB) has obtained legal advice. 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
- 3.6 MHCLG also wrote to LGPS administering authorities on 28 October 2020 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.
- 3.7 The fund also needed 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.
- 3.8 The options were presented to the Pension Committee on 8 December 2020 who agreed the recommendations 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.

#### **4. DATA PROTECTION IMPLICATIONS**

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

NO

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

**BACKGROUND DOCUMENTS:**

[Pension Committee 8 December - Agenda Item 13. Exit Payment Cap](#)

**APPENDICES:** None

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## Croydon Council

<b>REPORT TO:</b>	<b>Pension Board</b> <b>14 January 2021</b>
<b>SUBJECT:</b>	<b>The Collective Investment Vehicle for London Local Authorities Pension Funds: Compliance with pooling requirements and review of savings</b>
<b>LEAD OFFICER:</b>	<b>Nigel Cook Head of Pensions Investment and Treasury</b>

### 1. RECOMMENDATION

1.1 The Board are asked to note the contents of this report

### 2. EXECUTIVE SUMMARY

2.1 This report advises the Board of the extent to which the Fund is complying with the pooling requirements of Guidance issued by the, then, Department for Communities & Local Government in 2015 and of the savings made through pooling.

### 3. DETAIL

3.1 In 2015 the, then, Department for Communities & Local Government issued Guidance which set out how the Government expected funds to establish asset pooling arrangements. The stated objectives were to deliver:

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

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

3.3 Since its founding in 2014 the London CIV has developed its governance structure with a new Corporate Governance and Controls framework being agreed at the Annual General Meeting in July 2018. The key components of the framework are the Shareholder Committee, comprising Leaders and Treasurers of twelve of the

London boroughs, and a Board made up of executive and non-executive directors all of whom must meet FCA fitness to serve requirements.

- 3.4 During the development of the pooling concept funds estimated how they could comply with its requirements in the context of their own asset allocation policies. The Council Fund’s Investment Strategy Statement, as agreed on 18 September 2018, includes the following:

*5.3 The Fund holds illiquid assets outside of the London CIV pool. The cost of exiting these strategies early would have a negative financial impact on the Fund. These will be held as legacy assets until such time as they mature. The Fund will continue to invest in illiquid assets outside of the London CIV pool, until suitable strategies are made available by the London CIV pool, in order to meet its asset allocation target.*

*5.4 Therefore, the proportion of assets that will be invested through the pool will be circa. 65%*

- 3.5 At their meeting on 17 March 2020 the Pension Committee agreed a revised asset allocation with the combined equities and fixed interest allocations totalling 60% which became a more realistic target for pooling.
- 3.6 At 31 March 2020 the Fund had investments of £84.1m (7.1% of its investments) invested in sub-funds managed by the London CIV and a further £426.0m (35.9%) within the pooling umbrella but not managed by the London CIV.
- 3.7 During the first half of 2020/21 an investment of £55m was made in the London CIV Sustainable Equity Exclusion Fund managed by RBC Global Asset Management (UK) and a summary of the overall position of the Fund at 30 September 2020 is as follows:

<b>INVESTMENT</b>	<b>£m</b>	<b>%</b>
<b>CIV related</b>		
Legal and General Equities	531.9	37.9
RBC Equities	67.6	4.8
PIMCO Fixed interest bonds	92.4	6.6
<b>CIV related total</b>	<b>691.9</b>	<b>49.3</b>
<b>Non CIV related total</b>	<b>710.3</b>	<b>50.7</b>
<b>TOTAL</b>	<b>1,402.2</b>	<b>100.0</b>

- 3.8 The Committee are satisfied with the progress to date and consider that they continue to show a significant commitment to the pooling concept.
- 3.9 In January 2019 the Ministry of Housing, Communities & Local Government issued a consultation and draft guidance document on asset pooling setting out proposed

changes to the framework. Further consultation was promised with draft guidance to be in place in early 2020 but this has not yet been published.

3.10 Estimated savings made against assumptions of standard fees and costs incurred from the pool investments during 2019/20 were as follows:

	<b>Assets under management at 31 March 2020</b>	<b>Estimated gross fees savings</b>	<b>Management fees and development funding charge</b>	<b>Estimated net fees savings</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Legal and General Equities</b>	425,959	290	25	265
<b>Janus Henderson Emerging Markets Equities</b>		88	4	84
<b>PIMCO Fixed interest</b>	84,104	217	9	208
<b>Development funding charge</b>			90	(90)
<b>TOTAL</b>	510,063	595	128	467

3.11 Estimated savings made and costs incurred from the pool investments during the first half of 2020/21 were as follows:

	<b>Assets under management at 30 September 2020</b>	<b>Estimated gross fees savings</b>	<b>Estimated management fees and development funding charge</b>	<b>Estimated net fees savings</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Legal and General Equities	531,921	150	15	135
RBC Equities	67,617	80	4	76
PIMCO Fixed interest	92,396	120	5	115
Development funding charge			45	(45)
<b>TOTAL</b>	<b>691,934</b>	<b>350</b>	<b>69</b>	<b>281</b>

3.12 The Board are invited to note this report

#### **4 DATA PROTECTION IMPLICATIONS**

4.1 Will the subject of the report involve the processing of 'personal data'?

No.

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**CONTACT OFFICER:** Nigel Cook, Head of Pensions Investment and Treasury,  
Finance, Investment and Risk  
Resources Department, ext. 62552.

**BACKGROUND DOCUMENTS:** None

**APPENDICES:** None