Public Document Pack

Pension Committee Agenda

To: Councillor Callton Young OBE (Chair)
Councillor Clive Fraser (Vice-Chair)
Councillors Simon Brew, Nina Degrads, Patricia Hay-Justice, Yvette Hopley, Endri Llabuti and Stewart

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

Reserve Members: Louis Carserides, Richard Chatterjee, Stuart Collins, Simon Fox, Enid Mollyneaux, Appu Srinivasan, Nikhil Sherine Thampi and Robert Ward

A meeting of the **Pension Committee** which you are hereby summoned to attend, will be held on **Tuesday, 14 March 2023** at **10.00 am** in **Council Chamber, Town Hall, Katharine Street, Croydon CR0 1NX.**

Katherine Kerswell
Chief Executive
London Borough of Croydon
Bernard Weatherill House
8 Mint Walk, Croydon CR0 1EA

Tariq Aniemeka-Bailey
tariq.aniemeka-bailey@croydon.gov.uk
www.croydon.gov.uk/meetings
Monday, 6 March 2023

Members of the public are welcome to attend this meeting, or you can view the webcast both live and after the meeting has completed at http://webcasting.croydon.gov.uk

If you would like to record the meeting, we ask that you read the guidance on the recording of public meetings here before attending.

The meeting will be paperless. The agenda papers for all Council meetings are available on the Council website www.croydon.gov.uk/meetings

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AGENDA – PART A

1. Apologies for Absence

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

2. Minutes of the Previous Meeting (Pages 7 - 14)

To approve the minutes of the meeting held on Tuesday, 6 December 2022 as an accurate record.

3. Disclosure of Interests

Members are invited to declare any disclosable pecuniary interests (DPIs) and other registrable and non-registrable interests they may have in relation to any item(s) of business on today's agenda.

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. Funding Strategy Statement and Satellite Policies (Pages 15 - 74)

The Funding Strategy Statement, Appendix A, along with the satellite policies on Contribution Reviews; Appendix B, Academies Funding, Appendix C, Bulk Transfers, Appendix D, Cessation, Appendix E, and Prepayments, Appendix F, summarise Croydon Pension Fund's approach to funding its liabilities.

6. Pension Fund Medium Term Business Plan 2023-26 (Pages 75 - 98)

This report presents to the Committee a draft Business Plan for the Fund for financial years 2023/24 to 2025/26 attached as Appendix A. It invites their comments and requests their agreement to the Plan.

7. Review of Breaches Log (Pages 99 - 114)

It is consistent with The Pension Regulator's (TPR) Code of Practice that the Pension Fund maintains 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 and comment.

8. **Review of Risk Register** (Pages 115 - 140)

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.

9. **Croydon Pensions Administration Team Key Performance Indicators for the Period From November 2022 to January 2023** (Pages 141 - 154)

This report sets out Key Performance Indicators for the administration of the Fund for the three-month period up to the end of January 2023.

10. **Review of Committee Training** (Pages 155 - 170)

This report advises the Committee of training undertaken by the Pension Committee members in Year 2022/23 to 21 February 2023 and asks them note the contents of the Log attached to this report as Appendix A and the Hymans on-line training Log to 31 January 2023 attached to this report as Appendix B.

11. **Local Government Pension Scheme Advisory Board/The Pensions Regulator Update** (Pages 171 - 178)

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. Any implications for the Fund have been noted and are being addressed in consultation with Fund advisers.

12. **Progress Report for Quarter Ended 31 December 2022** (Pages 179 - 186)

This report provides an update on the Fund's performance for the quarter to 31 December 2022. The report falls into four parts. Section 1 addresses performance against strategic goals. The second section considers the asset allocation strategy and how that is being applied, specifically current and planned investments. The third section deals with risk management and the fourth and final section summarises the recent investment manager site visit.

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."

14. Progress Report for Quarter Ended 31 December 2022 (Pages 187 - 258)

PART B

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Pension Committee

Meeting held on Tuesday, 6 December 2022 at 10.00 am in Room 1.01 and 1.02 - Bernard Weatherill House, Mint Walk, Croydon CR0 1EA

MINUTES

Present: Councillor Callton Young OBE (Chair);
Councillor Clive Fraser (Vice-Chair);
Councillors Simon Brew, Stuart Collins, Patricia Hay-Justice, Yvette Hopley, Endri Llabuti and Alasdair Stewart

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

Also Present: Matthew Hallett (Acting Head of Pensions and Treasury), Gillian Phillip (Pensions Manager), Mike Ellsmore (Chair of Pension Board), Robbie Sinnott (Mercer), Jane West (Corporate Director of Resources & S151 Officer)

Apologies: Councillor Nina Degrads

PART A

41/22 Minutes of the Previous Meeting

The minutes of the meeting held on Tuesday 11 October 2022 were agreed as an accurate record.

42/22 Disclosure of Interests

The Chair of the Pension Board declared an interest regarding item 9 on the agenda which was ‘Constitution Changes’ as the report mentioned his allowances.

Councillor Fraser declared on behalf of the members that they were present as both Councillors and members of the committee.

43/22 Urgent Business (if any)

Gilli Driver stated that she had not received the papers in time; this hampered hers and Peter’s preparation for the meeting. Members also mentioned that the training course that Peter had been required to attend clashed with the meeting.

Councillor Hay Justice suggested that if Democratic Services were short on staff members then the committee could consider funding Democratic Services in order to ensure that they were not stretched and were able to meet the demands of the Pension Committee.

Jane West stated that as Democratic Services was within her remit, she would investigate this issue to ensure that there was not a reoccurrence in future.

44/22 Breaches of the Law Log

The Acting Head of Pensions and Treasury introduced the item and explained that the 2021/22 accounts had missed the Pensions Regulator deadline of having audited accounts for the Pension Fund. The Acting Head of Pensions and Treasury stated that the 2019/20, 2020/21 and the 2021/22 accounts had not been audited. In terms of reporting it to the regulator as a breach, the coding had been changed from green to amber. This had not been reported to the regulator as they had been assessing the cause and effect of the breach. The Acting Head of Pensions and Treasury felt as though the cause of the breach was because Local Government Pension Fund accounts were linked to the Council accounts which had not been signed off. The effect of this breach would not be detrimental to the scheme as the actuary was still able to sign off the valuation despite the accounts not being signed off.

In response to questions from members, officers informed the Committee that:

- The Scheme Advisory Board wrote to the Minister about the separation of the pension fund accounts from the main authority accounts but had not heard anything back. Currently these could not be separated as the pension fund is not legally separate from the local authority.
- The 2019/20 accounts audit was substantially complete. The 2020/21 accounts were currently being audited but there was only so much work that could be carried out as the 2019/20 accounts had not been officially signed off.
- There was a national issue in local government as no accounts were being signed off; the 2019/20 accounts were hoped to be signed off before the infrastructure issue was released. The infrastructure issue was a result of the audit industry recognising that local authorities were not valuing roads and bridges correctly in line with national requirements.
- The actuary was comfortable with signing off the valuation and there were no risks to the governance or management of the fund.

The committee agreed to move the minutes back to amber on the breaches of the law log.

RESOLVED:

- The Committee agreed the contents of the Pension Fund Breaches Log, Appendix A.

45/22 Administration Performance Report

The Acting Head of Pensions and Treasury introduced the item and explained that the team had managed to produce 100% of the annual benefits statements on time for the active members and 86.19% for the deferred members. Officers had identified the main issue with the deferred members was the outstanding backlog; the backlog project had finished and staff who had left the Council since April would not need to be issued with statements.

The Pension manager explained that the team was in the process of contacting individuals who made up the old cases, but officers did not have up to date addresses so they had to do a project to trace them.

The Pensions team was required to issue pension savings statements by the 6 October.

In response to questions from members, officers informed the Committee that:

- Officers cleared the items from the breaches log every three years.
- Currently the outstanding cases included the tracing tasks for the backlogged cases. Once these cases had been shut down the number of outstanding cases would decrease drastically.
- The reporting system was not ideal for their case types and tasks which ran different reports; there was hope that a new system would be in place next year which would improve their reporting.
- The cases that were listed as missed in the report were completed but not within the timeframe that they had set for themselves.
- The backlog projects that had been assigned to Hymans had all been completed.
- There had been a discussion about universal KPIs: there would be an enhanced tool which they would add to their existing system which would enable more in-depth reporting.
- Many of the errors that had been highlighted in the report were from the records of members who had passed away or transferred out of the Council.
- Most of the national insurance number issues related to children's pensions as children did not have national insurance numbers, so they were issued a temporary one.

The Chair of the Pension Board suggested officers undertook a marketing campaign to improve the number of people who read the annual benefits statements.

The Chair and the Committee thanked officers for their work on clearing the backlog.

The Committee welcomed the introduction of national KPIs.

RESOLVED:

- The Committee agreed to note the Key Performance Indicators and the performance against these indicators set out in Appendix A in the report.

46/22 Risk Register Review

The Acting Head of Pensions and Treasury introduced the item to the Committee and explained that there had been no new risks identified or added to the register.

RESOLVED:

- The Committee agreed to note the contents of the Pension Fund Risk Register.

47/22 Review of Committee Training

The Acting Head of Pensions and Treasury introduced the item to the Committee and explained that they had employed Hymans Robertson to carry out a knowledge assessment on the Committee in order to identify training needs moving forward. Officers were awaiting a report from Hymans which would inform them on which areas required training in future. The Acting Head of Pensions and Treasury asked members to check whether the training that they had undertaken was recorded properly.

In response to a question from a member, officers informed the Committee that the deadline had now passed but enough members had completed the assessment for Hymans to identify the areas which needed training.

Councillor Brew stated that he had tried to set up a doodle poll but had no success, so would try again in January.

The Acting Head of Pensions and Treasury informed the Committee that there would be an investment strategy review in the first quarter of next year so a date for members' training would need to be forthcoming.

RESOLVED:

- The Committee agreed to note the contents of the Pension Committee Training Log.

48/22 Constitution Changes

The Acting Head of Pensions and Treasury introduced the item to the Committee and explained that there were two areas they had to assess: the first being voting rights and second being Pension Board allowances.

On voting rights, the following was proposed, the extension of voting rights to the Trade Union Representative as an active member of the Fund, addition of a voting Employer representative, and to keep one pensioner representative as a voting member and one as a non-voting member. Officers determined that one active member and one pension side representative as voting members reflected the make-up of the membership of the Fund and that an additional voting Employer Representative role was required to allow non-council employer participation.

Officers proposed to introduce an allowance for members of the Pension Board who were no longer being paid by their employer.

In response to a question from members, officers informed the Committee that:

- The allowance for the Chair of the Pension Board was set in 2014 and had not been increased since.
- They would introduce a cost-of-living increment on the allowance.
- The Council had taken out a separate insurance policy for the Pension Board.
- London Pension Fund Authority had advertised for a Chair of the Pension Board and they were offering an allowance of £7,000 for the position.
- The Chair was an independent member of the board, and he would attend more meetings than any of the board members mainly as well as Pension Committee meetings.
- Each Pension Board member was required to undertake the same training as the Pension Committee members.
- The proposed changes would need to be agreed by the Monitoring Officer.

A Member of the Pension Committee highlighted that there were still two unpaid members who sat on the Committee.

RESOLVED:

- The Committee agreed the amendments to voting rights proposed in the paper considered by the Committee at their meeting of 11 October remain unchanged to preserve the balance on the Committee subject to agreement from the monitoring officer and the constitution working group.
- The Committee agreed changes to the Constitution to agree an annual allowance will be paid to the Members of the Pension Board and the Pension Board Chair as set out in section 3.3.

49/22 Contracts for the Provision of Actuarial and Global Custody Services

The Acting Head of Pensions and Treasury presented the report to the Committee and explained that the actuarial contract had been extended until the end of July 2023 and the Global custody contract was a rolling contract. The mechanism by which officers recommended tendering for these contracts was through the Local Government Pension Scheme national framework.

In response to questions from members, officers informed the Committee that:

- The government actuarial department checked whether actuaries were operating within guidelines as different actuaries valued funds differently.
- The Acting Head of Pensions and Treasury would prefer an actuary with a more prudent approach and would value service and cost over an actuary that valued the Fund higher than others.
- There would have been a large turnover of staff at the Global Custody Services contractor in the time that they had been managing the Pension Fund.
- There would not be a conflict of interest in having Mercer as an investment advisor and as an actuary.

RESOLVED:

- The Committee agreed to note the report on the contracts for the Provision of Actuarial and Global Custody Services.

50/22 Update on SAB and TPR news

The Acting Head of Pensions and Treasury presented the report to the Committee.

In response to questions from Members, officers informed the Committee that:

- There had always been money to fund infrastructure but in the past the government had been unwilling to underwrite the potential risk.
- Since the announcement details had been scarce, there was a lot of turnover with ministers and there were still several details which needed to be made clear.
- If there was a new allocation, then this would cause an issue with the Fund and officers would be uncomfortable if they were required to take on more liquid assets.
- The Fund would not look to make specific investments; they would look to invest money with an infrastructure manager with a diverse portfolio which would offset risks so it would not require insurance on the investment.

- Any change in allocation would occur over several years which would enable the Fund to prepare.

RESOLVED:

- The Committee agreed to note the contents of this report.

51/22 Progress Report for Quarter Ended 30 September 2022

The Acting Head of Pensions and Treasury presented the Progress Report for Quarter Ended 30 September 2022 to the Committee and explained that over the quarter the fund had decreased in value by £20 million due to the performance in the bonds market, and equities continued to come down; Property also showed signs of decrease. The Acting Head of Pensions and Treasury explained that the portfolio had held up well due to diversification and reminded the Committee that that every pension fund was down across the industry.

The Pension Fund had increased from a 66% to a 97% funded position since the Acting Head of Pensions and Treasury had been with the Council.

In response to questions from Members, officers informed the Committee that:

- Officers had assessed the investment strategy and the investment strategy statement had to be reviewed every three years;
- The target allocation needed a slight adjustment rather than a complete overhaul.

RESOLVED:

- The Committee agreed to note the performance of the Fund for the quarter ended 30 September 2022.

52/22 Exclusion of the Press and Public

The following motion was moved by Councillor Young and agreed by the Committee to exclude the press and public:

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

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

53/22 Progress Report for Quarter Ended 30 September 2022

RESOLVED that members of the Press and Public be excluded from the remainder of the meeting under Section 100A(4) of the Local Government Act 1972 on the grounds that: (i) it involved the likely disclosure of exempt information as defined in Paragraph 3 (Information relating to the financial or business affairs of any particular person (including the authority holding that information)) of Part 1 of Schedule 12A of the Act: and (ii) that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

54/22 Investment Strategy Review

RESOLVED that members of the Press and Public be excluded from the remainder of the meeting under Section 100A(4) of the Local Government Act 1972 on the grounds that: (i) it involved the likely disclosure of exempt information as defined in Paragraph 3 (Information relating to the financial or business affairs of any particular person (including the authority holding that information)) of Part 1 of Schedule 12A of the Act: and (ii) that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

The meeting ended at 11.19 am

Signed: ....

Date: ....

Pension Committee Action Log 2022-23

Date of meeting	Action	Agenda ref.	Deadline	Progress
14 June 2022	Fund manager meetings to be arranged for Committee to attend	21/22	-	Awaiting confirmation from Councillors on suitable dates
6 December 2022	The Acting Head of Pensions and Treasury informed the Committee that there would be an investment strategy review in the first quarter of next year so a date for members' training would need to be forthcoming.	47/22	December 2023	An initial workshop was held in February 2023. Work is ongoing to complete the review.
6 December 2022	The Committee agreed the amendments to voting rights proposed in the paper considered by the Committee at their meeting of 11 October remain unchanged to preserve the balance on the Committee subject to agreement from the monitoring officer and the constitution working group.	48/22	May 2023	Officer have met with the monitoring officer who made a commitment to review and make amendments to the constitution by the end of May 2023.
6 December 2022	The Committee agreed changes to the Constitution to agree an annual allowance will be paid to the Members of the Pension Board and the Pension Board Chair as set out in section 3.3.	48/22	May 2023	Officer have met with the monitoring officer who made a commitment to review and make amendments to the constitution by the end of May 2023.
6 December 2022	Officers agreed to ensure that Members of the Committee who did not have access to online papers received their physical copies of the agenda in good time.	43/22	-	

Completed Actions

Date of meeting	Action	Deadline	Progress	
14 June 2022	Discuss frequency and time of cttee dates	16/22	Sept 2022	Date identified subject to discussion with the Chair

14 June 2022	MH to review minutes ready for committee to approve at the next meeting	13 Sept 2022	11 October 2022	Approved at the 11 October Pension Committee meeting – Action Completed
14 June 2022	MH and DS to generate Work Programme and Action Log for review at each committee meeting	13 Sept 2022	11 October 2022	Action Completed
14 June 2022	Pension Team to give update from the regulator on the minutes and quantify backlog of tasks in the Breaches Log	13 Sept 2022	11 October 2022	Verbal update delivered to the Pension Committee on the 11 October – Action Completed
14 June 2022	Attach timescales to the outstanding Governance Review actions	13 Sept 2022	11 October 2022	Governance progress report was included for the October committee – Action Completed
14 June 2022	Discretions policy – Amend and send to employers for consultation	-	-	This was sent to employers with request for comment by 09.09.22 Update since – no comments received, consultation complete – Action Completed
14 June 2022	Key Performance Indicators Report – Add further detail on backlog	-	11 October 2022	This was included in October report – Action Completed
14 June 2022	Governance Compliance Statement – Amend Principal G as not Fully compliant and under Principal D check if the Pensions Board is classified as a sub-committee	13 Sept 2022	11 October 2022	This was included in the report for consideration at the October committee meeting – Action Completed
14 June 2022	Members requested a formal training plan	-	11 October 2022	A report was presented at the October Committee meeting- Action Completed
14 June 2022	Budget Review - Only one year's data in the table in the report to forecast future spending. Need to estimate of forecast based on data stretching further back in time	13/22		Completed 14 March 2023. This has been included in the business plan.
11 October 2022	Officers to present a paper to the next committee meeting explaining the rationale behind enfranchisement and balance of representation	28/22	6 December 2022	Presented at 6 December 2022 meeting

11 October 2022	The Committee recommended that appropriate constraints on Board Member allowances are added to the proposed constitutional changes	29/22	6 December 2022	Presented at 6 December 2022 meeting

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Croydon Council

REPORT TO:	**Pension Committee** **14 March 2023**
SUBJECT:	**Funding Strategy Statement and Satellite Policies**
LEAD OFFICER:	**Matthew Hallett – Acting Head of Pensions and Treasury**
CORPORATE PRIORITY/POLICY CONTEXT: **Sound Financial Management**: The Pensions Committee is responsible to all Scheme Employers for the sound management of the Local Government Pension Scheme.	
FINANCIAL SUMMARY: The Strategy determines the underlying principles for the triennial valuation. The valuation sets the contribution rate for the Council and for all other Scheme employers.	

1. RECOMMENDATION

The Committee is recommended to:

1.1 Note the outcome of the recent consultation on the Funding Strategy Statement.
1.2 Adopt the Funding Strategy Statement, included as Appendix A.
1.3 Adopt the Policy on Contribution Reviews included as Appendix B
1.4 Adopt the Policy on Academies Funding, included as Appendix C
1.5 Adopt the Policy on Bulk Transfers, included as Appendix D
1.6 Adopt the Cessation Policy, included as Appendix E
1.7 Adopt the Prepayments Policy, included as Appendix F

2. EXECUTIVE SUMMARY

2.1 The Funding Strategy Statement, Appendix A, along with the satellite policies on Contribution Reviews; Appendix B, Academies Funding, Appendix C, Bulk Transfers, Appendix D, Cessation, Appendix E, and Prepayments, Appendix F, summarise Croydon Pension Fund's approach to funding its liabilities.

3. DETAIL

3.1 It is the responsibility of Croydon Council, acting in its capacity as Administering Authority to the Croydon Pension Fund, to prepare, publish and maintain the Fund's Funding Strategy Statement (FSS). The Fund reviews the FSS at least every three years alongside the valuation but also from time-to-time when required.

3.2 The Pension Committee considered a 2022 valuation update report and draft version of the revised FSS and associated satellite policies at the Committee meeting on 11 October 2022. That report provided the initial whole Fund results of the 2022 valuation and highlighted the key changes to the FSS since the last review in May 2021.

3.3 The revised FSS and satellite policies were approved in draft form by the Pension Committee on 11th October 2022. These documents were published on the Fund website for consultation with the Fund employers who were advised of this via email. All the Fund's academies were invited to attend a live webinar in January 2023 which was delivered by the Fund's Actuary from Hymans Robertson. A recording of the webinar was sent to all academies. Academies were given the opportunity to follow up with Officers if they had any queries regarding their individual contribution rates. The Fund's admitted bodies were sent a webinar recording specifically for admitted bodies which was again delivered by Hymans Robertson. Hymans Robertson engaged separately with Croydon College on behalf of the Fund, due to its unique status and as it is the second largest employer in the Fund. No comments have been received from the consultation which has now ended.

3.4 Following the end of the consultation, the committee is asked to adopt the draft FSS and satellite polices appended to this report (Appendices A to F) as the final versions. This will allow the Fund Actuary to sign off the final valuation report by the statutory deadline of 31 March 2023.

3.5 Officers are working with Hymans to complete the valuation process. It is expected that this work will be completed ahead of 31 March 2023.

3.6 There is no requirement for the final report or the rates and adjustments certificate to be agreed by the Committee.

4. CONSULTATION

4.1 The Fund Actuary has been consulted on the content of this report and the valuation process. Fund employers have been consulted on the FSS and satellite policies and have been provided with the opportunity to engage with the Fund Actuary on their own valuations.

5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

5.1 There are no further financial or risk assessment considerations arising from this report.

Approved by: Alan Layton on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

6. LEGAL CONSIDERATIONS – COMMENTS OF BURGESS SALMON LLP

6.1 Burges Salmon LLP (a legal advisor appointed to the Pension Fund) comments that an administering authority has a duty to prepare, maintain and review their Funding Strategy Statement under Regulation 58 of the Local Government Pension Scheme Regulations 2013 ("the 2013 Regulations"). Regulation 58 of the 2013 Regulations require the Administering Authority to have regard to the "Guidance on Preparing and Maintaining a Funding Strategy Statement" published by CIPFA and the current version of its Investment Strategy Statement which is required to be prepared and published under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 .

7. HUMAN RESOURCES IMPACT

7.1 There are no immediate workforce impacts arising from this report but the pension scheme is an important staff benefit for recruitment and retention.

Approved by: Gillian Bevan, Head of Human Resources on behalf of Dean Shoesmith, Chief People Officer

8. EQUALITIES IMPACT

8.1 There are no equalities impacts arising from this report.

Approved by: Denise McCausland Equality Programme Manager

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.

Has a data protection impact assessment (DPIA) been completed?

No. This report relates to matters relating to the administration of the LGPS and the Croydon Pension Fund.

Approved by: Alan Layton on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

CONTACT OFFICER:

Matthew Hallett – Acting Head of Pensions and Treasury

BACKGROUND DOCUMENTS:

None.

APPENDICES

Appendix A: The Funding Strategy Statement.
Appendix B: Contribution Reviews Policy
Appendix C: Academies Funding Policy
Appendix D: Cessation Policy
Appendix E: Bulk Transfers Policy
Appendix F: Prepayments Policy

Croydon Pension Fund

Funding Strategy Statement

October 2022

DRAFT

Contents

1 Welcome to our Funding Strategy Statement

This document sets out the Funding Strategy Statement (FSS) for Croydon Pension Fund.

The Croydon Pension Fund is administered by Croydon Council, known as the administering authority. Croydon Council worked with the Fund's actuary, Hymans Robertson, to prepare this FSS which is effective from [DATE POST CONSULTATION].

There's a regulatory requirement for Croydon Council to prepare an FSS. You can find out more about the regulatory framework in Appendix A. If you have any queries about the FSS, contact pensions@croydon.gov.uk

1.1 What is the Croydon Pension Fund?

The Croydon Pension Fund is part of the Local Government Pension Scheme (LGPS). You can find more information about the LGPS at www.lgpsmember.org. The administering authority runs the Fund on behalf of participating employers, their employees and current and future pensioners. You can find out more about roles and responsibilities in Appendix B.

1.2 What are the funding strategy objectives?

The funding strategy objectives are to:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

1.3 Who is the FSS for?

The FSS is mainly for employers participating in the Fund, because it sets out how money will be collected from them to meet the Fund's obligations to pay members' benefits.

Different types of employers participate in the Fund:

Scheduled bodies
Employers who are specified in a schedule to the LGPS regulations, including councils and employers like academies and further education establishments. Scheduled bodies must give employees access to the LGPS if they can't accrue benefits in another pension scheme, such as another public service pension scheme.

Designating employers
Employers like town and parish councils can join the LGPS through a resolution. If a resolution is passed, the Fund can't refuse entry. The employer then decides which employees can join the scheme.

Admission bodies
Other employers can join through an admission agreement. The Fund can set participation criteria for them and can refuse entry if the requirements aren't met. This type of employer includes contractors providing outsourced services like cleaning or catering to a scheduled body.

Some existing employers may be referred to as **community admission bodies** (CABs). CABs are employers with a community of interest with another scheme employer. Others may be called **transferee admission bodies** (TABs), that provide services for scheme employers. These terms aren't defined under current regulations but remain in common use from previous regulations.

1.4 How does the funding strategy link to the investment strategy?

The funding strategy sets out how money will be collected from employers to meet the Fund's obligations. Contributions, assets and other income are then invested according to an investment strategy set by the administering authority. You can find the investment strategy at link.

The funding and investment strategies are closely linked. The Fund must be able to pay benefits when they are due – those payments are met from a combination of contributions (through the funding strategy) and asset returns and income (through the investment strategy). If investment returns or income fall short the Fund won't be able to pay benefits, so higher contributions would be required from employers.

1.5 Does the funding strategy reflect the investment strategy?

The funding policy is consistent with the investment strategy. Future investment return expectations are set with reference to the investment strategy, including a margin for prudence which is consistent with the regulatory requirement that funds take a 'prudent longer-term view' of funding liabilities (see Appendix A)

1.6 How is the funding strategy specific to the Croydon Pension Fund?

The funding strategy reflects the specific characteristics of the Fund employers and its own investment strategy.

2 How does the Fund calculate employer contributions?

2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS regulations.

Employer total contributions are calculated and set by the Fund actuary and are expressed into two elements:

- **the primary contribution rate** – contributions payable towards future benefits
- **the secondary contribution rate** – any adjustment to the primary contribution rate (such as additional contributions to repair any deficits)

The primary rate also includes an allowance for the Fund's expenses.

The Fund actuary uses a model to project each employer's asset share over a range of future economic scenarios (as detailed in Appendix D). The contribution rate takes each employer's assets into account as well as the projected benefits due to their members. The value of the projected benefits is worked out using employer membership data and the assumptions in Appendix D.

The total contribution rate for each employer is then based on:

- **the funding target** – how much money the Fund aims to hold for each employer
- **the time horizon** – the time over which the employer aims to achieve the funding target
- **the likelihood of success** – the proportion of modelled scenarios where the funding target is met.

This approach takes into account the maturing profile of the membership when setting employer contribution rates.

2.2 The contribution rate calculation

Table 2: contribution rate calculation for individual or pooled employers

Type of employer	Scheduled bodies			CABs and designating employers		TABs*
Sub-type	**Council**	**Colleges**	**Academies**	**Open to new entrants**	**Closed to new entrants**	**(all)**
Funding target**	Ongoing	Ongoing	Ongoing	Ongoing, but may move to low-risk exit basis		Ongoing
Minimum likelihood of success	75%	75%	75%	75%	75%	55-75% (dependent on outstanding contract term)
Maximum time horizon	20 years	15 years	15 years	15 years	15 years or average future working lifetime, if less	Same as the letting employer
Primary rate approach	The contributions must be sufficient to meet the cost of benefits earned in the future with the required likelihood of success at the end of the time horizon					

Type of employer	Scheduled bodies			CABs and designating employers		TABs*
Sub-type	Council	Colleges	Academies	Open to new entrants	Closed to new entrants	(all)
Secondary rate	% of payroll	% of payroll	% of payroll	% of payroll	Monetary amount	% of payroll
Stabilised contribution rate?	Yes	No	Yes	No	No	No
Treatment of surplus	Covered by stabilisation arrangement	Preferred approach: contributions kept at primary rate. Reductions may be permitted by the administering authority				Reduce contributions by spreading the surplus over the remaining contract term
Phasing of contribution changes	Covered by stabilisation arrangement	None	None	None	None	None

** Employers participating in the Fund under a pass-through agreement will pay a contribution rate as agreed between the contractor and letting authority*

*** See Appendix D for further information on funding targets.*

2.3 Making contribution rates stable

Making employer contribution rates reasonably stable is an important funding objective. Where appropriate, contributions are set with this objective in mind. The Fund may adopt a stabilised approach to setting contributions for individual employers, which keeps contribution variations within a pre-determined range from year-to-year.

After taking advice from the Fund actuary, the administering authority believes a stabilised approach is a prudent longer-term strategy.

Table 1: current stabilisation approach

Type of employer	Council
Maximum contribution increase per year	+1% of pay
Maximum contribution decrease per year	-1% of pay

Stabilisation criteria and limits are reviewed during the valuation process. The administering authority may review them between valuations to respond to membership or employer changes.

2.4 Reviewing contributions between valuations

The Fund may amend contribution rates between formal valuations, in line with its policy on contribution reviews. The Fund's contribution review policy is available here [add link]. The purpose of any review is to establish the most appropriate contributions. A review may lead to an increase or decrease in contributions.

2.5 Administering authority discretion

The administering authority may exercise its discretion in managing employer risks and adopt alternative funding approaches on a case-by-case basis.

Additionally, the administering authority may allow greater flexibility to the employer's contributions if added security is provided. Flexibility could include things like a reduced contribution rate, extended time horizon, or permission to join a pool. Added security may include a suitable bond, a legally binding guarantee from an appropriate third party, or security over an asset.

The Fund permits the prepayment of employer contributions in specific circumstances. However, in general, this is most appropriate for large, secure employers with stable active memberships.

Further details are set out in the Fund's prepayment policy available here [add link].

3 What additional contributions may be payable?

3.1 Pension costs – awarding additional pension and early retirement on non ill-health grounds

If an employer awards additional pension as an annual benefit amount, they pay an additional contribution to the Fund as a single lump sum. The amount is set by guidance issued by the Government Actuary's Department and updated from time to time.

If an employee retires before their normal retirement age on unreduced benefits, employers may be asked to pay additional contributions called strain payments.

Employers typically make strain payments as a single lump sum, though strain payments may be spread in exceptional circumstances if the administering authority agrees.

3.2 Pension costs – early retirement on ill-health grounds

If a member retires early because of ill-health, their employer must pay a funding strain, which may be a large sum. Such strain costs are the responsibility of the member's employer to pay.

The Fund recognises ill health early retirement costs can have a significant impact on an employer's funding and contribution rate, which could ultimately jeopardise their continued operation.

The Fund therefore has put in place an approach to help manage ill health early retirement costs by obtaining an external insurance quotation on behalf of employers.

If an employer provides satisfactory evidence to the Fund of a current external insurance policy covering ill health early retirement strains, then:

- the employer's contribution to the Fund each year is reduced by the amount of that year's insurance premium, so that the total contribution is unchanged, and

- there is no need for monitoring of allowances.

The employer must keep the Fund notified of any changes in the insurance policy's coverage or premium terms, or if the policy is ceased.

4 How does the Fund calculate assets and liabilities?

4.1 How are employer asset shares calculated?

The Fund adopts a cashflow approach to track individual employer assets.

The Fund uses Hymans Robertson's HEAT system to track employer assets monthly. Each employer's assets from the previous month end are added to monthly cashflows paid in/out and investment returns to give a new month-end asset value.

If an employee moves one from one employer to another within the Fund, assets equal to the cash equivalent transfer value (CETV) will move from the original employer to the receiving employer's asset share.

Alternatively, if employees move when a new academy is formed or an outsourced contract begins, the Fund actuary will calculate assets linked to the value of the liabilities transferring (see section 5).

4.2 How are employer liabilities calculated?

The Fund holds membership data for all active, deferred and pensioner members. Based on this data and the assumptions in Appendix D, the Fund actuary projects the expected benefits for all members into the future. This is expressed as a single value – the liabilities – by allowing for expected future investment returns.

Each employer's liabilities reflect the experience of their own employees and ex-employees.

4.3 What is a funding level?

An employer's funding level is the ratio of the market value of asset share against liabilities. If this is less than 100%, the employer has a shortfall: the employer's deficit. If it is more than 100%, the employer is in surplus. The amount of deficit or surplus is the difference between the asset value and the liabilities value.

Funding levels and deficit/surplus values measure a particular point in time, based on a particular set of future assumptions. While this measure is of interest, for most employers the main issue is the level of contributions payable. The funding level does not directly drive contribution rates. See section 2 for further information on rates.

5 What happens when an employer joins the Fund?

5.1 When can an employer join the Fund

Employers can join the Fund if they are a new scheduled body or a new admission body. New designated employers may also join the Fund if they pass a designation to do so.

On joining, the Fund will determine the assets and liabilities for that employer within the Fund. The calculation will depend on the type of employer and the circumstances of joining.

A contribution rate will also be set. This will be set in accordance with the calculation set out in Section 2, unless alternative arrangements apply (for example, the employer has agreed a pass-through arrangement). More details on this are in Section 5.4 below.

5.2 New academies

New academies (including free schools) join the Fund as separate scheduled employers. Only active members of former council schools transfer to new academies. Free schools do not transfer active members from a converting school but must allow new active members to transfer in any eligible service.

Liabilities for transferring active members will be calculated (on the ongoing basis) by the Fund actuary on the day before conversion to an academy. Liabilities relating to the converting school's former employees (ie members with deferred or pensioner status) remain with the ceding council.

New academies will be allocated an asset share based on the estimated funding level of the ceding council's active members, having first allocated the council's assets to fully fund their deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, capped at a maximum of 100%. The council's estimated funding level will be based on market conditions on the day before conversion.

The Fund treats new academies as separate employers in their own right, who are responsible for their allocated assets and liabilities.

If an academy leaves one MAT and joins another, all active, deferred and pensioner members transfer to the new MAT.

The Fund's policies on academies may change based on updates to guidance from the Department for Levelling Up, Housing and Communities or the Department for Education. Any changes will be communicated and reflected in future Funding Strategy Statements.

The Fund's Academies Policy is available here[add link].

5.3 New admission bodies as a results of outsourcing services

New admission bodies usually join the Fund because an existing employer (usually a scheduled body like a council or academy) outsources a service to another organisation (a contractor). This involves TUPE transfers of staff from the letting employer to the contractor. The contractor becomes a new participating Fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership. At the end of the contract, employees typically revert to the letting employer or a replacement contractor.

There is flexibility for outsourcing when it comes to pension risk potentially taken on by the contractor. You can find more details on outsourcing options from the administering authority or in the contract admission agreement. However, in general, the funding arrangements are set up as one of the following two options:

(i) Pass-through admissions

The Fund may look at new admission bodies being set up via a pass-through arrangement.

(ii) Other admissions

Liabilities for transferring active members will be calculated by the Fund actuary on the day before the outsourcing occurs. New contractors will then be allocated an asset share equal to the value of the transferring liabilities. The admission agreement may set a different initial asset allocation, depending on contract-specific circumstances.

Further details are set out in the Fund's admissions policy here.

5.4 Other new employers

There may be other circumstances that lead to a new admission body entering the Fund, eg set up of a wholly owned subsidiary company by a Local Authority. Calculation of assets and liabilities on joining and a contribution rate will be carried out allowing for the circumstances of the new employer.

New designated employers may also join the Fund. These are usually town and parish councils. Contribution rates will be set using the same approach as other designated employers in the Fund.

5.5 Risk assessment for new admission bodies

Under the LGPS regulations, a new admission body must assess the risks it poses to the Fund if the admission agreement ends early, for example if the admission body becomes insolvent or goes out of business. In practice, the Fund actuary assesses this because the assessment must be carried out to the administering authority's satisfaction.

After considering the assessment, the administering authority may decide the admission body must provide security, such as a guarantee from the letting employer, an indemnity or a bond.

This must cover some or all of the:

- strain costs of any early retirements, if employees are made redundant when a contract ends prematurely
- allowance for the risk of assets performing less well than expected
- allowance for the risk of liabilities being greater than expected
- allowance for the possible non-payment of employer and member contributions
- admission body's existing deficit.

The Fund's admissions policy can be found here.

6 What happens if an employer has a bulk transfer of staff?

Bulk transfer cases will be looked at individually, but generally:

- the Fund won't pay bulk transfers greater in value than either the asset share of the transferring employer in the Fund, or the value of the liabilities of the transferring members, whichever is lower
- the Fund won't grant added benefits to members bringing in entitlements from another fund, unless the asset transfer is enough to meet the added liabilities
- the Fund may permit shortfalls on bulk transfers if the employer has a suitable covenant and commits to meeting the shortfall in an appropriate period, which may require increased contributions between valuations.

The bulk transfer policy is available here [add link].

7 What happens when an employer leaves the Fund?

7.1 What is a cessation event?

Triggers for considering cessation from the Fund are:

- the last active member stops participation in the Fund. The administering authority, at its discretion, can defer acting for up to three years by issuing a suspension notice. That means cessation won't be triggered if the employer takes on one or more active members during the agreed time.
- insolvency, winding up or liquidation of the admission body
- a breach of the agreement obligations that isn't remedied to the Fund's satisfaction
- failure to pay any sums due within the period required
- failure to renew or adjust the level of a bond or indemnity, or to confirm an appropriate alternative guarantor

On cessation, the employer may be permitted to enter into a deferred debt agreement (DDA) and become a deferred employer in the Fund (as detailed in Section 7.4). If no DDA exists, the administering authority will instruct the Fund actuary to carry out a cessation valuation to calculate if there is a surplus or a deficit when the employer leaves the scheme.

7.2 What happens on cessation?

The administering authority must protect the interests of the remaining Fund employers when an employer leaves the scheme. The actuary aims to protect remaining employers from the risk of future loss. The funding target adopted for the cessation calculation is below. These are defined in Appendix D.

(a) Where there is no guarantor, cessation liabilities and a final surplus/deficit will usually be calculated using a low-risk basis, which is more prudent than the ongoing participation basis. The low-risk exit basis is defined in Appendix D.

(b) Where there is a guarantor, the guarantee will be considered before the cessation valuation. Where the guarantor is a guarantor of last resort, this will have no effect on the cessation valuation. If this isn't the case, cessation may be calculated using the same basis that was used to calculate liabilities (and the corresponding asset share) on joining the Fund.

(c) Depending on the guarantee, it may be possible to transfer the employer's liabilities and assets to the guarantor without crystallising deficits or surplus. This may happen if an employer can't pay the contributions due and the approach is within guarantee terms.

If the Fund can't recover the required payment in full, unpaid amounts will be paid by the related letting authority (in the case of a ceased admission body) or shared between the other Fund employers. This may require an immediate revision to the rates and adjustments certificate or be reflected in the contribution rates set at the next formal valuation.

The Fund actuary charges a fee for cessation valuations. Fees and expenses are at the employer's expense and may be deducted from the cessation surplus or added to the cessation deficit. This improves efficiency by reducing transactions between employer and Fund.

The cessation policy is available here [add link].

7.1 How do employers repay cessation debts?

If there is a deficit, full payment will usually be expected in a single lump sum or:

- spread over an agreed period, if the employer enters into a deferred spreading arrangement (DSA)
- if an exiting employer enters into a DDA, it stays in the Fund and pays contributions until the cessation debt is repaid. Payments are reassessed at each formal valuation.

Further details are set out in the cessation policy available here.

7.2 What if an employer has no active members?

When employers leave the Fund because their last active member has left, they may pay a cessation debt, receive an exit credit or enter a DDA/DSA. Beyond this they have no further obligation to the Fund and either:

a) their asset share runs out before all ex-employees' benefits have been paid, in which case the other Fund employers will be required to contribute to the remaining benefits. The Fund actuary will apportion the liabilities on a pro-rata basis at the formal valuation.

b) the last ex-employee or dependant dies before the employer's asset share is fully run down, in which case the Fund actuary will apportion the remaining assets to the other Fund employers on a pro-rata basis at the formal valuation.

7.3 What happens if there is a surplus?

If the cessation valuation shows the exiting employer has more assets than liabilities – an exit credit – the administering authority can decide how much will be paid back to the employer based on:

- the surplus amount
- the proportion of the surplus due to the employer's contributions
- any representations (like risk sharing agreements or guarantees) made by the exiting employer and any employer providing a guarantee or some other form of employer assistance/support
- any other relevant factors.

The exit credit policy is set out within section 3.3 of the Fund's cessation policy, available here.

8 What are the statutory reporting requirements?

8.1 Reporting regulations

The Public Service Pensions Act 2013 requires the Government Actuary's Department to report on LGPS funds in England and Wales after every three-year valuation, in what's usually called a section 13 report. The report should include confirmation that employer contributions are set at the right level to ensure the Fund's solvency and long-term cost efficiency.

8.2 Solvency

Employer contributions are set at an appropriate solvency level if the rate of contribution targets a funding level of 100% over an appropriate time, using appropriate assumptions compared to other funds. Either:

(a) employers collectively can increase their contributions, or the Fund can realise contingencies to target a 100% funding level

or

(b) there is an appropriate plan in place if there is, or is expected to be, a reduction in employers' ability to increase contributions as needed.

8.3 Long-term cost efficiency

Employer contributions are set at an appropriate long-term cost efficiency level if the contribution rate makes provision for the cost of current benefit accrual, with an appropriate adjustment for any surplus or deficit.

To assess this, the administering authority may consider absolute and relative factors.

Relative factors include:

1. comparing LGPS funds with each other
2. the implied deficit recovery period
3. the investment return required to achieve full funding after 20 years.

Absolute factors include:

1. comparing funds with an objective benchmark
2. the extent to which contributions will cover the cost of current benefit accrual and interest on any deficit
3. how the required investment return under relative considerations compares to the estimated future return targeted by the investment strategy
4. the extent to which contributions paid are in line with expected contributions, based on the rates and adjustment certificate
5. how any new deficit recovery plan reconciles with, and can be a continuation of, any previous deficit recovery plan, allowing for Fund experience.

These metrics may be assessed by GAD on a standardised market-related basis where the funds' actuarial bases don't offer straightforward comparisons.

Appendices

Appendix A – The regulatory framework

A1 Why do funds need a funding strategy statement?

The Local Government Pension Scheme (LGPS) regulations require funds to maintain and publish a Funding Strategy Statement (FSS). According to the Department for Levelling Up, Housing and Communities (DLUHC) the purpose of the FSS is to document the processes the administering authority uses to:

- *establish a **clear and transparent fund-specific strategy** identifying how employers' pension liabilities are best met going forward*
- *support the regulatory framework to maintain **as nearly constant employer contribution rates as possible***
- *ensure the fund meets its **solvency and long-term cost efficiency** objectives*
- *take a **prudent longer-term view** of funding those liabilities.*

To prepare this FSS, the administering authority has used guidance by the Chartered Institute of Public Finance and Accountancy (CIPFA).

A2 Consultation

Both the LGPS regulations and most recent CIPFA guidance state the FSS should be prepared in consultation with "*persons the authority considers appropriate*". This should include '*meaningful dialogue… with council tax raising authorities and representatives of other participating employers*'.

The consultation process included issuing a draft version to participating employers and invitation to attend an open employers' forum. The administering authority should circulate the CIPFA guidance. The draft should include an estimate of the impact of any variations from the previous funding strategy.

A3 How is the FSS published?

The FSS is emailed to participating employers and employee and pensioner representatives. Summaries are issued to members and a full copy is included in the Fund's annual report and accounts. Copies are freely available on request and is published on the website at https://www.croydonpensionscheme.org/

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the valuation. Amendments may be made before then if there are regulatory or operational changes. Any amendments will be consulted on, agreed by the Pensions Committee and included in the Committee meeting minutes.

A5 How does the FSS fit into the overall Fund documentation?

The FSS is a summary of the Fund's approach to funding liabilities. It isn't exhaustive – the Fund publishes other statements like the Investment Strategy Statement, Governance strategy and Communications strategy. The Fund's annual report and accounts also includes up-to-date Fund information.

You can see all Fund documentation at https://www.croydonpensionscheme.org/

Appendix B – Roles and responsibilities

B1 The administering authority:

1 operates the Fund and follows all Local Government Pension Scheme (LGPS) regulations

2 manages any conflicts of interest from its dual role as administering authority and a Fund employer

3 collects employer and employee contributions, investment income and other amounts due

4 ensures cash is available to meet benefit payments when due

5 pays all benefits and entitlements

6 invests surplus money like contributions and income which isn't needed to pay immediate benefits, in line with regulation and the investment strategy

7 communicates with employers so they understand their obligations

8 safeguards the Fund against employer default

9 works with the Fund actuary to manage the valuation process

10 provides information to the Government Actuary's Department so they can carry out their statutory obligations

11 consults on, prepares and maintains the funding and investment strategy statements

12 tells the actuary about changes which could affect funding

13 monitors the Fund's performance and funding, amending the strategy statements as necessary

14 enables the local pension board to review the valuation process.

B2 Individual employers:

1 deduct the correct contributions from employees' pay

2 pay all contributions by the due date

3 have appropriate policies in place to work within the regulatory framework

4 make additional contributions as agreed, for example to augment scheme benefits or early retirement strain

5 tell the administering authority promptly about any changes to circumstances, prospects or membership which could affect future funding.

6 make any required exit payments when leaving the Fund.

B3 The fund actuary:

1 prepares valuations, including setting employers' contribution rates, agreeing assumptions, working within FSS and LGPS regulations and appropriately targeting Fund solvency and long-term cost efficiency

2 provides information to the Government Actuary's Department so they can carry out their statutory obligations

3 advises on Fund employers, including giving advice about and monitoring bonds or other security

4 prepares advice and calculations around bulk transfers and individual benefits

5 assists the administering authority to consider changes to employer contributions between formal valuations

6 advises on terminating employers' participation in the Fund

7 fully reflects actuarial professional guidance and requirements in all advice.

Appendix C – Risks and controls

C1 Managing risks

The administering authority has a risk management programme to identify and control financial, demographic, regulatory, governance, covenant and climate risks.

A summary of the key fund-specific risks and controls is set out below. For more details, please see the Fund's risk register.

C2 Financial risks

Risk	Control
Fund assets don't deliver the anticipated returns that underpin the valuation of liabilities and contribution rates over the long-term.	Anticipate long-term returns on a prudent basis to reduce risk of under-performing. Use specialist advice to invest and diversify assets across asset classes, geographies, managers, etc. Analyse progress at three-year valuations for all employers. Roll forward whole Fund liabilities between valuations.
Inappropriate long-term investment strategy.	Consider overall investment strategy options as part of the funding strategy. Use asset liability modelling to measure outcomes and choose the option that provides the best balance. Operate various strategies to meet the needs of a diverse employer group.
Active investment manager under-performs relative to benchmark.	Use quarterly investment monitoring to analyse market performance and active managers, relative to index benchmark.
Pay and price inflation is significantly more than anticipated.	Focus valuation on real returns on assets, net of price and pay increases. Use inter-valuation monitoring to give early warning. Invest in assets with real returns. Employers to be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.
Increased employer's contribution rate affects service delivery.	Consider phasing to limit sudden increases in contributions.
Orphaned employers create added Fund costs.	Seek a cessation debt (or security/guarantor). Spread added costs among employers.

C3 Demographic risks

Risk	Control
Pensioners live longer, increasing Fund costs.	Set mortality assumptions with allowances for future increases in life expectancy. Use the Fund actuary's experience and access to over 50 LGPS funds to identify changes in life expectancy that might affect the longevity assumptions early.
As the Fund matures, the proportion of actively contributing employees declines relative to retired employees.	Monitor at each valuation, consider seeking monetary amounts rather than % of pay. Consider alternative investment strategies.
Deteriorating patterns of early retirements	Charge employers the extra cost of non ill-health retirements following each individual decision. Monitor employer ill-health retirement experience and insurance is an option.
Reductions in payroll cause insufficient deficit recovery payments.	Review contributions between valuations. This may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.

C4 Regulatory risks

Risk	Control
Changes to national pension requirements or HMRC rules.	Consider all Government consultation papers and comment where appropriate. Monitor progress on the McCloud court case and consider an interim valuation or other action once more information is known. Build preferred solutions into valuations as required.
Time, cost or reputational risks associated with any DLUHC intervention triggered by the Section 13 analysis	Take advice from the actuary and consider the proposed valuation approach, relative to anticipated Section 13 analysis.
Changes to employer participation in LGPS funds leads to impacts on funding or investment strategies.	Consider all Government consultation papers and comment where appropriate. Take advice from the fund actuary and amend strategy.

C5 Governance risks

Risk	Control
The administering authority is not aware of employer membership changes, for example a large fall in employee members, large number of retirements, or is not advised that an employer is closed to new entrants.	The administering authority develops a close relationship with employing bodies and communicates required standards. The actuary may revise the rates and adjustments certificate to increase an employer's contributions between valuations Deficit contributions may be expressed as monetary amounts.
Actuarial or investment advice is not sought, heeded, or proves to be insufficient in some way	The administering authority maintains close contact with its advisers. Advice is delivered through formal meetings and recorded appropriately. Actuarial advice is subject to professional requirements like peer review.
The administering authority fails to commission the actuary to carry out a termination valuation for an admission body leaving the Fund.	The administering authority requires employers with Best Value contractors to inform it of changes. CABs' memberships are monitored and steps are taken if active membership decreases.
An employer ceases to exist with insufficient funding or bonds.	It's normally too late to manage this risk if left to the time of departure. This risk is mitigated by: Seeking a funding guarantee from another scheme employer, or external body. Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. Vetting prospective employers before admission. Requiring a bond to protect the Fund, where permitted. Requiring a guarantor for new CABs. Regularly reviewing bond or guarantor arrangements. Reviewing contributions well ahead of cessation.
An employer ceases to exist, so an exit credit is payable.	The administering authority regularly monitors admission bodies coming up to cessation. The administering authority invests in liquid assets so that exit credits can be paid.

C6 Employer covenant assessment and monitoring

Many of the employers participating in the Fund, such as admitted bodies (including TABs and CABs), have no local tax-raising powers. The Fund assesses and monitors the long-term financial health of these employers to assess an appropriate level of risk for each employer's funding strategy.

C7 Climate risk and TCFD reporting

The Fund has considered climate-related risks when setting the funding strategy. The fund included climate scenario stress testing in the contribution modelling exercise for the Council at the 2022 valuation. The modelling results under the stress tests were slightly worse than the core results but were still within risk tolerance levels, particularly given the severity of the stresses applied. The results provide assurance that the modelling approach does not significantly underestimate the potential impact of climate change and that the funding strategy is resilient to climate risks. The results of these stress tests may be used in future to assist with disclosures prepared in line with Task Force on Climate-Related Financial Disclosures (TCFD) principles.

The same stress tests were not applied to the funding strategy modelling for smaller employers. However, given that the same underlying model is used for all employers and that the local authority employers make up the vast majority of the fund's assets and liabilities, applying the stress tests to all employers was not deemed proportionate at this stage and would not be expected to result in any changes to the agreed contribution plans.

Appendix D – Actuarial assumptions

The Fund's actuary uses a set of assumptions to determine the strategy, and so assumptions are a fundamental part of the Funding Strategy Statement.

D1 What are assumptions?

Assumptions are used to estimate the benefits due to be paid to members. Financial assumptions determine the amount of benefit to be paid to each member, and the expected investment return on the assets held to meet those benefits. Demographic assumptions are used to work out when benefit payments are made and for how long.

The funding target is the money the Fund aims to hold to meet the benefits earned to date.

Any change in the assumptions will affect the funding target and contribution rate, but different assumptions don't affect the actual benefits the Fund will pay in future.

D2 What assumptions are used to set the contribution rate?

The Fund doesn't rely on a single set of assumptions when setting contribution rates, instead using Hymans Robertson's Economic Scenario Service (ESS) to project each employer's assets, benefits and cashflows to the end of the funding time horizon.

ESS projects future benefit payments, contributions and investment returns under 5,000 possible economic scenarios, using variables for future inflation and investment returns for each asset class, rather than a single fixed value.

For any projection, the Fund actuary can assess if the funding target is satisfied at the end of the time horizon.

Table: Summary of assumptions underlying the ESS, 31 March 2022

		Annualised total returns									
		Cash	**Index Linked Gilts (medium)**	**Fixed Interest Gilts (Medium)**	**UK Equity**	**Overseas Equity**	**Property**	**A rated corporate bonds (medium)**	**RPI inflation expectation**	**17 year real govt yield (RPI)**	**17 year govt bond**
10 Years	16th %ile	0.8%	-1.9%	-0.3%	-0.4%	-0.7%	-0.6%	-0.1%	2.4%	-1.7%	1.1%
	50th %ile	1.8%	0.2%	1.1%	5.7%	5.6%	4.4%	1.6%	4.1%	-0.5%	2.5%
	84th %ile	2.9%	2.4%	2.4%	11.6%	11.7%	9.5%	3.2%	5.7%	0.7%	4.3%
20 Years	16th %ile	1.0%	-1.5%	0.7%	1.7%	1.5%	1.4%	1.1%	1.6%	-0.7%	1.3%
	50th %ile	2.4%	0.1%	1.5%	6.2%	6.1%	5.0%	2.1%	3.1%	1.0%	3.2%
	84th %ile	4.0%	1.9%	2.2%	10.6%	10.8%	8.9%	3.2%	4.7%	2.7%	5.7%
40 Years	16th %ile	1.2%	-0.3%	1.5%	3.2%	3.1%	2.6%	2.0%	1.1%	-0.6%	1.1%
	50th %ile	2.9%	1.2%	2.3%	6.7%	6.5%	5.5%	3.1%	2.4%	1.3%	3.3%
	84th %ile	4.9%	3.1%	3.5%	10.2%	10.2%	8.8%	4.4%	3.9%	3.2%	6.1%
Volatility (5 yr)		2%	7%	6%	18%	19%	15%	7%	3%		

D3 What financial assumptions were used?

Future investment returns and discount rate (for setting contribution rates)

The Fund uses a risk-based approach to generate assumptions about future investment returns over the funding time horizon, based on the investment strategy.

The discount rate is the annual rate of future investment return assumed to be earned on assets after the end of the funding time horizon. The discount rate assumption is set as a margin above the risk-free rate.

Assumptions for future investment returns depend on the funding objective.

	Employer type	Margin above risk-free rate (at end of funding time horizon)
Ongoing basis	All employers except employer approaching exit	2.4%
Low-risk exit basis	Employer approaching cessation	0%

Discount rate (ongoing basis for funding level calculations)

For the purpose of calculating the ongoing funding level, the discount rate is based on a prudent estimate of future returns, specifically that there is a 75% likelihood of these returns being achieved over the 20 years following the calculation date.

At the 2022 valuation, the ongoing basis discount rate of 4.0% applies. This is based on a there being a 75% likelihood that the Fund's assets will achieve future investment returns of 4.0% over the 20 years following the 2022 valuation date.

If an employer is funded on the low risk exit basis, a higher discount rate may apply – see section D5 below.

Pension increases and CARE revaluation

Deferment and payment increases to pensions and revaluation of CARE benefits are in line with the Consumer Price Index (CPI) and determined by the regulations.

The CPI assumption is based on Hymans Robertson's Economic Scenario Service (ESS) model. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 2022.

Salary growth

The salary increase assumption at the latest valuation has been set to CPI plus a promotional salary scale.

D4 What demographic assumptions were used?

Demographic assumptions are best estimates of future experience. The Fund uses advice from Club Vita to set demographic assumptions, as well as analysis and judgement based on the Fund's experience.

Demographic assumptions vary by type of member, so each employer's own membership profile is reflected in their results.

Life expectancy

The longevity assumptions are a bespoke set of VitaCurves produced by detailed analysis and tailored to fit the Fund's membership profile.

Allowance has been made for future improvements to mortality, in line with the 2021 version of the continuous mortality investigation (CMI) published by the actuarial profession. The starting point has been adjusted by +0.25% to reflect the difference between the population-wide data used in the CMI and LGPS membership. A long-term rate of mortality improvements of 1.5% pa applies.

The smoothing parameter used in the CMI model is 7.0. There is little evidence currently available on the long-term effect of Covid-19 on life expectancies. To avoid an undue impact from recently mortality experience on long-term assumptions, no weighting has been placed on data from 2020 and 2021 in the CMI.

Other demographic assumptions

Retirement in normal health	Members are assumed to retire at the earliest age possible with no pension reduction.
Promotional salary increases	Sample increases below
Death in service	Sample rates below
Withdrawals	Sample rates below
Retirement in ill health	Sample rates below
Family details	A varying proportion of members are assumed to have a dependant partner at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. Males are assumed to be 3 years older than females, and partner dependants are assumed to be opposite sex to members.
Commutation	45% of maximum tax-free cash
50:50 option	1% of members will choose the 50:50 option.

Males

Incidence per 1000 active members per year								
Age	Salary scale	Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2	
		FT &PT	FT	PT	FT	PT	FT	PT
20	105	0.17	606.46	813.01	0	0	0	0
25	117	0.17	400.59	537.03	0	0	0	0
30	131	0.2	284.23	380.97	0	0	0	0
35	144	0.24	222.07	297.63	0.1	0.07	0.02	0.01
40	150	0.41	178.79	239.55	0.16	0.12	0.03	0.02
45	157	0.68	167.94	224.96	0.35	0.27	0.07	0.05
50	162	1.09	138.44	185.23	0.9	0.68	0.23	0.17
55	162	1.7	109.02	145.94	3.54	2.65	0.51	0.38
60	162	3.06	97.17	130.02	6.23	4.67	0.44	0.33

Females

Incidence per 1000 active members per year								
Age	Salary scale	Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2	
		FT &PT	FT	PT	FT	PT	FT	PT
20	105	0.1	528.64	467.37	0	0	0	0
25	117	0.1	355.71	314.44	0.1	0.07	0.02	0.01
30	131	0.14	298.17	263.54	0.13	0.1	0.03	0.02

35	144	0.24	257.35	227.38	0.26	0.19	0.05	0.04
40	150	0.38	214.19	189.18	0.39	0.29	0.08	0.06
45	157	0.62	199.88	176.51	0.52	0.39	0.1	0.08
50	162	0.9	168.51	148.65	0.97	0.73	0.24	0.18
55	162	1.19	125.74	111.03	3.59	2.69	0.52	0.39
60	162	1.52	101.33	89.37	5.71	4.28	0.54	0.4

D5 What assumptions apply in a cessation valuation following an employer's exit from the Fund?
Where there is a guarantor, the ongoing basis will apply.

Where there is no guarantor, the low-risk exit basis will apply. The financial assumptions underlying the low-risk exit basis are explained below:

- The discount rate used for calculating the exit position will be lower than the ongoing funding basis, specifically additional prudence will be applied to the assumption.
- The CPI assumption is based the median value of CPI inflation from Hymans Robertson's ESS model.

Croydon Pension Fund

Policy on contribution reviews

Effective date of policy	
Date approved	
Next review	

1 Introduction

The purpose of this policy is to set out the administering authority's approach to reviewing contribution rates between triennial valuations.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

1.1 Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To provide employers with clarity around the circumstances where contribution rates may be reviewed between valuations.
- To outline specific circumstances where contribution rates will not be reviewed.

1.2 Background

The Fund may amend contribution rates between valuations for 'significant change' to the liabilities or covenant of an employer.

Such reviews may be instigated by the Fund or at the request of a participating employer.

Any review may lead to a change in the required contributions from the employer.

1.3 Guidance and regulatory framework

Regulation 64 of the Local Government Pension Scheme Regulations 2013 (as amended) sets out the way in which LGPS funds should determine employer contributions, including the following;

- Regulation 64 (4) – allows the administering authority to review the contribution rate if it becomes likely that an employer will cease participation in the Fund, with a view to ensuring that the employer is fully funded at the expected exit date.
- Regulation 64A - sets out specific circumstances where the administering authority may revise contributions between valuations (including where a review is requested by one or more employers).

This policy also reflects statutory guidance from the Department for Levelling Up, Housing and Communities on preparing and maintaining policies relating to the review of employer contributions. Interested parties may want to refer to an accompanying guide that has been produced by the Scheme Advisory Board.

2 Statement of principles

This Statement of Principles covers review of contributions between valuations. Each case will be treated on its own merits, but in general:

- The administering authority reserves the right to review contributions in line with the provisions set out in the LGPS Regulations.
- The decision to make a change to contribution rates rests with the administering authority, subject to consultation with employers during the review period.
- Full justification for any change in contribution rates will be provided to employers.
- Advice will be taken from the Fund actuary in respect of any review of contribution rates.
- Any revision to contribution rates will be reflected in the Rates & Adjustment certificate.

3 Policy

3.1 Circumstances for review

The Fund would consider the following circumstances as a potential trigger for review:

- in the opinion of an administering authority there are circumstances which make it likely that an employer (including an admission body) will become an exiting employer sooner than anticipated at the last valuation;
- an employer is approaching exit from the Fund within the next two years and before completion of the next triennial valuation;
- there are changes to the benefit structure set out in the LGPS Regulations which have not been allowed for at the last valuation;
- it appears likely to the administering authority that the amount of the liabilities arising or likely to arise for an employer or employers has changed significantly since the last valuation;
- it appears likely to the administering authority that there has been a significant change in the ability of an employer or employers to meet their obligations (e.g. a material change in employer covenant, or provision of additional security);
- it appears to the administering authority that the membership of the employer has changed materially such as bulk transfers, significant reductions to payroll or large-scale restructuring; or
- where an employer has failed to pay contributions or has not arranged appropriate security as required by the administering authority.

3.2 Employer requests

The administering authority will also consider a request from any employer to review contributions where the employer has undertaken to meet the costs of that review and sets out the reasoning for the review (which would be expected to fall into one of the above categories, such as a belief that their covenant has changed materially, or they are going through a significant restructuring impacting their membership).

The administering authority will require additional information to support a contribution review made at the employer’s request. The specific requirements will be confirmed following any request and this is likely to include the following:

- a copy of the latest accounts;
- details of any additional security being offered (which may include insurance certificates);
- budget forecasts; and/or

- information relating to sources of funding.

The costs incurred by the administering authority in carrying out a contribution review (at the employer's request) will be met by the employer. These will be confirmed upfront to the employer prior to the review taking place.

3.3 Other employers

When undertaking any review of contributions, the administering authority will also consider the impact of a change to contribution rates on other Fund employers. This will include the following factors:

- The existence of a guarantor.
- The amount of any other security held.
- The size of the employer's liabilities relative to the whole Fund.

The administering authority will consult with other Fund employers as necessary.

3.4 Effect of market volatility

Except in circumstances such as an employer nearing cessation, the administering authority will not consider market volatility or changes to asset values as a basis for a change in contributions outside a formal valuation.

3.5 Documentation

Where revisions to contribution rates are necessary, the Fund will provide the employer with a note of the information used to determine these, including:

- Explanation of the key factors leading to the need for a review of the contribution rates, including, if appropriate, the updated funding position.
- A note of the new contribution rates and effective date of these.
- Date of next review.
- Details of any processes in place to monitor any change in the employer's circumstances (if appropriate), including information required by the administering authority to carry out this monitoring.

The Rates & Adjustments certificate will be updated to reflect the revised contribution rates.

4 Related Policies

The Fund's Funding Strategy Statement should be read in conjunction with this document. In particular, exiting employers should familiarise themselves with:

- Section 2 – How does the Fund calculate employer contributions?
- Appendix D – Actuarial assumptions (specifically section D5)

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Croydon Pension Fund

Policy on academy funding

Effective date of policy	
Date approved	
Next review	

1 Introduction

The purpose of this policy is to set out the administering authority's funding principles relating to academies and Multi-Academy Trusts (MATs).

1.1 Aims and Objectives

The administering authority's objectives related to this policy are as follows:

- to state the approach for the treatment and valuation of academy liabilities and asset shares on conversion from a local maintained school, if establishing as a new academy or when joining or leaving a MAT
- to state the approach for setting contribution rates for MATs
- to outline the responsibilities of academies seeking to consolidate
- to outline the responsibilities of academies when outsourcing

1.2 Background

As described in Section 5.2 of the Funding Strategy Statement (FSS), new academies join the Fund on conversion from a local authority school or on creation (eg newly established academies, Free Schools, etc). Upon joining the Fund, for funding purposes, academies may become stand-alone employers or may join an existing MAT.

Funding policy relating to academies and MATs is largely at the Fund's discretion, however guidance on how the Fund will apply this discretion is set out within this policy.

1.3 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) contains general guidance on Scheme employers' participation within the Fund which may be relevant but is not specific to academies.

There is currently a written ministerial guarantee of academy LGPS liabilities, which was reviewed in 2022.

Academy guidance from the Department for Education and the Department for Levelling Up, Housing and Communities may also be relevant.

2 Statement of Principles

This Statement of Principles covers the Fund's approach to funding academies and MATs. Each case will be treated on its own merits but in general:

- the Fund will seek to apply a consistent approach to funding academies that achieves fairness to the ceding councils, MATs and individual academies.

- the Fund's current approach is to track all academies within a MAT as single employers.
- academies must consult with the Fund prior to carrying out any outsourcing activity.
- the Fund will generally not consider receiving additional academies into the Fund as part of a consolidation exercise.

3 Policies

3.1 Admission to the Fund

As set out in section 5.2 of the FSS:

Asset allocation on conversion

New academies will be allocated an asset share based on the estimated funding level of the ceding council's active members, having first allocated the council's assets to fully fund its deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, capped at a maximum of 100%.

Contribution rate

New academy contribution rates are based on the current funding strategy (set out in section 2 of the FSS) and the transferring membership. If an academy is joining an existing MAT within the Fund then it may pay the MAT contribution rate (which may or may not be updated as a result - see below) if the individual asset shares are pooled. .

3.2 Multi-academy trusts

Asset tracking

The Fund's current policy is to individually track the asset shares of each academy within the Fund. Where a MAT exists, the individual asset shares may be pooled together to provide a pooled funding level or for setting a pooled contribution rate if requested but this is at the discretion of the Fund .

Contribution rate

If an academy is joining an existing pooled MAT (within the Fund), in general, the transferring academy will pay the certified contribution rate of the MAT it is joining.

At the discretion of the Fund, a new contribution may be calculated by the Fund actuary to allow for impact of the transferring academy joining the MAT.

Academies leaving a MAT

As set out in section 5.2 of the FSS, if an academy leaves one MAT and joins another, all active, deferred and pensioner members transfer to the new MAT. The individual asset share of that academy (as tracked individually) will be transferred to the new MAT in full, noting that this may be more (or less) than 100% of the transferring liabilities.

3.3 Merging of MATs (contribution rates)

If two MATs merge during the period between formal valuations, the new merged MAT will pay the higher of the two certified individual MAT rates until the rates are reassessed at the next formal valuation (NB if one or both MATs are paying a monetary secondary contribution rate, these will be converted to a % of pay for the purposes of determining the new merged contribution rate).

Alternatively, as set out in the Fund's contribution review policy and as per Regulation 64 A (1)(b) (iii), the MAT may request that a contribution review is carried out. The MAT would be liable for the costs of this review.

3.4 Cessations of academies and multi-academy trusts

A cessation event will occur if a current academy or MATs cease to exist as an entity or an employer in the Fund.

The cessation treatment will depend on the circumstances:

- If the cessation event occurs due to an academy or MAT merging with another academy or MAT within the Fund, all assets and liabilities from each of the merging entities will be combined and will become the responsibility of the new merged entity.
- If the MAT is split into more than one new or existing employers within the Fund, the actuary will calculate a split of the assets and liabilities to be transferred from the exiting employer to the new employers as described in 3.2 above.
- In all other circumstances, and following payment of any cessation debt, section 7 of the FSS would apply.

3.5 Academy consolidations

If an academy or MAT is seeking to merge with another MAT outside of the Fund it would need to seek approval from the Secretary of State to consolidate its liabilities (and assets) into one LGPS fund.

The Fund will provide the necessary administrative assistance to academies seeking to consolidate into another LGPS fund, however the academy (or MAT) will be fully liable for all actuarial, professional and administrative costs.

3.6 Outsourcing

An academy (or MAT) may outsource or transfer a part of its services and workforce via an admission agreement to another organisation (usually a contractor). The contractor becomes a new participating Fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership.

The contractor will pay towards the LGPS benefits accrued by the transferring members for the duration of the contract, but ultimately the obligation to pay for these benefits will revert to the academy (or MAT) at the end of the contract.

It is the Fund's preference for the contractor's contribution rate to be set equal to the letting academy's (or MAT's) total contribution rate.

It is critical for any academy (or MAT) considering any outsourcing to contact the Fund initially to fully understand the administrative and funding implications. The academy should also read and fully understand the Fund's admissions / pass-through policy.

In some cases, it is necessary to seek approval from Department for Education before completing an outsourcing (including seeking confirmation that the guarantee provided to academies will remain in place for the transferring members).

3.7 Accounting

Academies (or MATs) may choose to prepare combined FRS102 disclosures (eg for all academies within a MAT). Any pooling arrangements for accounting purposes may be independent of the funding arrangements (eg academies may be pooled for contribution or funding risks but prepare individual disclosures, or vice versa).

4 Related Policies

- Section 5.2 of the FSS
- Contribution review policy
- Cessation policy
- Bulk transfer policy

Croydon Pension Fund

Policy on bulk transfers

Effective date of policy	
Date approved	
Next review	

1 Introduction

The purpose of this policy is to set out the administering authority's approach to dealing with the bulk transfer of scheme member pension rights into and out of the Fund in prescribed circumstances.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

1.1 Aims and Objectives

The administering authority's aims and objectives related to this policy are as follows:

- Bulk transfers out of the Fund do not allow a deficit to remain behind unless a scheme employer is committed to repairing this; and
- Bulk transfers received by the Fund must be sufficient to pay for the added benefits being awarded to the members, again with the scheme employer making good any shortfall where necessary.

Bulk transfer requests will be considered on a case-by-case basis.

1.2 Background

Bulk transfers into and out of the Fund can occur for a variety of reasons, such as:

- where an outsourcing arrangement is entered into and active Fund members join another LGPS fund, or leave the LGPS to join a broadly comparable scheme;
- where an outsourcing arrangement ceases and active scheme members re-join the Fund from another LGPS fund or a broadly comparable scheme;
- where there is a reorganisation of central government operations (transfers in from, or out to, other government sponsored schemes);
- where there is a reorganisation or consolidation of local operations (brought about by, for example, local government shared services, college mergers or multi-academy trust consolidations); or
- a national restructuring resulting in the admission of an employer whose employees have LGPS service in another LGPS fund, or vice versa.

Unlike bulk transfers out of the LGPS, there is no specific provision to allow for bulk transfers into the LGPS. As a result, any transfer value received into the LGPS, whether on the voluntary movement of an individual or the compulsory transfer of a number of employees, must be treated the same way as individual transfers.

1.3 Guidance and regulatory framework

Local Government Pension Scheme Regulations

When considering any circumstances involving bulk transfer provisions, the administering authority will always ensure adherence to any overriding requirements set out in the Local Government Pension Scheme Regulations 2013 (as amended), including:

- Regulation 98 – applies on transfer out to non-LGPS schemes. It allows for the payment of a bulk transfer value where at least two active members of the LGPS cease scheme membership and join another approved pension arrangement.
- Regulation 99 - gives the LGPS actuary discretion as to the choice of method of calculation used to calculate the bulk transfer value.
- Regulation 100 – allows an individual who holds relevant pension rights under a previous employer to request to be admitted for past service into the LGPS. Members wishing to transfer in accrued rights from a Club scheme (that is schemes with benefits broadly similar to those of the LGPS), who request to do so within 12 months of joining their new LGPS employment, must be granted their request. For members with "non-Club" accrued rights the LGPS fund does not have to grant the request. Any request must be received in writing from the individual within 12 months of active employment commencing or longer at the discretion of the employer and the administering authority.
- Regulation 103 - states that any transfer between one LGPS fund and another LGPS fund (in England and Wales) where 10 or more members elect to transfer will trigger bulk transfer negotiations between fund actuaries.

Best Value authorities

The Best Value Authorities Staff Transfers (Pensions) Direction 2007, which came into force on 1 October 2007, applies to all "Best Value Authorities" in England. Best Value Authorities include all county, district and borough councils in England, together with police and fire and rescue authorities, National Park Authorities and waste disposal authorities. The Direction:

- requires the contractor to secure pension protection for each transferring employee through the provision of pension rights that are the same as or are broadly comparable to or better than those they had as an employee of the authority, and
- provides that the provision of pension protection is enforceable by the employee.

Second and subsequent rounds of outsourcing arrangements

The Best Value Direction also provides similar pension protection when former employees of an authority who were transferred under TUPE to a contractor, are subsequently transferred again as a result of any re-tendering of a contract for the provision of services (i.e. second and subsequent rounds of outsourcing). The Direction requires the subsequent contractor to secure pension protection for each transferring employee.

Academies and multi-academy trusts

New Fair Deal guidance, introduced in October 2013, applies to academies and multi-academy trusts. It requires that, where they outsource services, they ensure pension protection for non-teaching staff transferred is achieved via continued access to the LGPS. As a result, the Fund would not expect to have any bulk transfers out of the LGPS in respect of outsourcings from academies or multi-academy trusts.

Other employers

For all scheme employers that do not fall under the definition of a Best Value Authority or are not an academy (i.e. town and parish councils, arms-length organisations, further and higher education establishments, charities and other admitted bodies), and who are not subject to the requirements of Best Value Direction or new Fair Deal guidance, there is no explicit requirement to provide pension protection on the outsourcing or insourcing of services. However, any successful contractor is free to seek admission body status in the Fund, subject to complying with the administering authority's requirements (e.g. having a bond or guarantor in place).

The old Fair Deal guidance may still apply to a specific staff transfer if permitted by the new Fair Deal guidance or if outside the coverage of the new Fair Deal guidance. (If the individual remains in their original scheme then their past service rights are automatically protected). In the absence of a bulk transfer agreement the administering authority would not expect to pay out more than individual Cash Equivalent Transfer Value (CETV) amounts, in accordance with appropriate Government Actuary's Department (GAD) guidance.

2 Statement of principles

This statement of principles covers bulk transfer payments into and out of the Fund. Each case will be treated on its own merits alongside appropriate actuarial advice, but in general:

- Where a group of active scheme members joins (or leaves) the Fund, the administering authority's objective is to ensure that sufficient assets are received (or paid out) to meet the cost of providing those benefits.
- Ordinarily the administering authority's default approach for bulk transfers out (or in) will be to propose (or accept) that the transfer value is calculated using ongoing assumptions based on the employer's share of fund assets (capped at 100% of the value of the liabilities). The Fund will retain the discretion to amend the bulk transfer basis to reflect the specific circumstances of each transfer – including (but not restricted to):
  - the use of cessation assumptions where unsecured liabilities are being left behind;
  - where a subset of an employer's membership is transferring (in or out), the Fund may consider an approach of calculating the bulk transfer payment as the sum of CETVs for the members concerned; or
  - where transfer terms are subject to commercial factors.
- Where an entire employer is transferring in or out of the Fund the bulk transfer should equal the asset share of the employer in the transferring fund regardless of whether this is greater or lesser than the value of past service liabilities for members.
- There may be situations where the Fund accepts a transfer in amount which is less than required to fully fund the transferred in benefits on the Fund's ongoing basis (e.g. where the employer has suitable strength of covenant and commits to meeting that shortfall over an appropriate period). In such cases the administering authority reserves the right to require the receiving employer to fund this shortfall (either by lump sum or by increasing in ongoing employer contributions) ahead of the next formal valuation.
- Any shortfall between the bulk transfer payable by the Fund and that which the receiving scheme is prepared to accept must be dealt with outside of the Fund, for example by a top up from the employer to the receiving scheme or through higher ongoing contributions to that scheme.
- Service credits granted to transferring scheme members should fully reflect the value of the benefits being transferred, irrespective of the size of the transfer value paid or received.

3 Policy

The following summarises the various scenarios for bulk transfers in or out of the Fund, together with the administering authority's associated policies.

3.1 Inter-fund transfer (transfer between the fund and another LGPS fund)

<table>
<tr><th>Scenario</th><th>Bulk transfer mechanism</th><th>Policy</th><th>Methodology</th></tr>
<tr><td rowspan="2">In</td><td>< 10 members – GAD guidance</td><td>CETVs in accordance with GAD guidance.</td><td>On receipt of a transfer value (calculated in line with the CETV transfer out formulae), the Fund will award the member a pension credit on a day-for-day basis.</td></tr>
<tr><td>10 or more members – Regulation 103 of the Local Government Pension Scheme Regulations 2013</td><td>Where agreement can be reached, the Fund and the transferring fund (and their two actuaries) may agree to a negotiated bulk transfer arrangement. However, where agreement cannot be reached:

Actives only transferring:
CETVs in accordance with GAD guidance using transferring fund's actual fund returns for roll up to date of payment (rather than the interest applied for standard CETV's).

All members transferring (i.e. all actives, deferred and pensioners):
Receive all assets attributable to the membership within the transferring scheme.</td><td>The Fund's default policy is to accept a transfer value that is at least equal to the total of the individual CETVs calculated using the Club transfer-out formulae. The Fund will consult with the scheme employer whose funding position will be impacted by the transfer before agreeing to a negotiated bulk transfer arrangement.

Pension credits will be awarded to the transferring members on a day-for-day basis.</td></tr>
<tr><td rowspan="2">Out</td><td>< 10 members – GAD guidance</td><td>CETVs in accordance with GAD guidance.</td><td>The transfer value paid to the receiving fund will be calculated in line with the CETV transfer-out formulae.</td></tr>
<tr><td>10 or more members – Regulation 103 of the Local Government Pension Scheme Regulations 2013</td><td>Where agreement can be reached, the Fund and the receiving fund (and their two actuaries) may agree to a negotiated bulk transfer arrangement. However, where agreement cannot be reached:

Actives only transferring (i.e. remaining members left behind):
CETV in accordance with GAD guidance using transferring fund's actual fund returns for roll-up to date of payment (rather than the interest applied for standard CETV's).

All actives transferring (i.e. deferred and pensioner members left behind):
Assets will be retained by the Fund to cover the liabilities of the deferred and pensioner members calculated using the Fund's cessation assumptions. The residual assets will then be transferred to the receiving scheme.

All members transferring (i.e. all actives, deferred and pensioners):
Transfer all assets attributable to the membership to the receiving scheme.</td><td>The Fund's default policy is to offer a transfer value that is equal to the total of the individual CETV calculated using the Club transfer-out formulae. The Fund will consult with the scheme employer whose funding position will be impacted by the transfer before agreeing to a negotiated bulk transfer arrangement.

Discretion exists to amend this to reflect specific circumstances of the situation.</td></tr>
</table>

3.2 Club Scheme

Scenario	Bulk transfer mechanism	Policy	Methodology
In	Club Memorandum	The Club mechanism ensures the pension credit in the Fund provides actuarially equivalent benefits.	The pension credit awarded to members transferring in will be calculated in line with the Club transfer-in formulae.
Out	Regulation 98 of the Local Government Pension Scheme Regulations 2013 or Club Memorandum	Where agreement can be reached, the Fund and the receiving scheme (and their two actuaries) may agree to a negotiated bulk transfer arrangement. Or Where agreement cannot be reached, revert to the Club transfer out formulae in accordance with GAD guidance.	The Fund's default policy is to offer the receiving scheme transfers out calculated using ongoing assumptions based on the ceding employer's share of fund assets (capped at 100% of the liability value). Discretion exists to amend this to reflect specific circumstances of the situation.

3.3 Broadly Comparable Scheme or non-Club scheme

Scenario	Bulk transfer mechanism	Policy	Methodology
In	GAD guidance	Non-Club transfer in formulae in accordance with GAD guidance	The pension credit awarded to members transferring in will be calculated in line with the non-Club transfer in formulae.
Out	1 member only – GAD guidance	CETV in accordance with GAD guidance	The transfer value paid to the receiving scheme will be calculated in line with the CETV transfer-out formulae.
	2 or more members – Regulation 98 of the Local Government Pension Scheme Regulations 2013	Where agreement can be reached, the Fund and the receiving scheme (and their two actuaries) may agree to a negotiated bulk transfer arrangement. Or Where agreement cannot be reached, revert to cash equivalent transfer values under GAD guidance	The Fund's default policy is to offer the receiving scheme transfers out calculated in line with the CETV transfer-out formulae. Discretion exists to amend this to reflect specific circumstances of the situation.

4 Practicalities and process

4.1 Format of transfer payment

Ordinarily payment will be in cash.

A deduction from the bulk transfer will be made for any administration, legal and transaction costs incurred by the Fund as a result of having to disinvest any assets to meet the form of payment that suits the receiving scheme.

4.2 Impact on transferring employer

Any transfer out or in of pension rights may have an effect on the valuation position of the employer and consequently their individual contribution rate.

The Fund will agree with the transferring employer how this change is dealt with. Though it is likely this will be through adjustments to its employer contribution rate, the Fund may require a lump sum payment or instalments of lump sums to cover any relative deterioration in deficit, for example where the deterioration in deficit is a large proportion of its total notional assets and liabilities. Where the transfer is small relative to the employer's share of the Fund, any adjustment may be deferred to the next valuation.

4.3 Consent

Where required within the Regulations, for any bulk transfer the Administering Authority will ensure the necessary consent is obtained from each individual eligible to be part of the transfer.

4.4 Approval process

The Fund will normally agree to bulk transfers into or out of the Fund where this policy is adhered to.

4.5 Non-negotiable

It should be noted that, as far as possible, the Fund's preferred terms on bulk transfers are non-negotiable. Any differences between the value the Fund is prepared to pay (or receive) and that which the other scheme involved is prepared to accept (or pay) should be dealt with by the employers concerned outside the Fund.

4.6 Costs

Actuarial and other professional costs will be recharged in full to the employer.

Staff time involved on the Fund side will be charged at the rate defined within the Administration Strategy Statement.

5 Related Policies

Section 6 of the Fund's Funding Strategy Statement.

Croydon Pension Fund

Cessation policy

Effective date of policy	
Date approved	
Next review	

1 Introduction

The purpose of this policy is to set out the administering authority's approach to dealing with circumstances where a Scheme Employer leaves the Fund and becomes an Exiting Employer (a cessation event).

It should be noted that this policy is not exhaustive. Each cessation will be treated on a case-by-case basis, however certain principles will apply as governed by the regulatory framework (see below) and the Fund's discretionary policies (as described under Section 3 – Policies).

1.1 Aims and Objectives

The administering authority's aims and objectives related to this policy are as follows:

- To confirm the approach for the treatment and valuation of liabilities for employers leaving the Fund.
- To provide information about how the Fund may apply its discretionary powers when managing employer cessations.
- To outline the responsibilities of (and flexibilities for) Exiting Employers, the administering authority, the Actuary and, where relevant, the original ceding Scheme Employer (usually a Letting Authority).

1.2 Background

As described in Section 7 of the Funding Strategy Statement (FSS), a Scheme Employer may become an Exiting Employer when a cessation event is triggered e.g. when the last active member stops participating in the Fund. On cessation from the Fund, the Administering Authority will instruct the Fund Actuary to carry out a valuation of assets and liabilities for the Exiting Employer to determine whether a deficit or surplus exists. The Fund has full discretion over the repayment terms of any deficit, and the extent to which any surplus results in the payment of an exit credit.

1.3 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) contain relevant provisions regarding employers leaving the Fund (Regulation 64) and include the following:

- Regulation 64 (1) – this regulation states that, where an employing authority ceases to be a Scheme Employer, the administering authority is required to obtain an actuarial valuation of the liabilities of current and former employees as at the termination date. Further, it requires the Rates and Adjustments Certificate to be amended to show the revised contributions due from the Exiting Employer

- Regulation 64 (2) – where an employing authority ceases to be a Scheme Employer, the administering authority is required to obtain an actuarial valuation of the liabilities of current and former employees as at the Exit Date. Further, it requires the Rates and Adjustments Certificate to be amended to show the Exit Payment due from the Exiting Employer or the excess of assets over the liabilities in the Fund.

- Regulation 64 (2ZAB) – the administering authority must determine the amount of an Exit Credit, which may be zero, taking into account the factors specified in paragraph (2ZC) and must:
    - a) Notify its intention to make a determination to-
        - (i) The Exiting Employer and any other body that has provided a guarantee to the Exiting Employer
        - (ii) The Scheme Employer, where the Exiting Employer is a body that participated in the Scheme as a result of an admission agreement
    - b) Pay the amount determined to that Exiting Employer within six months of the Exit Date, or such longer time as the administering authority and the Exiting Employer agree.

- Regulation (2ZC) – In exercising its discretion to determine the amount of any Exit Credit, the administering authority must have regard to the following factors-
    - a) The extent to which there is an excess of assets in the Fund relating to that employer in paragraph (2)(a)
    - b) The proportion of this excess of assets which has arisen because of the value of the employer's contributions
    - c) Any representations to the administering authority made by the Exiting Employer and, where that employer participates in the scheme by virtue of an admission agreement, any body listed in paragraphs (8)(a) to (d)(iii) of Part 3 to Schedule 2 of the Regulations: and
    - d) Any other relevant factors

- Regulation 64 (2A) & (2B)– the administering authority, at its discretion, may issue a suspension notice to suspend payment of an exit amount for up to three years, where it reasonably believes the Exiting Employer is to have one or more active members contributing to the Fund within the period specified in the suspension notice.

- Regulation 64 (3) – in instances where it is not possible to obtain additional contributions from the employer leaving the Fund or from the bond/indemnity or guarantor, the contribution rate(s) for the appropriate Scheme Employer or remaining Fund employers may be amended.

- Regulation 64 (4) – where it is believed a Scheme Employer may cease at some point in the future, the administering authority may obtain a certificate from the Fund actuary revising the contributions for that employer, with a view to ensuring that the assets are expected to be broadly equivalent to the Exit Payment that will be due.

- Regulation 64 (5) – following the payment of an Exit Payment to the Fund, no further payments are due to the Fund from the Exiting Employer.

- Regulation 64 (7A-7G) – the administering authority may enter into a written Deferred Debt Agreement, allowing the employer to have Deferred Employer status and to delay crystallisation of debt despite having no active members.

- Regulation 64B (1) – the administering authority may set out a policy on spreading Exit Payments.

In addition to the 2013 Regulations summarised above, Regulation 25A of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 ("the Transitional Regulations") give the Fund the ability to levy a cessation debt on employers who have ceased participation in the Fund (under the previous regulations) but for whom a cessation valuation was not carried out at the time. This policy document describes how the Fund expects to deal with any such cases.

This policy also reflects statutory guidance from the Department for Levelling Up, Housing and Communities on preparing and maintaining policies relating to employer exits. Interested parties may want to refer to an accompanying guide that has been produced by the Scheme Advisory Board.

These regulations relate to all employers in the Fund.

2 Statement of Principles

This Statement of Principles covers the Fund's approach to Exiting Employers. Each case will be treated on its own merits but in general:

- it is the Fund's policy that the determination of any surplus or deficit on exit should aim to minimise, as far as is practicable, the risk that the remaining, unconnected employers in the Fund have to make contributions in future towards meeting the past service liabilities of current and former employees of employers leaving the Fund.
- the Fund's preferred approach is to request the full payment of any Exit Debt (an Exit Payment), which is calculated by the actuary on the appropriate basis (as per Section 7 of the FSS and Section 3.1 below). This would extinguish any liability to the Fund by the Exiting Employer.
- the Fund's key objective is to protect the interests of the Fund, which is aligned to protecting the interests of the remaining employers. A secondary objective is to consider the circumstances of the Exiting Employer in determining arrangements for the recovery of the Exit Debt.

3 Policies

On cessation, the administering authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus as defined in Section 4.3 of the FSS.

Where there is a deficit, payment of this amount in full would normally be sought from the Exiting Employer. The Fund's normal policy is that this cessation debt is paid in full in a single lump sum within 28 days of the employer being notified.

However, the Fund will consider written requests from employers to spread the payment over an agreed period. In general, this would only be acceptable in the exceptional circumstances where payment of the debt in a single immediate lump sum could be shown by the employer to be materially detrimental to the employer's financial situation (see 3.2 Repayment flexibility on exit payments below).

In circumstances where there is a surplus, the Administering Authority will determine, at its sole discretion, the amount of exit credit (if any) to be paid to the Exiting Employer (see 3.3 Exit credits below).

3.1 Approach to cessation calculations

Cessation valuations are carried out on a case-by-case basis at the sole discretion of the Fund depending on the exiting employer's circumstances. However, in general the following broad principles and assumptions may apply, as described in Section 7.2 of the FSS and summarised below:

Type of employer	Cessation exit basis	Responsible parties for unpaid or future deficit emerging
Local Authorities, Police, Fire	Low risk basis[1]	Shared between other Fund employers
Colleges & Universities	Low risk basis	Shared between other Fund employers
Academies	Low risk basis	DfE guarantee may apply, otherwise see below
Admission bodies (TABs)	Ongoing basis[2]	Letting authority (where applicable), otherwise shared between other Fund employers
Admission bodies (CABs)	Low risk basis	Shared between other Fund employers (if no guarantor exists)
Designating employers	Low risk basis	Shared between other Fund employers (if no guarantor exists)

[1]Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (e.g. machinery of Government changes), these cessation principles would apply.

[2]Where a TAB has taken, in the view of the administering authority, action that has been deliberately designed to bring about a cessation event (e.g. stopping future accrual of LGPS benefits), then the cessation valuation will be carried out on a low-risk basis.

Cessation of academies and multi-academy trusts (MATs)

A cessation event will occur if a current academy or MATs cease to exist as an entity or an employer in the Fund.

The cessation treatment will depend on the circumstances:

- If the cessation event occurs due to an academy or MAT merging with another academy or MAT within the Fund, all assets and liabilities from each of the merging entities will be combined and will become the responsibility of the new merged entity.
- If the MAT is split into more than one new or existing employers within the Fund, the actuary will calculate a split of the assets and liabilities to be transferred from the exiting employer to the new employers. The actuary will use their professional judgement to determine an appropriate and fair methodology for this calculation in consultation with the administering authority.
- In all other circumstances, and following payment of any cessation debt, section 7.5 of the FSS would apply.

Further details are included in the Fund's Academies Policy.

3.2 Repayment flexibility on exit payments

Deferred spreading arrangement (DSA)

As above, in the exceptional circumstance where payment of the debt in a single immediate lump sum could be shown by the employer to be materially detrimental to the employer's financial situation, the Fund will consider written requests to spread an exit payment over an agreed period.

In this exceptional case, the Fund's policy is:

- The agreed spread period is no more than three years, but the Fund could use its discretion to extend this period in extreme circumstances.
- The Fund may consider factors such as the size of the exit payment and the financial covenant of the exiting employer in determining an appropriate spreading period.
- The exiting employer may be asked to provide the Administering Authority with relevant financial information such as a copy of its latest accounts, sources of funding, budget forecasts, credit rating (if any) etc. to help in this determination.
- Payments due under the DSA may be subject to an interest charge.
- The Fund will only consider written requests within six months of the employer exiting the Fund. The exiting employer would be required to provide the Fund with detailed financial information to support its request.
- The Fund would take into account the amount of any security offered and seek actuarial, covenant and legal advice in all cases.
- The Fund proposes a legal document, setting out the terms of the exit payment agreement, would be prepared by the Fund and signed by all relevant parties prior to the payment agreement commencing.
- The terms of the legal document should include reference to the spreading period, the annual payments due, interest rates applicable, other costs payable and the responsibilities of the exiting employer during the exit spreading period.

- Any breach of the agreed payment plan would require payment of the outstanding cessation amount immediately.
- Where appropriate, cases may be referred to the Pensions Committee for consideration and considered on its individual merit. Decisions may be made by the Chair in consultation with Officers if an urgent decision is required between Committee meetings.

Deferred debt agreement (DDA)

The Fund's policy is for cessation debts to be paid as a single lump sum in full or in exceptional circumstances spread over an agreed period via a DSA (see above).

However, in the event that both these options create a high risk of bankruptcy for the exiting employer, the Fund may exercise its discretion to set up a Deferred Debt Agreement as described in Regulation 64 (7A)).

The employer must meet all requirements on Scheme employers and pay the secondary rate of contributions as determined by the Fund actuary until the termination of the Deferred Debt Agreement.

The Administering Authority will consider Deferred Debt Agreements in the following circumstances:

- The employer requests the Fund consider a Deferred Debt Agreement.
- The employer is expected to have a deficit if a cessation valuation was carried out.
- The employer is expected to be a going concern.
- The covenant of the employer is considered sufficient by the administering authority.

The administering authority will normally require:

- A legal document to be prepared, setting out the terms of the Deferred Debt Agreement and signed by all relevant parties prior to the arrangement commencing (including details of the time period of the Deferred Debt Agreement , the annual payments due, the frequency of review and the responsibilities of the employer during the period).
- Relevant financial information for the employer such as a copy of its latest accounts, sources of funding, budget forecasts, credit rating (if any) to support its covenant assessment.
- Security be put in place covering the employer's deficit on their cessation basis and the Fund will seek actuarial, covenant and legal advice in all cases.
- Regular monitoring of the contribution requirements and security requirements.
- All costs of the arrangement are met by the employer, such as the cost of advice to the Fund, ongoing monitoring or the arrangement and correspondence on any ongoing contribution and security requirements.

A Deferred Debt Agreement will normally terminate on the first date on which one of the following events occurs:

- The employer enrols new active Fund members.
- The period specified, or as varied, under the Deferred Debt Agreement elapses.
- The take-over, amalgamation, insolvency, winding up or liquidation of the employer.
- The administering authority serves a notice on the employer that the administering authority is reasonably satisfied that the employer's ability to meet the contributions payable under the Deferred Debt Agreement has weakened materially or is likely to weaken materially in the next 12 months.

- The Fund actuary assesses that the employer has paid sufficient secondary contributions to cover all (or almost all) of the exit payment due if the employer becomes an exiting employer on the calculation date (i.e. employer is now largely fully funded on their cessation basis).
- The Fund actuary assesses that the employer's value of liabilities has fallen below an agreed *de minimis* level and the employer becomes an Exiting Employer on the calculation date.
- The employer requests early termination of the agreement and settles the exit payment in full as calculated by the Fund actuary on the calculation date (i.e. the employer pays their outstanding cessation debt on their cessation basis).

On the termination of a Deferred Debt Agreement, the employer will become an Exiting Employer and a cessation valuation will be completed in line with this policy.

3.3 Exit credits

The administering authority's entitlement to determine whether exit credits are payable in accordance with these provisions shall apply to all employers ceasing their participation in the Fund after 14 May 2018. This provision therefore is retrospectively effective to the same extent as provisions of the Local Government Pension Scheme (Amendment) Regulations 2020.

The administering authority may determine the amount of exit credit payable to be zero, however, in making a determination, the administering authority will take into account the following factors;

a) the extent to which there is an excess of assets in the Fund relating to the employer over and above the liabilities specified.

b) the proportion of the excess of assets which has arisen because of the value of the employer's contributions.

c) any representations to the administering authority made by the exiting employer, guarantor, ceding Scheme Employer (usually the Letting Authority) or by a body which owns, funds or controls the exiting employer; or in some cases, the Secretary of State.

d) any other relevant factors

The below sets out the general guidelines that the Fund will consider when determining the amount of an exit credit payable to an exiting employer in line with Regulation 64, depending on employer's participation conditions. Please note that these are guidelines only and the Fund will also consider any other factors that are relevant on a case-by-case basis. These considerations may result in a determination that would be different if the below guidelines were rigorously adhered to. In all cases, the Fund will not be bound by the guidelines, and will make its decision on a discretionary basis.

Admitted bodies

i. No exit credit will be payable in respect of admissions who joined the Fund before 14 May 2018 unless it is subject to a risk sharing arrangement as per paragraph iii) below. Prior to this date, the payment of an exit credit was not permitted under the Regulations and this will have been reflected in the commercial terms agreed between the admission body and the letting authority/awarding authority/ceding employer. This will also apply to any pre-14 May 2018 admission which has been extended or 'rolled over' beyond the initial expiry date and on the same terms that applied on joining the Fund.

ii. No exit credit will be payable to any admission body who participates in the Fund via the mandated pass through approach as set out in this Funding Strategy Statement. For the avoidance of doubt, whether an exit credit is payable to any admission body who participates in the Fund via the “Letting employer retains pre-contract risks” route is subject to its risk sharing arrangement, as per paragraph iii) below.

iii. The Fund will make an exit credit payment in line with any contractual or risk sharing agreements which specifically covers the ownership of exit credits/cessation surpluses or if the admission body and letting authority have agreed any alternative approach (which is consistent with the Regulations and any other legal obligations). This information, which will include which party is responsible for which funding risk, must be presented to the Fund in a clear and unambiguous document with the agreement of both the admission body and the letting authority/awarding authority/ceding employer and within one month (or such longer time as may be agreed with the administering authority) of the admission body ceasing participation in the Fund.

iv. In the absence of this information or if there is any dispute from either party with regards interpretation of contractual or risk sharing agreements as outlined in c), the Fund will withhold payment of the exit credit until such disputes are resolved and the information is provided to the Administering Authority.

v. Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the admission body during its participation in the Fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

vi. If the admission agreement ends early, the Fund will consider the reason for the early termination, and whether that should have any relevance on the Fund’s determination of the value of any exit credit payment. In these cases, the Fund will consider the differential between employers’ contributions paid (including investment returns earned on these monies) and the size of any cessation surplus.

vii. If an admitted body leaves on a low risk basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer.

viii. The decision of the Fund is final in interpreting how any arrangement described under iii), v), vi) and vii) applies to the value of an exit credit payment.

Scheduled bodies and designating bodies

i. Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the employer during its participation in the Fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

ii. Where no formal guarantor or risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the employer during its participation in the Fund reflects the extent to which it is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

iii. The decision of the Fund is final in interpreting how any arrangement described under i) and ii) applies to the value of an exit credit payment.

iv. If a scheduled body or designating body becomes an exiting employer due to a reorganisation, merger or take-over, then no exit credit will be paid.

v. If a scheduled body or designating body leaves on a low-risk basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer.

General

i. The Fund will advise the exiting employer as well as the letting authority and/or other relevant scheme employers of its decision to make an exit credit determination under Regulation 64.

ii. Subject to any risk sharing or other arrangements and factors discussed above, when determining the cessation funding position the Fund will generally make an assessment based on the value of contributions paid by the employer during their participation, the assets allocated when they joined the Fund and the respective investment returns earned on both.

iii. The Fund will also factor in if any contributions due or monies owed to the Fund remain unpaid by the employer at the cessation date. If this is the case, the Fund's default position will be to deduct these from any exit credit payment.

iv. The final decision will be made by the Head of Pensions, in conjunction with advice from the Fund's Actuary and/or legal advisors where necessary, in consideration of the points held within this policy. Each and every decision will be taken in a discretionary manner, and whilst this policy provides guidelines, nothing in it should be taken as fettering the administering authority's discretion in making a determination in any given case.

v. The Fund accepts that there may be some situations that are bespoke in nature and do not fall into any of the categories above. In these situations, the Fund will discuss its approach to determining an exit credit with all affected parties. The decision of the Fund in these instances is final.

vi. The guidelines above at point v) in the 'Admitted Bodies' section, and at points i) and ii) in the 'Scheduled bodies and designating bodies' section, make reference to the Fund 'considering the approach to setting contribution rates during the employer's participation'. The different funding approaches, including the parameters used and how these can vary based on employer type, are covered in detail in Table 2 (section 2.5) in the FSS. Considering the approach taken when setting contribution rates of the exiting employer may help the Fund to understand the extent to which the employer is responsible for funding the underlying liabilities on exit. For example, if contribution rates have always been based on ongoing assumptions then this may suggest that these are also appropriate assumptions for exit credit purposes (subject to the other considerations outlined within this policy). Equally, a shorter than usual funding time horizon or lower than usual probability of success parameter may reflect underlying commercial terms about how responsibility for pension risks is split between the employer and its guarantor. For the avoidance of doubt, each exiting employer will be considered in the round alongside the other factors mentioned above.

Disputes

In the event of any dispute or disagreement on the amount of any exit credit paid and the process by which that has been considered, the appeals and adjudication provisions contained in Regulations 74-78 of the LGPS Regulations 2013 would apply.

4 Practicalities and process

4.1 Responsibilities of ceasing employers

An employer which is aware that its participation in the Fund is likely to come to an end must:

- advise the Fund, in writing, of the likely ending of its participation (either within the terms of the admission agreement in respect of an admission body (typically a 3 month notice period is required) or otherwise as required by the Regulations for all other Scheme Employers). It should be noted that this includes closed employers where the last employee member is leaving (whether due to retirement, death or otherwise leaving employment).
- provide any relevant information on the reason for leaving the Fund and, where appropriate, contact information in the case of a take-over, merger or insolvency.
- provide all other information and data requirements as requested by the Administering Authority which are relevant, including in particular any changes to the membership which could affect the liabilities (e.g. salary increases and early retirements) and an indication of what will happen to current employee members on cessation (e.g. will they transfer to another Fund employer, will they cease to accrue benefits within the Fund, etc.).

4.2 Responsibilities of administering authority

The administering authority will:

- gather information as required, including, but not limited to, the following:
    - details of the cessation - the reason the employer is leaving the Fund (i.e. end of contract, insolvency, merger, machinery of government changes, etc.) and any supporting documentation that may have an effect on the cessation.
    - complete membership data for the outgoing employer and identify changes since the previous formal valuation.
    - the likely outcome for any remaining employee members (e.g. will they be transferred to a new employer, or will they cease to accrue liabilities in the Fund).
- identify the party that will be responsible for the employer’s deficit on cessation (i.e. the employer itself, an insurance company, a receiver, another Fund employer, guarantor, etc.).
- commission the Fund actuary to carry out a cessation valuation under the appropriate regulation.
- where applicable, discuss with the employer the possibility of paying adjusted contribution rates that target a 100% funding level by the date of cessation through increased contributions in the case of a deficit on the cessation basis or reduced contributions in respect of a surplus.
- where applicable, liaise with the original ceding employer or guarantor and ensure it is aware of its responsibilities, in particular for any residual liabilities or risk associated with the outgoing employer’s membership.
- having taken actuarial advice, notify the employer and other relevant parties in writing of the payment required in respect of any deficit on cessation and pursue payment.

Payment of an exit credit

- If the actuary determines that there is an excess of assets over the liabilities at the cessation date, the administering authority will act in accordance with the Exit Credit Policy above. If payment is required, the administering authority will advise the Exiting Employer of the amount due to be repaid and seek to make payment within six months of the Exit Date. However, in order to meet the six month timeframe, the administering authority requires prompt notification of an employers' exit and all data requested to be provided in a timely manner. The administering authority is unable to make any Exit Credit payment until it has received all data requested.
- At the time this policy was produced, the Fund has been informed by HMRC that Exit Credits are not subject to tax, however all Exiting Employers must seek their own advice on the tax and accounting treatment of any Exit Credit.

4.3 Responsibilities of the actuary

Following commission of a cessation valuation by the administering authority, the Fund Actuary will:

- calculate the surplus or deficit attributable to the outgoing employer on an appropriate basis, taking into account the principles set out in this policy.
- provide actuarial advice to the administering authority on how any cessation deficit should be recovered, giving consideration to the circumstances of the employer and any information collected to date in respect to the cessation.
- where appropriate, advise on the implications of the employer leaving on the remaining Fund employers, including any residual effects to be considered as part of triennial valuations.

5 Related Policies

- What happens when an employer leaves the Fund? (Section 7 of the FSS)
- Financials assumptions used (Appendix D3 of the FSS)

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Croydon Pension Fund

Policy on Prepayments

Effective date of policy	
Date approved	
Next review	

1 Introduction

The purpose of this policy is to set out the administering authority's approach to the prepayment of regular contributions due by participating employers.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

1.1 Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To provide employers with clarity around the circumstances where prepayment of contributions will be permitted.
- To outline the key principles followed when calculating prepayment amounts.
- To outline the approach taken to assess the suitability of a prepayment as sufficient to meet the required contributions.

1.2 Background

It is common practice in the LGPS for employers to pre-pay regular contributions that were otherwise due to be paid to the Fund in future. Employer contributions include the 'Primary Rate' – which is expressed as a percentage of payroll and reflects the employer's share of the cost of future service benefits, and the 'Secondary Rate' – which can be expressed as a percentage of payroll or a monetary amount and is an additional contribution designed to ensure that the total contributions payable by the Employer meet the funding objective.

On 22 March 2022, following a request from the LGPS Scheme Advisory Board, James Goudie QC provided an Opinion on the legal status of prepayments. This Opinion found that the prepayment of employee and employer contributions was not illegal, subject to the basis for determining the prepayment amount being reasonable, proportionate and prudent. Further, the Opinion set out specific requirements around the presentation of prepayments.

1.3 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) set out the way in which LGPS funds should determine employer contributions and contain relevant provisions regarding the payment of these, including the following:

- Regulation 67 – sets out the requirement for employers to pay contributions in line with the Rates and Adjustments (R&A) certificate and specifies that primary contributions be expressed as a percentage of pensionable pay of active members.
- Regulation 62 - sets the requirement for an administering authority to prepare an R&A certificate.
- Regulation 9 – outlines the contribution rates payable by active members

2 Statement of principles

This statement of principles covers the prepayment of regular employer contributions to the Fund. Each case will be treated on its own merits, but in general:

- The administering authority will permit the prepayment of employer contributions.
- Prepaying contributions expressed as a percentage of pay introduces the risk that the prepayment amount will be insufficient to meet the scheduled contribution (as a result of differences between expected and actual payroll). Prepaying contributions is therefore only permissible in the case of secure, long-term employers (e.g. local authorities).
- The prepayment of employee contributions is not permitted.
- A discount will be applied where employer contributions are prepaid, to reflect the investment return that is assumed to be generated by the Fund over the period of prepayment.
- The Fund actuary will determine the prepayment amount, which may require assumptions to be made about payroll over the period which the scheduled contribution is due.
- Where contributions expressed as a percentage of pay have been prepaid, the administering authority will carry out an annual check (and additional contributions may be required by the employer) to make sure that the actual amounts paid are sufficient to meet the contribution requirements set out in the R&A certificate.
- Prepayment agreements will be documented by way of correspondence between the administering authority and the employer.
- The R&A certificate will be updated on an annual basis to reflect any prepayment agreements in place.
- Employers are responsible for ensuring that any prepayment agreement is treated appropriately when accounting for pensions costs.
- Prepayment agreements can cover any annual period of the R&A (or a consecutive number of annual periods).

3 Policy

3.1 Eligibility and periods covered

The Fund is happy to consider requests from any employers to pre-pay certified primary and secondary contributions. However, in general, this is most appropriate for large, secure employers with stable active memberships.

Employer contributions over the period of the existing R&A certificate (and, where a draft R&A certificate is being prepared following the triennial valuation, the draft R&A certificate) may be pre-paid by employers.

Prepayment of contributions due after the end of the existing (or draft) R&A certificate is not permitted, i.e. it would not be possible to prepay employer contributions due in the 2026/27 year until the results of the 2025 valuation are known and a draft R&A certificate covering the 2026 to 2029 period has been prepared.

3.2 Request and timing

Prior to making any prepayment, employers are required to inform the Fund in writing of their wish to prepay employer contributions and to request details of the amount required by the Fund to meet the scheduled future contribution.

This request should be received by the Fund within 2 months of the start of the period for which the prepayment is in respect of.

The Fund will then provide the employer with a note of the prepayment amount and the date by which this should be paid. In general, the prepayment should be made as close as possible to the beginning of the appropriate R&A period and by 31 May at the latest.

Failure to pay the prepayment amount by the specified date may lead to the need for an additional and immediate payment from the employer to ensure that the amount paid is sufficient to meet the certified amount set out in the R&A certificate.

3.3 Calculation

The Fund actuary will determine the prepayment amount required.

Where the prepayment is in respect of contributions expressed as a percentage of pay:

- The Fund actuary will determine the discounted value of scheduled contributions based on an estimate of payroll over the period (using the information available and assumptions set at the previous valuation) and the discount rate set for the purpose of the previous actuarial valuation (as specified in the previous actuarial valuation report).
- A sufficiency check will be required at the end of the period (see section 3.4)

Where the prepayment is in respect of contributions expressed as a monetary amount:

- The Fund actuary will determine the discounted value of scheduled contributions based on the discount rate set for the purpose of the previous actuarial valuation (as specified in the previous actuarial valuation report).
- No sufficiency check will be required

Employers may pay more than the prepayment amount determined by the Fund actuary.

No allowance for expected outsourcing of services and/or expected academy conversions will be made in the Fund actuary's estimation of payroll for the prepayment period.

3.4 Sufficiency check

Where required, the Fund actuary will carry out an **annual** assessment to check that sufficient contributions have been prepaid in respect of that period. Specifically, this will review the prepayment calculation based on actual payroll of active members over the period and this may lead to a top-up payment being required from the employer.

If this sufficiency check reveals that the prepayment amount was higher than that which would have been required based on actual payroll (i.e. if actual payroll over the period is less than was assumed), this will not lead to a refund of contributions to the employer.

The sufficiency check will not compare the assumed investment return (i.e. the discount rate) with actual returns generated over the period. i.e. the check considers payroll only. Any shortfall arising due to actual investment returns being lower than that assumed will form part of the regular contribution assessment at the next valuation (as per the normal course of events).

The administering authority will notify the employer of any top-up amount payable following this annual sufficiency check and the date by which any top-up payment should be made.

3.5 Documentation and auditor approval

The Fund will provide the employer with a note of the information used to determine the prepayment amount, including:

- Discount rate used in the calculations
- The estimate of payroll (where applicable)
- The effective date of the calculation (and the date by which payment should be made)
- The scheduled regular payments which the prepayment amount covers.

The prepayment agreement will be reflected in the R&A certificate as follows:

- The unadjusted employer regular contribution rate payable over the period of the certificate
- As a note to the contribution rate table, information relating to the prepayment amount and the discount applied, for each employer where a prepayment agreement exists.

The R&A certificate will be updated on an annual basis to reflect any prepayment agreements in place.

Employers should discuss the prepayment agreement with their auditor prior to making payment and agree the accounting treatment of this. The Fund will not accept any responsibility for the accounting implications of any prepayment agreement.

3.6 Costs

Employers entering into a prepayment agreement will be required to meet the cost of this, which includes (but is not limited to) the actuarial fees incurred by the administering authority.

3.7 Risks

Employers enter into prepayment agreements on the expectation that the Fund will be able to generate higher returns than they can over the prepayment period. Employers should be aware that future returns are not guaranteed, and it is possible that the returns generated on prepayment amounts may generate a lower return than that which can be generated by the employer. It is also possible that negative returns will lead to the value of any prepayment being less than that which was scheduled to be paid. In such circumstances, a top-up payment would not be required (as the sufficiency check only considers the effect of actual payroll being different to that assumed in the prepayment calculation), however the employer's asset share would be lower than it would have been if contributions were paid as scheduled. This would be considered by the Fund actuary at the next triennial valuation (as per the normal course of events).

4 Related Policies

The Fund's approach to setting regular employer contribution rates is set out in the Funding Strategy Statement, specifically "Section 2 – How does the Fund calculate employer contributions?".

Croydon Council

REPORT TO:	**Pension Committee** **14 March 2023**
SUBJECT:	**Pension Fund Medium Term Business Plan 2023-26**
LEAD OFFICER:	**Matthew Hallett – Acting Head of Pensions and Treasury**

1. RECOMMENDATION

1.1 The Committee are asked to comment on and agree to the recommended Medium Term Business Plan 2023/26.

2. EXECUTIVE SUMMARY

2.1 This report presents to the Committee a draft Business Plan for the Fund for financial years 2023/24 to 2025/26 attached as Appendix A. It invites their comments and requests their agreement to the Plan.

3 DETAIL

3.1. At their meeting on 15 September 2020 the Committee considered guidance from The Pensions Regulator and CIPFA, as highlighted by Aon in their Governance Review of the Fund, recommending that "a medium term business plan should be created for the pension fund." They agreed to note the draft "Medium Term Business Plan 2020-2023" as presented to them.

3.2 On 25 May 2021 and 14 June 2022 the Committee agreed to note the appropriate Medium Term Business Plan for 2021-24 and 2022-25.

3.3 Attached as Appendix A is a draft Medium Term Business Plan 2023-26 based on the two earlier versions but with the following significant additions:

- Further implementation of agreed recommendations from the various iterations of the Aon Governance Review;
- Future developments likely to have a significant impact on the Fund and its resource requirements; and
- Additional timescales and deadlines for objectives set out in the Plan.

3.4 The Committee are invited to comment on and, subject to any amendments they wish to make, agree the attached draft Medium Term Business Plan 2023-26.

4. CONSULTATION

4.1 Officers have prepared the Business Plan with regard to the recommendations of the Governance Review carried out by AON, the Fund's Governance Adviser.

5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

5.1 The Pension Fund Medium Term Business Plan 2023-26 sets out the key financial and risk considerations for the Pension Committee.

Approved by: Alan Layton on behalf of the Corporate Director of Resources and S151 Officer

6. LEGAL CONSIDERATIONS

6.1. Burgess Salmon LLP (a law firm appointed by the Fund) note that there are no specific legal implications arising from this report.

7. HUMAN RESOURCES IMPACT

7.1 There are no immediate HR impacts arising from this report.

Approved by: Gillian Bevan, Head of HR Resources and Assistant Chief Executives.

8. EQUALITIES IMPACT

8.1 The Council has a statutory duty to comply with the provisions set out in the Sec 149 Equality Act 2010. The Council must therefore have due regard to:

(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act.

(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.

(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

8.2 There are no equalities impacts arising from this report.

Approved by: Denise McCausland Equality Programme Manager

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.

Has a data protection impact assessment (DPIA) been completed?

No. This report relates to matters relating to the administration of the LGPS and the Croydon Pension Fund.

Approved by: Alan Layton on behalf of the Corporate Director of Resources and S151 Officer

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CONTACT OFFICER:

Matthew Hallett – Acting Head of Pensions and Treasury

BACKGROUND DOCUMENTS:

None.

APPENDIX

Appendix A: Medium Term Business Plan 2023-26

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CROYDON PENSION FUND

Medium Term Business Plan 2023-26

Croydon Pension Fund

5A Bernard Weatherill House

8 Mint Walk

Croydon CRO 1EA

Approved by Pension Committee on 14 March 2023 (to be reviewed in March 2024)

CONTENTS

1. INTRODUCTION

1.1 The London Borough of Croydon (the Council) is the Administering Authority for the Croydon Pension Fund (the Fund), responsible for the management of the Local Government Pension Scheme (the Scheme) in its area. The Fund is one of about ninety funds in the national Scheme offering benefits on a defined benefit basis and funded by its constituent employers, members and investment income.

2. PURPOSE OF THE BUSINESS PLAN

2.1 Although not specifically required under Scheme regulations, it is recommended in guidance and considered best practice to have a business plan setting out the future direction of the Fund.

2.2 The Business Plan sets out the aims and objectives of the Fund and provides an overview of its key activities, priorities and improvements to be implemented over the medium term. It includes a review of important developments during 2022/23, the work plan of the Committee, the Board and officers for 2023/24 – 2025/26 and the planned training activity as set out in the Fund training plan. It also includes the estimated financial position over the three years' up to 2025/26.

2.3 The Plan enables progress and performance to be monitored in relation to priorities and is reviewed and updated annually.

3. GOVERNANCE AND MANAGEMENT

3.1 The Council has delegated responsibility for the governance and management of the Fund to the Pension Committee and the S151 Officer. In the Council's Constitution the Purpose of the Committee is defined as:

> *to discharge the responsibilities for Croydon Council in its role as lead authority for the administration of the Croydon Pension Fund*

In its role as administering authority the Council has a fiduciary duty to the employers and members of the Fund and must not compromise this with its own particular interests.

3.2 The Committee receives appropriate advice from the S151 Officer, the Fund Actuary, its Investment Adviser and other officers and advisers as necessary.

3.3 The Pension Fund Team is managed by the Head of Pensions and Treasury who is supported by two sections. The Administration Section is headed by the Pensions Manager and is responsible for the day-to-day administration of pension benefits and the overall governance of the Fund. The Pension Investment Section is headed by the Pension Fund Investment Manager and is responsible for investment and accounting matters including the production of the Annual Report and Accounts, the managing of the fund managers and overseeing the investments made through the London Collective Investment Vehicle (London CIV).

3.4 Since 2015 a Local Pension Board has been in place the purpose of which, as laid down in Regulations, is to help ensure that the Scheme complies with governance and administration requirements.

3.5 Under the "pooling" guidance and supporting regulations the Fund, along with all other London borough funds, is a member of the London CIV. Over the next few years, it will continue to seek opportunities to transfer investments to the CIV to achieve reductions in investment management costs. It will continue to hold the CIV to account through its role as a shareholder.

3.6 At the request of the Pension Board, in 2015, the Fund commissioned a Governance Review from its independent Governance Adviser, Aon. During the spring and summer of 2016 the Board and Committee considered the Review and accepted the Adviser's recommendations. The Board agreed an action plan to plot progress in their implementation. In 2019 and 2021 Aon were invited to carry out further reviews to assess progress against their earlier recommendations and to take into account new developments. The reviews and associated action plans are regularly considered by the Board and Committee. During 2022 the Board and Committee reviewed the outstanding recommendations to be implemented and at the October 2022 Committee meeting agreed the Governance Review Action Pan to be taken forward. This is included in Annex I. The implementation of the various recommendations plays a significant part in the work plan for 2023/24 and subsequent years.

4. AIMS AND OBJECTIVES

4.1 The primary objective of the Fund is to provide for members' pension and lump sum benefits on their retirement or for their dependents' benefits on death, before or after retirement on a defined benefits basis, as required by the Local Government Pension Scheme Regulations 2013 (as amended from time to time).

4.2 As set out in the Funding Strategy Statement agreed in March 2020 and revised in May 2021:

The aims of the Fund are to balance:

- affordability of employer contributions;
- transparency of processes;
- stability of employers' contributions; and
- prudence in the funding basis.

The purposes of the Fund are to:

- receive the proper amount of contributions from employees and employers, and any transfer payments;
- invest the contributions appropriately, with the aim that the Fund's assets grow over time with investment income and capital growth; and
- use the assets to pay Fund benefits, to the members (as and when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

The funding objectives are:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return;
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

Although the Funding Strategy Statement is currently being updated and set to be agreed in March 2023, the statements made above remain current.

4.3 The key administration objectives of the Fund are to optimise performance in respect of:

- Providing all active and deferred members with annual benefits statements each year;
- Advising new Scheme members of their entry into the Scheme;
- Advising members of their calculated benefits;
- Administering transfer in and transfer out of members as required;
- Providing details of retirement benefits on request; and
- Notifying dependents of death benefits.

5. STATISTICS

5.1 Key statistics as at 31 March 2022 were as follows:

- Assets of the Fund were £1,731m predominantly invested in equities, bonds, property, infrastructure and private equity;
- The Fund was 97% funded (based on 31 March 2022 valuation data);
- The Fund had approximately 100 contributing employers;
- 9,926 members were contributing to the Fund;
- 11,856 former employees had their benefits deferred;
- 8,910 members were in receipt of a pension;
- Benefit payments in the previous year totalled £60.2m;
- Contributions from members in the previous year were £14.2m; and
- Contributions from employers in the previous year totalled £47.9m.

5.2 As at 31 March 2023 the assets of the Fund are likely to have decreased by between 5-7% and the other statistics are expected to be largely similar with small percentage increases in the expenditure and income arising from benefit payments and contributions respectively.

6. REVIEW OF 2022/23

6.1 As reported in the Business Plan considered by the Committee in June 2022, at the time of writing, the overall impact of the Coronavirus crisis on the Fund is unclear and may never be fully understood. However, five meetings of the Committee and four of the Board have been held. The auditors have not yet completed their reviews of the 2019/20, the 2020/21 or the 2021/22 Statements of Accounts.

6.2 Most of the normal routines were successfully completed including the regular monitoring of investment and administration performance, the distribution of annual benefit statements and the consideration of various policy statements, the Risk Register and the Breaches of the Law log.

Specific projects included:

- Providing support to the Actuary during the Triennial Valuation;
- Providing support to the Actuary in preparation of the updated Funding Strategy Statement;
- Review of independent Common Data Quality Report and Specific Data Quality Report;
- Update of various policies including:
  - *Discretions Policy review June 2022*
  - *Knowledge and Skills Policy review June 2022*
  - *Breaches Policy review October 2022*

- Governance and Compliance Statement review October 2022

- Governance Review Action Plan October 2022
- Constitutional changes in respect of Committee and Board October 2022
- Training Plan October 2022
- Reviewing various contracts December 2022
- Reviewing various contracts December 2022

7. WORK PROGRAMME

7.1 The work programme for Members, officers and advisers can be separated between routine day to day duties and less frequent one-off tasks. Paragraph 7.2 provides details of the former, largely the responsibility of officers, and Paragraph 7.3 details of the latter. Each of these is split into the following categories - “Governance,” “Funding,” “Investments” and “Administration.”

7.2 **Routine duties**

Governance

- Support, including the preparation of reports, for the Pension Committee and Pension Board;
- Implement the Governance Action Plan;
- Prepare and publish the Fund’s Annual Report and Accounts;
- Assist in the preparation of the Pension Board Annual Report;
- Monitor the Fund’s revenue budget;
- Monitor achievement of the Fund’s Business Plan;
- Carry out routine accountancy duties including cash flow and treasury management, monitoring of income and expenditure and preparing statutory and non-statutory returns;
- Create, maintain, review and implement various governance policies including Training Policy, Risk Management Policy, Breaches of the Law Policy and relevant codes of practice;
- Create and implement a training plan for the Committee and Board;
- Answer audit and Freedom of Information Act queries;
- Complete the annual “The Pensions Regulator” return;
- Make arrangements for bulk transfers, process academy conversions, and new scheduled and admitted bodies;
- Organise and facilitate Employers Forum, other communications and advice and other relevant relationships;
- Monitor and report on contributions;
- Facilitate arrangements for the appointment of non-Councillor representatives on the Pension Committee and Pension Board;
- Deal with invoicing and payments to and from the Fund;
- Facilitate employers joining and leaving the Scheme, including arranging valuations and admission agreements (including bond and guarantee agreements); and
- Monitoring employer covenants.

Funding

- Agree funding strategy with actuary;
- Consult with employers as appropriate;
- Assist the actuary by providing data as required;
- Provide data to Government Actuary's Department as required; and
- Monitor employers' covenants as required;

Investments

- Monitor investment performance and produce quarterly review reports for Committee;
- Appoint, monitor and dismiss fund managers as appropriate;
- Monitor the Fund's investment risk management framework;
- Work with all other London boroughs as a member of the London CIV;
- Meet investment managers in rotation;
- Implement Scheme Advisory Board Code of Transparency and analysis of investment costs; and
- Engage with fund managers on their approach to responsible investment.

Administration

- Provide information to Scheme members and their beneficiaries as they join, leave or change their status in the Fund;
- Calculate and notify entitlements to retirement, leaving and death benefits;
- Process individual transfers into and out of the Fund;
- Provide ad hoc information to members, their representatives or their beneficiaries;
- Maintain accurate scheme member records;
- Provide data for employers under FRS102;
- Administer pension increase;
- Issue Annual Benefit Statements;
- Develop information technology efficiencies;
- Maintain and operate auto-enrolment arrangements;
- Maintain and publicise members self-service facilities; and
- Maintain the Fund's Internal Dispute Resolution Procedure.

7.3 The more "project" based work programme for Members, officers and advisers envisaged over the next three years will be along the following lines.

Area	Item	Date
Administration	Academies Funding Policy Review	Oct-25
Governance	Administration Strategy Review	Mar-26
Administration	Admission Policy Review	Dec-24
Investments	Asset Allocation Review (including Investigation of new Investment Vehicles)	Ongoing
Governance	Breaches of the Law Policy and Procedure Review	Oct-25
Governance	Budget Review (including CIV costs)	Mar-24
Governance	Budget Review (including CIV costs)	Mar-25
Governance	Budget Review (including CIV costs)	Mar-26
Administration	Bulk Transfer Policy Review	Oct-25
Administration	Business Continuity Plan Review	Apr-23
Governance	Business Plan Review	Mar-24
Governance	Business Plan Review	Mar-25
Governance	Business Plan Review	Mar-26
Administration	Cessation Policy Review	Oct-25
Governance	CIV Relationship Structures Review	Sep-25
Investments	CIV Savings Review	Jul-23
Investments	CIV Savings Review	Jul-24
Investments	CIV Savings Review	Jul-25
Administration	Committee Administration Review	Jul-25
Governance	Communications Policy Review	Jan-26
Governance	Contract Review - Actuarial Services	Apr-23
Governance	Contract Review - Custodial Services	Sep-23
Governance	Contract Review - Investment Advisor	May-24
Investments	Contract Review - Pensions Enquiry Service	Dec-25
Administration	Contribution Review Policy Review	Oct-25
Administration	Cyber Security Mapping and Procedures	Ongoing
Administration	Data Dashboard Implementation Progress	Ongoing
Administration	Data Improvement Plan	Oct-23
Administration	Employer relationship Management Development	Ongoing
Investments	Environmental, Social and Governance Investment Policy (Develop)	Ongoing
Funding	Funding Strategy Statement Preparation	Nov-25
Governance	Governance Best Practice Compliance Statement Review	Jun-23
Governance	Governance Best Practice Compliance Statement Review	Jun-24
Governance	Governance Best Practice Compliance Statement Review	Jun-25
Governance	Governance Policy and Compliance Statement Review	Jun-23
Governance	Governance Review Updates	Ongoing

Administration	I-Connect Roll Out	Ongoing
Governance	IDRP Review	Jan-26
Administration	Information Technology Efficiencies	Ongoing
Governance	Investment Advisor - Performance Monitoring	Ongoing
Investments	Investment Strategy Statement Review	Mar-26
Administration	Key Performance Indicators Monitoring	Ongoing
Governance	Knowledge and Skills Policy Review	Jun-25
Governance	Legislative Changes Responses	As Required
Governance	Mandatory Discretions Policy (Administrative Authority)	Ongoing
Administration	Mc Cloud Implementation	As Required
Administration	Options Appraisal of Admin Function	Dec-23
Investments	Pooling Requirements - Compliance	Ongoing
Administration	Prepayments Policy Review	Oct-25
Administration	Procurement and Recruitment for the Fund - Review Operation	Dec-23
Administration	Record Management Policy Review	Oct-26
Administration	Recruitment and Retention Policy	Jul-23
Governance	Risk Management Policy and Strategy Review	Mar-26
Governance	Scheme Advisory Board Good Governance Review	Sep-23
Governance	Scheme Advisory Board Reports Responses	As Required
Administration	Service Areas not meeting agreed performance standards Review	As Required
Governance	Staffing Structure and Numbers Review	Ongoing
Administration	Staffing Structure Review - Responding to Increasing Demands	As Required
Governance	Structure Review	Sep-23
Governance	The Pensions Regulator Reports Responses	As Required
Governance	The Pensions Regulator Single Code of Practice Implementation Progress	Ongoing
Administration	Triennial Valuation - Consultation with and Results Issued to Employers	May-25
Funding	Triennial Valuation (Interim)	As Required
Funding	Triennial Valuation Consultations and Calculations	May-25
Funding	Triennial Valuation Employer Contribution Rates Calculation and Consultations	Nov-25
Funding	Triennial Valuation Rates and Adjustments Certificate Issued	Mar-26

7.4 Progress on relevant parts of the Programme will be regularly reported to meetings of the Committee and Board.

7.5 Programmes of work arising from the Business Plan specific to the Committee and the Board will be presented to the two bodies as an updated Forward Plan.

8. INVESTMENTS

8.1 As at the end of 31 December 2022 the Fund had £1,621m assets under management. Funds are invested across 15 different fund managers investing in equities, bonds, property, infrastructure and private equity.

8.2 The Fund's asset allocation is shown in the table below.

Fund Manager	Managed by CIV	Value at 31 December 2022	Actual Allocation	Strategic Allocation
		£m	**%**	**%**
Equities				
LGIM	Counts towards allocation	632.2		
RBC	Yes	78.2		
Total		**710.4**	**43.8**	**42.0**
Fixed Interest				
Aberdeen		122.0		
Wellington		56.1		
PIMCO	Yes	79.4		
Total		**257.5**	**15.9**	**23.0**
Property				
Schroders		137.2		
M &G		64.4		
Total		**201.6**	**12.4**	**16.0**
Private Equity				
Pantheon		73.9		
Knightsbridge		67.7		
Access		15.7		
North Sea Capital		21.1		
Total		**178.4**	**11.0**	**8.0**
Infrastructure				
Equitix		79.0		
Temporis		58.1		

GIGM		24.2		
Access		35.6		
I Squared		29.2		
Total		**226.1**	**14.0**	**10.0**
Cash		**46.6**	**2.9**	**1.0**
TOTAL		**1,620.7**	**100.0**	**100.0**

9. CASHFLOW

9.1 The table below summarises the income and expenditure included in the Fund Annual Accounts.

	2020/21 Actual	2021/22 Actual	2022/23 Forecast Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
	£'000	£'000	£'000	£'000	£'000	£'000
Contributions receivable	69,056	62,124	65,000	67,000	68,000	69,000
Transfers in	8,002	26,050	9,000	10,000	10,000	10,000
Benefits payable	-47,837	-48,778	-52,000	-58,000	-61,000	-64,000
Transfers out	-7,031	-10,180	-19,000	-10,000	-10,000	-10,000
Lump sums	-9,374	-11,413	-10,900	-11,000	-11,000	-11,000
Management expenses*	-3,152	-3,843	-3,731	-3,705	-3,735	-3,895
Investment income	7,309	8,000	8,500	9,000	9,500	10,000
Net income/ deficit (-)	**16,973**	**21,960**	**-3,131**	**3,295**	**1,765**	**105**

*The management expenses in the above table are those that are invoiced to the Fund and so paid from the Fund's cashflow. The majority of Investment Manager fees are charged within the Fund's investment holdings. See table 10.1.

In the table above the estimates for transfers in and transfers out are assumed to cancel each other out as they cannot be predicted with and degree of accuracy. The figures for investment income take into account RBC, PIMCO, Schroders and M&G. Dividend income for L&G, Aberdeen and Wellington is included within the unit pricing for the Funds, so is not separately identified. The calls and distributions for the Private Equity and Infrastructure managers are assumed to be cash neutral.

To summarise, although the Fund is approaching the point where the cashflow turns negative, there is still enough scope within the Fund's investments to be able to draw further investment income which means the Fund should not become a forced seller of assets.

10. RESOURCES

Finance

10.1 The following table provides actuals and estimates of the Fund Management Expenses over the six years from 2020/21.

	2020/21 Actual	2021/22 Actual	2022/23 Forecast Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Administration						
System fees	391	565	430	460	480	500
Staff costs	724	754	747	900	925	950
Payroll administration	175	170	170	170	170	170
Admin backlog	-	154	54	-	-	-
Central recharge for HR and Finance	69	61	60	60	60	60
Other (net)	9	-5	5	5	5	5
Total	**1,368**	**1,699**	**1,466**	**1,595**	**1,640**	**1,685**
Oversight and Governance						
Staff costs	501	525	475	520	535	550
Actuarial costs (net)	130	220	300	200	200	300
External audit fees	25	32	32	32	32	32
Memberships	8	10	10	10	10	10
Investment and governance advice	111	130	100	150	120	120
Legal advice	70	160	250	100	100	100
Rebate	-27					
Total	**818**	**1,077**	**1,167**	**1,012**	**997**	**1,112**
Investment Management						
Management fees	12,270	14,532	14,000	14,000	14,000	14,000
Custodian fees	105	96	98	98	98	98
Total	**12,375**	**14,628**	**14,098**	**14,098**	**14,098**	**14,098**
TOTAL	**14,561**	**17,404**	**16,731**	**16,705**	**16,735**	**16,895**
Less investment management fees included within the funds	-11,409	-13,561	-13,000	-13,000	-13,000	-13,000
TOTAL included in table 9.1	**3,152**	**3,843**	**3,731**	**3,705**	**3,735**	**3,895**

Staff

10.2 In 2023/24 the Fund has budget for the following staffing resource available to deliver the Plan.

	FTE	Vacancies
Head of Treasury and Pensions	1	
Pensions Manager	1	
Investment and Accounting	3	2
Administration	14	2
Governance & Compliance	4	2
Technical Support	2	
TOTAL	25	6

10.3 There are currently a number of developing issues each having or likely to have a significant impact on the management of the Scheme including:

- Implications of the McCloud judgement;
- Exit cap changes;
- Scheme Advisory Board Good Governance Review;
- The Pensions Regulator's new Code of Practice.
- CIPFA Knowledge and Skills Framework
- Goodwin Case
- Section 114 impact
- Severance / Redundancy exercises
- Services to the Fund from Democratic Services and Legal Services
- Cyber Security Requirements
- Data Dashboards
- Climate / Green Investment Reporting/TFCDs

10.4 Arrangements for staff recruitment and retention, succession planning, procurement and the provision of specialist services will also be reviewed.

10.5 In order to make the optimum contribution to the delivery and administration of Fund services staff have:

- Regular one-to-one meetings to review progress and to identify development issues
- Opportunities to put forward ideas and suggestions to help to shape the future development of the service

11. TRAINING AND DEVELOPMENT

11.1 A Knowledge and Skills Policy incorporating the CIPFA Knowledge and Skills Framework requirements for Board and Committee members and Officers and the TPR knowledge requirements and a Training Plan have been adopted by Fund.

11.2 Members of both the Pension Committee and Board and Officers are given a range of opportunities to develop their skills in keeping with the Framework. These include, but are not limited to, on-line programmes provided by Hymans Robertson, induction training and events hosted by the Local Government Association and other relevant bodies as well as sessions delivered by Fund Advisors. Access to webinars on specified subjects and many sessions are available both in person and remotely.

11.3 Training opportunities are provided at meetings of the Committee and Board.

11.4 The Fund is a member of the CIPFA Pensions Network which gives officers access to an extensive programme of events, training, weekly newsletters and documentation including briefing notes on the latest topical issues. Officers attend quarterly forum meetings with peers from other London boroughs which provide further access to opportunities for knowledge sharing and benchmarking data.

11.5 Officers also attend seminars arranged by fund managers and other third parties who specialise in public sector pensions. Any relevant sessions are shared with the Committee and Board members.

12. KEY POLICY DOCUMENTS

12.1 Key policy documents which support the Business Plan and, in turn, are supported by it which can be found on the Fund's website include:

- Academies Funding Policy
- Administration Strategy
- Annual Report and Accounts
- Breaches of the Law Policy
- Business Plan
- Business Continuity Plan
- Communications Policy Statement
- Conflicts of Interest Policy (Board) – being adapted for Fund-wide application
- Contribution Review Policy
- Data Improvement Plan
- Employer (admission / cessation / bulk transfer Policy
- Forward Plan
- Funding Strategy Statement
- Governance Policy and Compliance Statement
- Internal Disputes Resolution Procedure
- Investment Strategy Statement
- Knowledge and Skills Policy
- Mandatory Discretions Policy
- Prepayments Policy
- Record Management Policy
- Risk Management Strategy
- Training Plan
- Triennial Valuation Report

Annex I - Governance Review Action Plan				
Category	**Action**	**Comments**	**Date Due**	**Status**
Non-Pension Officer Actions	That the Committee recommends that the Council looks at appointing members to the Committee and the Board for a period of 4 years within the electoral cycle	At the June 2022 Pension Committee, the Chair of the Board requested that Committee members committed to four-year terms to aid continuity.		
Non-Pension Officer Actions	The Section 151 Officer to review the structure of the Pensions Function and how that sits within the Council structure.	This will be carried out when considering the plan for 202324	31 March 2023	
Constitutional Actions	To create a Fund wide Conflicts of Interest Policy covering Committee, Board and Senior Officers and incorporating work with the LCIV	Officers are awaiting comment from the Monitoring Officer	October 2022	In Progress
Constitutional Actions	That a small annual allowance should be paid to Pension Board members to reflect the increasingly onerous skills and training requirements	This is being done through amendment to the Constitution Officers support this.	October 2022	In Progress
Constitutional Actions	To include LCIV relationships structures in the constitution	This is being done through amendment to the Constitution	October 2022	In Progress
Constitutional Actions	Update Part 3 of the Constitution to be consistent to avoid any confusion around the responsibilities of the Pension Board	This is being done through amendment to the Constitution	October 2022	In Progress

Constitutional Actions	Clearly documented Scheme of Delegation – to include greater detail regarding the delegation to the Director of Finance Investment and Risk and Section 151 Officer in the next update to the constitution	This is being done through amendment to the Constitution	October 2022	Completed
Constitutional Actions	To review voting rights of categories of Pension Committee members. Board would like to see inclusion of a voting non-council employer representative and a voting member representative.	This is being done through amendment to the Constitution	October 2022	In Progress

Resourcing	To review the operation of procurement and recruitment for the Fund	This will be worked on over the year and reported back.	July 2023	Not Yet Due
Resourcing	That the administering authority should proactively consider the use of third party suppliers to increase the resources available to the Fund	The Fund is using Hymans to assist with backlog work and continues to benefit from governance consultancy provision from AON. Additionally, Burges Salmon now undertake legal comment for reports.	Completed	Completed
Resourcing	Where services are provided by the Council, including the provision of payroll and meeting support services, to put in place service level agreements covering delivery times, volumes and price.	It was felt that the service had improved, so no formal SLA's were required at this stage. This is to be reviewed in six months	Completed	Completed
Resourcing	That the resourcing required in order to provide an efficient service be reviewed especially considering McCloud and Pension Dashboards. The Board receive a report on resourcing twice a year	This will be added to the agenda planner	January 2023	Completed

Resourcing	The Board requested that an options appraisal of the Pensions Administration Function be carried out.		July 2023	Not Yet Due
Finance and Business Planning	That the Fund Annual Report and Accounts be reported to the Pension Committee prior to being reported to the General Purposes and Audit Committee	There are currently 3 years of accounts where the audit is still to be completed. When the backlog has been removed this will be incorporated in the normal cycle of reporting.	July 2023	Not Yet Due
Finance and Business Planning	To report when the 2019/20 pension fund report and accounts have been signed off by audit		January 2023	Overdue
Finance and Business Planning	To compile a 3-year financial plan covering admin, fund management and other overhead costs	This was presented to Committee in June 2022 and further enhancements will be incorporated into the next review.	March 2023	Completed

Website	That the Committee receive a report on compliance with the Aon report on publication of the Funds policies and documents by September 2023		September 2023	Not Yet Due
Website	Consider adding additional information from Code of Practice paragraph 96 about the Pension Board and Pension Committee members onto the Fund website	Request sent to members for relevant information provision. Still awaiting details from 4 members.	January 2023	In Progress
Policy and Process	To review the Breaches of the Law Policy		October 2022	Completed

Policy and Process	To review the Investment Strategy Statement- to include compliance statement against the Myners Principles	Will be done alongside the Triennial Valuation	March 2023	Completed
Policy and Process	To review the Administration Strategy		December 2022 Moved to March 2023	Completed
Policy and Process	To review the Communications Policy		December 2022	Completed
Policy and Process	To create a Data Improvement Plan	Checks are currently carried out on data but officers will formalise this in a policy document	March 2023 Moved to October 2023	Not Yet Due
Policy and Process	To review the Governance and Compliance Policy		June 2023	Not Yet Due
Policy and Process	To review the IDRP procedure to include details on what is exempt (as per section 50(9) of the 1995 Pensions Act		January 2023	Completed
Policy and Process	To create a Record Management Policy		January 2023 Moved to October 2023	Not Yet Due
Policy and Process	Regularly review knowledge and skills requirements as a standing agenda item for Board and Committee meetings	Added to forward plan	Ongoing	Completed
Projects	That the Committee will carry out a check on how the Fund complies with the recommendations of the Good Governance and where work will be required to ensure compliance by March 2023	Some work on actions required by the Fund has already been undertaken. Officers will continue to progress actions required**.**	March 2023	Completed

Projects	That the Committee is provided with an evaluation against the new TPR Code requirements in due course and will address areas of partial compliance and noncompliance in a timely manner	The TPR Code is still in draft form and has not yet been agreed. Officers have begun to look at the draft document and will complete a full assessment of Fund compliance and carry out actions to address requirements in due course.	TBC	Not Yet Due

REPORT TO:	**Pension Committee** **14 March 2023**
SUBJECT:	**Review of Breaches Log**
LEAD OFFICER:	**Matthew Hallett - Acting Head of Pensions and Treasury**
CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management: This report forms an important component of the governance arrangements for the stewardship of the Pension Fund.	
FINANCIAL SUMMARY: Financial risks relating to the Pension Fund are substantial and can impact on the General Fund of the Council.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1. RECOMMENDATIONS

The Committee is asked to:

1.1 Consider the contents of the Pension Fund Breaches Log, Appendix A, and to comment as appropriate.

1.2 Agree to the filing of a joint report with the Pensions Board to The Pensions Regulator for failing to publish audited Annual Report and Accounts within statutory deadlines for the years 2019/20, 2020/21 and 2021/22.

2. EXECUTIVE SUMMARY

2.1 It is consistent with The Pension Regulator's (TPR) Code of Practice that the Pension Fund maintains 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 and comment.

3 DETAIL

3.1 The Pension Act 2004 ("The Act", s 70) imposes duties on certain persons to report breaches of the law as follows:

70 Duty to report breaches of the law

(1) Subsection (2) imposes a reporting requirement on the following persons—
(a) a trustee or manager of an occupational or personal pension scheme;

(aa) a member of the pension board of a public service pension scheme;

(b) a person who is otherwise involved in the administration of an occupational pension scheme;

(c) the employer in relation to an occupational pension scheme;

(d) a professional adviser in relation to such a scheme;

(e) a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme.

(2) Where the person has reasonable cause to believe that—

(a)a duty which is relevant to the administration of the scheme in question, and is imposed by or by virtue of an enactment or rule of law, has not been or is not being complied with, and

(b)the failure to comply is likely to be of material significance to the Regulator in the exercise of any of its functions,

he must give a written report of the matter to the Regulator as soon as reasonably practicable.

(3)No duty to which a person is subject is to be regarded as contravened merely because of any information or opinion contained in a written report under this section. This is subject to section 311 (protected items).

(4)Section 10 of the Pensions Act 1995 (c. 26) (civil penalties) applies to any person who, without reasonable excuse, fails to comply with an obligation imposed on him by this section.

In line with this legislation and the Pensions Regulator's Code of Practice 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. It was last reviewed on 25 May 2021. The current log is attached (Appendix A).

3.2 In this context a breach of the law occurs when a duty which is relevant to the administration of the Fund, and is imposed by or by virtue of legislation or rule of law, has not been or is not being complied with. In the context of the LGPS this can encompass many aspects of the management and administration of the LGPS, including failure:

- to do anything required under the regulations which govern the LGPS (including in particular the requirements of the Local Government Pension Scheme Regulations 2013);
- to do anything required under overriding legislation, applicable statutory guidance or codes of practice;
- to maintain accurate records;
- to act on any fraudulent act or omission that is identified;
- to comply with policies and procedures (e.g. the Fund's statement of investment principles, funding strategy, discretionary policies, etc.);
- of an employer to pay over member and employer contributions on time;
- to pay member benefits either accurately or in a timely manner;
- to issue annual benefit statements on time or non-compliance with Code of Practice No. 14 (Governance and administration of public service pension schemes).

3.3 Since the Committee last reviewed the Log 2 entries have been amended:

- Breach 4 concerning the backlog – All cases have now been completed and so the rating has been changed to green
- Breach 5 concerning the minutes – at their meeting on 6 December the Committee agreed to change the rating to amber

The updated Breaches of the Law Log is in Appendix A.

3.4 There are 3 entries on the Log, numbers 6, 7 and 8, concerning failure to publish audited accounts. These are in respect of years 2019/20, 2020/21 and 2021/22. This is due to issues with the Council accounts not being signed off. At their meeting of 23 January 2023 the Board expressed a view that due to the passage of time and that there were now 3 years of accounts outstanding that these items were likely to be of material significance to TPR and should be reported to TPR. The Head of Pensions and Treasury agreed to report.

3.5 The Committee is asked to agree to make a joint report with the Board to TPR concerning the failure to publish audited accounts as detailed at 3.4 and to consider the contents of the Breaches Log and to comment.

4. CONSULTATION

4.1 Officers have previously consulted with both the Pension Committee and Local Pension Board on the template for the Breaches Log which forms the basis of the report.

5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

5.1 There are no financial considerations arising from this report.

Approved by: Alan Layton on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

6. LEGAL CONSIDERATIONS

6.1 Burges Salmon LLP (a legal advisor appointed to the Pension Fund) comments that the Pension Committees role is to ensure the Fund is properly operated in accordance with the Local Government Pensions Scheme Regulations 2013 ("the Regulations") all other relevant legislation and best practice as advised by TPR, including relevant financial, governance and administrative matters.

6.2 Section 70 of the Pensions Act 2004 ('the Act') imposes a requirement on the following persons ('reporters') to report breaches of the law (where such breach is likely to be of material significance to TPR (as below)) as it applies to the management and administration of the Fund:

6.3 The duty is to report the matter to The Pensions Regulator in writing as soon as is reasonably practicable where that person has reasonable cause to believe that:

(a) a legal duty relating to the administration of the scheme has not been or is not being complied with, and

(b) the failure to comply is likely to be of material significance to The Pensions Regulator

6.4 Under the Act a person can be subject to a civil penalty if they fail to comply with this requirement without a reasonable excuse. The duty to report breaches under the Act overrides any other duties the relevant individuals may have. However, the duty to report does not override 'legal privilege'. This means that, generally, communications between a professional legal adviser and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.

6.5 The Pensions Regulator has published guidance in the Code of Practice no 14 (Governance and administration of public service pension scheme ('the Code'). Paragraphs 241 to 275 of the Code deal with reporting breaches of the law.

7. HUMAN RESOURCES IMPACT

7.1 The Council will need to ensure appropriate action and advice is provided to retiring employees and retired employees in its capacity as the employer and pensions scheme administrator.

Any implications arising from this report for Council employees or staff will be dealt with as appropriate under the Council's HR Policies and Procedures.

Approved by: Gillian Bevan, Head of HR, Resources and Assistant Chief Executives on behalf of Dean Shoesmith, Chief People Officer

8. EQUALITIES IMPACT

8.1 The Council has a statutory duty to comply with the provisions set out in the Equality Act 2010. In summary, the Council must in the exercise of all its functions, "have due regard to" the need to comply with the three arms or aims of the general equality duty. These are to:

- eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act;
- advance equality of opportunity between people who share a protected characteristic and people who do not share it; and
- foster good relations between people who share a protected characteristic and people who do not share it.

8.2 The breach which is related to the backlog of work which impacts on staff from all equality characteristics in particular sex and age has now been resolved and is rated as green.

Approved by: Denise McCausland Equality Programme Manager

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: Alan Layton on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

CONTACT OFFICER:

Matthew Hallett, Acting Head of Pensions and Treasury

APPENDIX:

Appendix A: Breaches Log

BACKGROUND DOCUMENTS:

None.

No	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	Colour Rating	Outcome of report and/or investigations	Outstanding actions	Comments
1	Aug20	**Administration ABS**	Failure to produce 100% of Annual Benefit Statement notifications	Members and former members have not received up to date information on the value of their LGPS benefits which may affect their ability to make informed decisions around pension provision. Noncompliance with LGPS regulations timescales. Member has been unable to check personal data is complete and accurate or that the correct contributions have been credited.	The technical team issued 98.69% of the statements due. For the remainder, tasks are set up on Altair to enable the admin team to carry out any necessary tasks on the member records as part of the work schedule, such as resolving queries or completing benefit calculations.	The matter was not referred to the Pensions Regulator. All the issues were identified and tasks have been set up on Altair to be dealt with as part of the work schedule		Not reported. Only 2.12% for active and 0.27% for deferred members were not issued. The issues will be dealt with and member records updated as part of the work schedule		

No	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	Colour Rating	Outcome of report and/or investigations	Outstanding actions	Comments
2	Aug-21	**Administration ABS**	Failure to produce 100% of Annual Benefit Statement notifications	Members and former members have not received up to date information on the value of their LGPS benefits which may affect their ability to make informed decisions around pension provision. Noncompliance with LGPS regulations timescales. Member has been unable to check personal data is complete and accurate or that the correct contributions have been credited.	The team managed to issue 99.94% of annual benefit statements.	The matter was not referred to the Pensions Regulator. All the issues were identified and tasks have been set up on Altair to be dealt with as part of the work schedule		Not Reported. Only 0.06% of the notifications were not issued. The issues are dealt with and member records updated as part of the work schedule.		

No	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	Colour Rating	Outcome of report and/or investigations	Outstanding actions	Comments
3	Aug-22	**Administration ABS**	Failure to produce 100% of Annual Benefit Statement notifications	Members and former members have not received up to date information on the value of their LGPS benefits which may affect their ability to make informed decisions around pension provision. Noncompliance with LGPS regulations timescales. Member has been unable to check personal data is complete and accurate or that the correct contributions have been credited.	The technical team have issued 92.30% of the statements due. The majority of the deferred ABSs not issued are a result of outstanding leaver calculations which have been identified as part of the backlog project contracted to a third party. Work on this project continues and members are being contacted once the calculations have been completed. The remainder relate to leavers where we are awaiting transfer details from other LGPS funds before the deferred benefits can be processed or those that have left the scheme post 31 March 2022 and we await laver information from employers. These cases are included in BAU work and handled by the Pension Admin Team on a daily process. Members will be contacted once the calculations have been completed.	The matter was not referred to the Pensions Regulator. All the issues were identified and tasks have been set up on Altair to be dealt with as part of the work schedule		Not reported. 100% for active members were issued. While 86.19% for deferred members were issued, the balance were not produced due to ongoing benefit calculations or transfer calculations where we are awaiting information. These cases are included in BAU work and handled by the Pension Admin Team on a daily process. Members will be contacted once the calculations have been completed		

No	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	Colour Rating	Outcome of report and/or investigations	Outstanding actions	Comments
4	Jan-21	**Administration Backlog**	Failure to inform 100% of scheme members of their calculated benefits (refund or deferred) – backlog cases. The original number of backlog cases was 2665. The backlog cases allocated to Hymans have now been completed.	Members and former members have not received up to date information on the value of their LGPS benefits which may affect their ability to make informed decisions around pension provision. Noncompliance with LGPS regulations timescales. Members have been unable to check personal data is complete and accurate or that the correct contributions have been credited	Historical backlog is impacting performance. Hymans Robertson have been engaged to provide administration services to clear this backlog	The issue has been identified and action taken to rectify it. Outsourcing the historical backlog provides greater administrative capacity , mitigating the risk of recurrence. This has therefore been judged as not necessary to report to the Pensions Regulator		Not reported to The Pensions Regulator		

No	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	Colour Rating	Outcome of report and/or investigations	Outstanding actions	Comments
5	Oct-21	**Administration** **Minutes**	Failure to publish Committee and Board meeting Minutes	Without minutes any decisions made are not recorded and so have no legal basis. Any actions taken as a result of those decisions have no legal authority. There is no public access to decisions taken, preventing openness and challenge.	The matter was discussed at the meeting on 14 September 2021. Democratic Services have been experiencing resourcing issues and backlogs of all Council Committee meeting minutes have arisen. The team are now fully resourced and will be trying to catch up on the backlog and produce future minutes in a more timely fashion moving forward. Members requested that officers look into sourcing external minuting provision in respect of Pension Meetings to safeguard Fund business	Officers have designated the breach as amber in line with TPR guidance. Whilst there is an impact on the administration of the Fund, action has been taken to resolve the issue. The Monitoring Officer has advised that the matter should be reported to the TPR which has been done by the Chairs of the Board and Committee		Democratic Services are now adequately resourced and are producing the minutes themselves. All outstanding draft Committee minutes have been published and will be included on the agenda for the 11 October 2022 meeting for consideration and approval. The three outstanding draft Board minutes have been published and approved by the Board		Feedback has been received following referral of the matter to the TPR. They expect processes to be put into place to produce minutes in a timely manner and for them to be reviewed and approved promptly. These matters have been addressed.

										There is a named clerk who produces and circulates draft minutes shortly after each meeting. These are then entered onto the agenda for the next meeting. The Governance Team have created a log to record when each set of minutes has been approved

No	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	Colour Rating	Outcome of report and/or investigations	Outstanding actions	Comments
6	Sep-21	Finance **Accounts**	Failure of the Fund to publish audited Fund Accounts for year 2019/20 by 30 September 2020.	Lack of accurate data available on which to base funding requirements. This could result in insufficient funds to pay all benefit liabilities	The Fund report and accounts were prepared but had not been signed off by the Auditors. The Fund accounts form part of the Council accounts. External auditors would not sign off on the Council accounts as there was an issue around the accounting treatment involving Croydon Affordable Homes LLP. However, this is being resolved and it is expected that the paperwork will be in place shortly to allow sign off to be completed. The draft Annual Report and Accounts were presented to Pension Committee on 3 December 2021.	The matter has not been reported to the Pension Regulator. Progress had initially been delayed due to the issuing of the Section 114 notice applicable to Croydon and, more widely, to the impact of the Covid 19 pandemic. Many other LGPS Funds had been unable to finalise their accounts due to the impact of the pandemic. The continued delay in signing the accounts is as a result of the issues caused with Council's accounts around the accounting treatment of Croydon Affordable Homes LLP. The failure to sign off the accounts does not relate to a failure on the part of the Fund. The audit of the accounts is substantially complete and it is expected that the paperwork will be in place shortly to allow sign off to be finalised. The draft Annual Report and Accounts have been published on the website.			The Fund Accounts form part of the Council Accounts and cannot be signed off separately. The Head of Pensions will continue to liaise with Audit on progress on signing off the Council accounts	

No	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	Colour Rating	Outcome of report and/or investigations	Outstanding actions	Comments
7	Sep-22	**Finance Accounts**	Failure to publish the audited Fund Accounts for year 20/21 by 30 September 2021	Lack of accurate data available on which to base funding requirements. This could result in insufficient funds to pay all benefit liabilities.	The report and accounts were prepared but the accounts had not been signed off by the auditors due to issues with the Council's accounts for 2019/20 around the accounting treatment of Croydon Affordable Homes LLP. The draft Annual Report and Accounts were presented to Pension Committee on 3 December 2021	The matter has not been reported to the Regulator. Due to the passage of time, in July 2022 the Head of Pensions and Treasury reconsidered whether to report the breach, the main consideration being whether it would affect the valuation. Having consulted the Actuary and deemed that the valuation could still be signed off, it was decided that the breach still did not need reporting.			The Fund Accounts form part of the Council Accounts and cannot be signed off separately. The Head of Pensions will continue to liaise with Audit on progress on signing off the Council accounts.	

No	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	Colour Rating	Outcome of report and/or investigations	Outstanding actions	Comments
8	Sep-22	**Finance** **Accounts**	Failure to publish the audited Fund Accounts for year 21/22 by 30 September 2022	Lack of accurate data available on which to base funding requirements. This could result in insufficient funds to pay all benefit liabilities.	The report and accounts are being prepared. The audit of the accounts cannot be started until completion of the 19/20 and 20/21 accounts.	The matter has not been reported to the Regulator. The cause of the breach was due to the failure of the Council rather than failure in the administration of the scheme. The Actuary has confirmed that the valuation can still be completed, so the scheme can still comply with its legal requirements on funding. The breach has not resulted in any detrimental effects to members benefits.			The Fund Accounts form part of the Council Accounts and cannot be signed off separately.	

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REPORT TO:	**Pension Committee** **14 March 2023**
SUBJECT:	**Review of Risk Register**
LEAD OFFICER:	**Matthew Hallett, Acting Head of Pensions and Treasury**

CORPORATE PRIORITY/POLICY CONTEXT:

Sound Financial Management: This report forms an important component of the governance arrangements for the stewardship of the Croydon Pension Fund ("Fund").

FINANCIAL SUMMARY:

Financial risks relating to the Fund are substantial and can impact on the General Fund of the Council.

FORWARD PLAN KEY DECISION REFERENCE NO.: N/A

1. RECOMMENDATION

1.1 The Committee is asked to note the contents of the 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 and whether the assessment of each risk matches its perception on the adequacy of existing and future controls.

3.3 In accordance with the Risk Management Policy, the Risk Register is reviewed periodically and reported to the Committee on a quarterly basis.

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 that there are 19 risks on the main register with 15 being significant risks for the Fund (i.e. scored 10 or higher). With all of the planned future controls in place, the significant risks could be reduced to 4.

3.5 Since the Committee last reviewed the Register there have been two additional items added to the register. The first is risk number 22 relating to Conflicts of Interest and the second is risk number 23 relating to Climate Change.

The risk register is attached as Appendix A.

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

4. CONSULTATION

4.1 Officers have previously consulted with both the Pension Committee and Local Pension Board on the template for the Risk Register which forms the basis of Appendix A.

5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

5.1 There are no direct financial considerations arising from this report. This report addresses risk

Approved by: Alan Layton on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

6. LEGAL CONSIDERATIONS

6.1 Burges Salmon LLP (a legal advisor appointed to the Fund) note there are no direct legal implications arising from the recommendations within this report.

7. HUMAN RESOURCES IMPACT

7.1 There are no direct workforce implications arising from the recommendations within this report. If any matters arise this will be managed under the appropriate Council policies and procedures

Approved by: Gillian Bevan, Head of HR, Resources and Assistant Chief Executives on behalf of Dean Shoesmith, Chief People Officer.

8. EQUALITIES IMPACT

8.1 The Council has a statutory duty to comply with the provisions set out in the Sec 149 Equality Act 2010. The Council must therefore have due regard to:

(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act.

(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it

(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

8.2 Any risks to the investment fund are likely to impact on the age characteristic in relation to older workers. The council is 67.73% female and 32.27% male so women are more likely to be impacted by any investment risks.

Approved by: Denise McCausland – Equality Programme Manager

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

Approved by: Alan Layton on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

CONTACT OFFICER:
Matthew Hallett, Acting Head of Pensions and Treasury

BACKGROUND DOCUMENTS:
None

APPENDIX:
Appendix A: Risk Register

	Pensions Risk Register									
	Risk Scenario			**Current Risk Rating**			**Future controls**		**Future Risk Rating**	
	Risk	**Type**	**Existing Controls**	**Impact**	**Likelihood**	**Risk factor**		**Impact**	**Likelihood**	**Risk Factor**
1	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 Risks**	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	**3**	**4**	**12**	Admission, Cessation and Bulk Transfers Policies were agreed by the Committee at their meeting of 3 December 2021 which will mitigate the risk. The Fund puts measures in place such as bonds and parent company guarantees or reduces the funding time horizon to reduce the impact resulting from employer	**2**	**3**	**6**

			Funding Agency, up to court enforcement action.				failures. These areas will be reviewed as part of the triennial valuation.			
2	The Fund's invested assets are not sufficient to meet its current or future liabilities.	**Funding - Assets and Liabilities Risks**	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	**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. Officers will work with the Actuary to seek a cost efficient way of estimating changes to the funding level.	**4**	**2**	**8**

			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 with updates being agreed at the Committee meeting on 25 May 2021. The Fund is current carrying out the March 22 valuation which has indicated an improvement in the funding level.							

3	Liquidity risk - 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.	**Funding - Assets and Liabilities Risks**	The Fund's contribution income is currently enough to cover the short term liablities. This is kept under constant review. The amount of cash held by the fund has increased to 2.9% of the Fund to mitigate this risk.	**3**	**2**	**6**	The illiquid assets are reaching a point where distributions are higher than calls, so are generating cash. Further commitments to nvestments will be put on hold until a medium term cash projection has been completed.	**3**	**2**	**6**
4	There is a possible risk of scheduled or admitted bodies not paying over contributions, which involves the administering authority in incurring unnecessary costs.	**Funding - Assets and Liabilities Risks**	The authority has retained legal advisors to mitigate this risk, possibly through legal channels.	**3**	**5**	**15**	A structured process has been introduced to monitor receipts of contributions. Contributions and schedules are chased promptly and reconciled. Improved team communications is aiding in this	**3**	**2**	**6**

							process. which is monitored by the Pensions Board. These measures are improving outcomes. However, they require more time to administer and resources across the governance and accounts teams are impacted. Additional staffing is in the process of being secured.			
6	There is a risk that, under any set of circumstances, an assets will will underperform. The Fund has a significant allocation to several single asset categories - for example, equities, fixed interest, property or	**Investment Risks**	The investment allocation mix is in a variety of uncorrelated investments designed to give a diverse porfolio, meaning any one investment class should not unduly impact	**3**	**3**	**9**	Officers with the help of the Fund's Investment Adviser will continue to assess the asset mix of the Fund to ensure it continues to meet the required returns.	**3**	**2**	**6**

	alternatives - which potentially leaves the Fund exposed to the possibility that a particular class of assets will underperform relative to expectation.		on the performance of the overall portfolio if it underperforms relative to expectation.							
7	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.	**Investment Risks**	Recruitment has inevitably been impacted by the lockdown but the CIV has now filled a number of key roles. This provides a degree of reassurance that fund launches and key projects should be able to proceed according to plan.	**4**	**2**	**8**	As the CIV becomes more established recruitment issues should become less significant.	**4**	**2**	**8**

8	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, credit crunch and the Coronavirus pandemic. Other crises are inevitable.	**Global Macro-economic Risks**	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. The diversfied nature of the Fund meant that the Fund was well protected during the Coronavirus pandemic.	**4**	**3**	**12**	The asset allocation strategy will be revised during 2023/2024. 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.	**4**	**3**	**12**

12	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	**Operational Risks**	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. Key suppliers, Aquila Heywood and Hymans Robertson both have ISO:270001 which is the	**4**	**3**	**12**	We are currently working with Aon to strengthen our Cyber Security arrangements. We will be producing and implementing policies and processes focusing on this area.	**4**	**2**	**8**

	implemented and reviewed service delivery may be adversely affected.		international standard for information security management systems (ISMS).							
13	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	**Operational Risks**	Mandatory GDPR and Cyber Security training has been provided to all new and existing staff. There is a remote working protocol available on the staff intranet which includes guidance on working securely, in addition to a good practice guide on information management.	**4**	**3**	**12**	We are currently working with Aon to strengthen our Cyber Security arrangements. We will be producing and implementing policies and processes focusing on this area.	**4**	**2**	**8**

	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.		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. Appropriate data access levels to the pensions administration system are assigned by the Technical Support Team							

			on appointment or change of role, according to the requirements of the role.							
14	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	**Operational Risks**	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	**4**	**4**	**16**	Decide how gathering of data from employers will be resourced. Once regulations issued and remedies understood, ensure pension service is appropriately resourced to deal with additional workload	**4**	**3**	**12**

	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.		are being recorded on Altair.							
15	Cyber Security – The heightened security threat level due to the Russian invasion of Ukraine could potentially result in added risks to the pension administration system.	**Operational Risks**	In response to the heightened threat, Heywoods have conducted focused threat simulations based upon potentially malicious email traffic, reinforced organisational awareness of the threat landscape and raised vigilance through additional staff	**4**	**3**	**12**	Heywoods will continue to closely monitor the cyber threat landscape, particularly threats connected with events in Ukraine. When necessary, they will take immediate action to mitigate against new threats as they emerge.	**4**	**2**	**8**

			training and blocked access/internet traffic from specific countries.							
16	Russia has invaded Ukraine. There are global economic repercussions relating to oil and gas prices; energy markets; stock markets; and currencies. The Pension Fund will be impacted by these developments because it has exposure to these markets and geographies.	**Global Macro-economic Risks**	The Fund's direct exposure to assets held in Russia and the Urianes has been assessed and impact was immaterial. The diversfied nature of the portfolio helps protect the Fund against the wider implications to Global markets.	**3**	**5**	**15**	If the conflict ends markets should recover; otherwise the financial markets will adapt. The Funds asset allocation is being reiewed to make sure it is still appropriate to keep the fund on track.	**3**	**4**	**12**
17	In February 2022 DLUHC issued the Levelling Up white paper requiring Funds to deploy at least an additional 5% of their capital to relevant	**Investment Risks**	It is unlikely that the Fund will be forced into a position which would mean an unacceptable imbalance in	**4**	**2**	**8**	If the risk materialises the Fund will seek to follow the direction over a period of time inorder to mange any	**4**	**2**	**8**

	investment opportunities in the UK.The additional requirement could be problematic for funds such as Croydon which already allocate a significant proportion of their capital to the UK in illiquid assets.		the asset alllocation of the Fund. The Fund is not currently committing any further investments to its illiquid portfolio.				imbalance in the portfolio.			
18	Changes in legislation affect the level of performance of the Pensions Admin Team. Scheme members experiencing delays in receipt of their pension entitlement. Statutory deadlines are not met leading to breaches of legislation and pension regulator requirements. Scheme member dissatisfaction.	**Operational Risks**	A third party administrate contract with Hymans Robertson to provide additional resources. Key Performance Monitoring Report completed each month against legal deadlines and team targets reported to Pensions Committee and	**4**	**4**	**16**	A review of the effectiveness of 3rd party arrangement on activity levels. Continue detailed planning in respect of legislative changes. Development of IT and automation. Increase to Employer engagement. Regular Performance Reporting	**4**	**2**	**8**

	Reputational damage. Financial penalties. Legal action / challenge.		Board each meeting. Maintaining awareness of latest legislative requirements. Robust checking procedures at all stages. Staff knowledge - Recruitment of staff of suitable experience Continuous training of existing staff. Currently fully resourced administrative function.				(activity rates & service KPI's) to Pensions Committee			
19	System malfunction or interruption of our banking systems.The FCA disclosed that in the last 9 months of 2018 there were more than 300 IT failures impacting on bank customers	**Operational Risks**	Actively review/assure in relation to bank controls. Automatic compensation paid for major interruptions	**4**	**3**	**12**	No future controls planned	**4**	**3**	**12**

	ability to access their funds.The 6 largest banks on average experience one IT failure every 2 weeks.The risk is that one of these failures is for a sustained period of time impacting on BACS and CHAPS payments both into and out of the council.This could prevent members of the public and businesses from accessing funds,result in financial loss and /or service interruption.									
20	Risk of losing or being unable to recruit suitably experienced staff. The Head of Pensions and Treasury has retired and other positions within the Pension Team have been vacant	**Operational Risks**	The Pension Team have recruited temporary resources in the Treasury Team for the immediate future and are in the process of	**3**	**4**	**12**	Developing in-house knowledge and capacity will mitigate the risk of skills drain if staff leave. A review of the pensions function will assist in further	**3**	**3**	**9**

	for a while. Lack of resourcing and knowledge will have a detrimental impact on the performance of the fund.		creating two new posts in the governance team. We are working with our advisors more widely to make greater use of their resources.				developing effective service delivery.			
21	Liquidity risk - Inflation is currently running at 10% which will feed into pension increases and lead to pressures on cashflow. 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	**Funding - Assets and Liabilities Risks**	The Fund has increased the amount of cash it hols in order to cover any potential net outflow from the Fund	**3**	**5**	**15**	A medium term cashflow projection will be carried out after the valuation in order to gain assurance that the fund has sufficient liquidity.	**3**	**2**	**6**

	investment returns.									
22	Conflicts of interest – This could lead to a lack of clarity around when it is necessary for Committee and Board members to declare / disclose interests that could impact on decisions they are taking. When acting in their capacity as Committee members their priority should be the interests of the Fund. Without appropriate scrutiny and transparency, the interests of the Fund could be compromised.	**Governance Risks**	There is an existing Board Conflicts of Interest Policy in place and elected members are required to disclose interests in their capacity as Councillors. A standing agenda item is included in every meeting asking if any member has an interest that they need to disclose. A member of Democratic Services attends every meeting and can provide advice on	**4**	**3**	**12**	A new Fund specific Conflicts of Interest Policy has been drafted and has been referred to the Monitoring Officer to take forward in line with proposed changes to the constitution. This will provide greater clarity on disclosable items and potential areas where a conflict might arise.	**4**	**2**	**8**

			whether a disclosure is needed. The Board Chair regularly attends Committee meetings and will highlight potential items where a disclosure may be appropriate. Democratic Services keep a log of Member Interests.							
23	Climate Change- Pension funds invest over the long-term so are particularly susceptible to the impacts associated with climate change.	**Investment Risks**	When setting the funding strategy the Fund included climate scenario stress testing in the contribution modelling exercise for the Council at the 2022 valuation. The results provided some	**3**	**5**	**15**	The investment strategy is currently being reviewed with the particular focus on climate change risks and is setting a framework to firstly establish the Fund's current carbon footprint and secondly to	**1**	**5**	**5**

			assurance that the funding strategy is resilient to climate risks.				enable to future reporting and monitoring of the Fund's exposure to climate change risks.			

Risk Matrix

IMPACT

		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

LIKELIHOOD

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.**

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.

19	**Number of Risks on Register**

	Current Ratings
4	Number of Green Risks
15	Number of Amber Risks
0	Number of Red Risks

	Future Ratings
15	Number of Green Risks
4	Number of Amber Risks
0	Number of Red Risks

Croydon Council

REPORT TO:	**Pension Committee** **14 March 2023**
SUBJECT:	**Croydon Pensions Administration Team Key Performance Indicators for the Period From November 2022 to January 2023**
LEAD OFFICER:	**Matthew Hallett - Acting Head of Pensions and Treasury**

CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON:

Sound Financial Management: The Pension Committee is responsible for the effective administration of the Croydon Pension Fund ("Fund") within the Local Government Pension Scheme ("LGPS"). These Key Performance indicators provide a measure of how well that administration functions.

FINANCIAL IMPACT

Poor administration may ultimately lead to incorrect calculation or payment of benefits or indeed financial penalties

1. **RECOMMENDATION**
The Committee is asked to:

1.1 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 Fund for the three-month period up to the end of January 2023.

3. DETAIL

3.1 Good governance suggests that the performance of the administration of the Fund should be monitored. This report has been developed using the guidance published by CIPFA (Administration in the LGPS: A Guide for Pension Authorities) and is reporting to the committee on the Fund administration performance for the period November 2022 to January 2023. The indicators cover legal deadlines; team performance targets, case levels, take up of the member self-service and the indicators and performance against these are details more fully in Appendix A to this report.

3.2 The team continue to perform well on life event cases such deaths and retirements. Average days to process are well below our targeted KPIs.

3.3 In January the team focused on interfund transfers between the Fund and other LGPS funds. The auto aggregation requirements of the LGPS regulations 2014 have resulted in an increase in interfund cases and this type of case accounts for approximately a third of the workload. The team carried out several successful Blitz Days and we are continuing to monitor case levels.

3.4 DLUHC issued a short consultation on changing the revaluation date in the LGPS from the 1st April to the 6th April with effect from 1 April 2023 in order to lessen the impact of high inflation on the annual allowance. At the time of writing the outcome of this consultation was not known.

3.5 Unless the change to the revaluation date is made we anticipate a greater number of people will exceed the Annual Allowance this year as inflation in September 2022 was 10.1%. Work has started to ensure all interfund transfers that have taken place in 2022/23 have accurate Annual Allowance data. This will remove many false positive Annual Allowances charges when the reports are run later in the year allowing the team to focus on genuine cases.

3.6 The first communications have been sent to all employers regarding the End of Year process. Emphasis has been placed on the importance of timely and accurate data, particularly in respect of pre 2014 pensionable pay, to assist with the Annual Allowance calculations.

3.7 We have sent out close to 1000 contact letters to deferred members following the completion of the Backlog Project. The letter invites them to register for Member Self-Service to view their pension record on-line. This is a rolling project with letters being sent out in batches to ensure the team is not overloaded with enquires at any one time. The next batch of letters is due to be sent out shortly.

3.8 A new member of the Administration Team joined us in January 2023. He joins us from the Local Pension Partnership Administration and has settled in very well. The Team Leaders are working with him to ensure he is fully trained as soon as possible.

4. CONSULTATION

4.1 Officers have previously consulted with both the Pension Committee and Local Pension Board in 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 or risk assessment considerations arising from this report.

Approved by: Alan Layton on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

6. LEGAL CONSIDERATIONS

6.1. Burges Salmon LLP (a legal advisor appointed to the Pension Fund) comments that there are no direct legal implications arising from the recommendations within this report.

7. HUMAN RESOURCES IMPACT

7.1 There are no direct workforce impacts arising from this report. Should any matters arise these will be managed under the appropriate Council policies and procedures.

Approved by: Gillian Bevan, Head of HR, Resources and Assistant Chief Executives on behalf of Dean Shoesmith, Chief People Officer

8. EQUALITIES IMPACT

8.1 The Council has a statutory duty to comply with the provisions set out in the Sec 149 Equality Act 2010. The Council must therefore have due regard to:

(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act.
(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it

(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

8.2 There are no equalities implications arising from the report.

Approved by: Denise McCausland Equality Programme Manager

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.

Has a data protection impact assessment (DPIA) been completed?

No. This report relates to matters relating to the administration of the LGPS and the Croydon Pension Fund.

Approved by: Alan Layton on behalf **of** Jane West, Corporate Director of Resources (Section 151 Officer)

CONTACT OFFICER:

Matthew Hallett - Acting Head of Pensions and Treasury

BACKGROUND DOCUMENTS:

None.

APPENDIX

Appendix A: Croydon Pensions Admin Team Performance Report, November 2022 to January 2023

Croydon Pensions Admin Team

Performance Report

January 2023

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Contents

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
		November 2022		December 2022		January 2023			
Send a notification of joining the LGPS to a scheme member	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	191	98.95%	268	100%	303	99.01%		4 cases missed target January 2023
Inform a scheme member of their calculated benefits (refund or deferred)	As soon as practicable and no more than two months from the date of notification (from employer or scheme member)	58	79.31%	60	81.67%	53	75.47%		The team's focus was on other arears this quarter with more interfund and aggregation tasks being completed. This will help with future leaver cases as aggregation can cause delays in processing leavers.

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
		November 2022		December 2022		January 2023			
To process and pay a refund	Two months from the date of request	7	100%	20	100%	18	100%		
Obtain transfer details for transfer in, calculate and provide quotation to member	Two months from the date of request	2	100%	1	100%	4	100%		.
Notify the amount of retirement benefits	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	60	100%	37	100%	45	100%		
Provide a retirement quotation on request	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	63	100%	36	100%	76	100%		

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
		November 2022		December 2022		January 2023			
Calculate and notify (dependent(s) of amount of death benefits	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)	30	100%	14	92.86%	37	100%		One case missed target in December 2022. Previous Interim Director of Finance was delayed in signing off the death grant.
Provide all active and deferred members with annual benefit statements each year	By 31st August								

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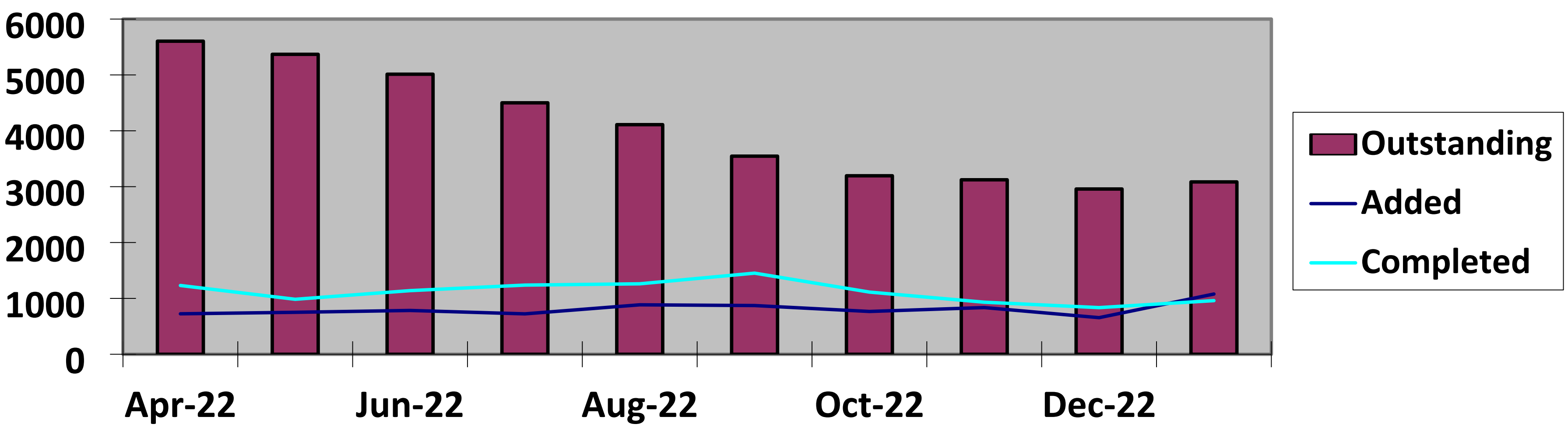
Team Performance Targets

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
		November 2022			December 2022			January 2023				
Send a notification of joining the LGPS to a scheme member	30 days from date of notification of joining member	191	97.38%	5	268	100%	1	303	98.68%	6		5 cases missed target in December 2022 and 4 cases missed target in January 2023.
Inform a scheme member of their calculated benefits (refund or deferred)	40 working days from date of notification (from employer or scheme member)	58	79.31%	242	60	80%	111	53	75.47%	97		The team's focus was on other arears this quarter with more interfund and aggregation tasks being completed. This will help with future leaver cases as aggregation can cause delays in processing leavers.

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
		November 2022			December 2022			January 2023				
To process and pay a refund	40 working days from the date of request	7	100%	3	20	100%	3	18	100%	1	→	
Obtain transfer details for transfer in, calculate and provide quotation to member	40 working days from the date of request	2	100%	1	1	100%	1	4	100%	2	→	
Notify the amount of retirement benefits	20 working days from date of retirement	60	100%	2	37	100%	1	45	100%	2	→	
Provide a retirement quotation on request	15 working days from date of request	63	100%	4	36	100%	2	76	98.68%		↓	One case missed target in January 2023. This was due to issues accessing historic payroll systems and delays in obtaining information from the employer.
Calculate and notify (dependent(s) of amount of death benefits	20 working days from receipt of all information	30	100%	3	14	92.86%	9	37	100%	2	↑	One case missed target in December 2022. Previous Interim Director of Finance was delayed in signing off the death grant.

Case levels



The above chart tracks the number of new cases added and case completed each month against the number of outstanding cases.

Of the outstanding cases approximately 30% relate to aggregation and interfund adjustment case where we are waiting for information from other LGPS funds.

Member self-service Q3

Total Scheme members registered	6071 (22.98%)
Number scheme members who accessed annual benefit statement Q2 Jul 2022 – Sep 2022	447
Breakdown by member status	
• Actives	29.62%
• Deferred	20.48%
• Pensioners & Dependents	19.00%

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REPORT TO:	**Pension Committee** **14 March 2023**
SUBJECT:	**Review of Committee Training**
LEAD OFFICER:	**Matthew Hallett, Acting Head of Pensions and Treasury**

CORPORATE PRIORITY/POLICY CONTEXT:
Sound Financial Management: This report forms an important component of the governance arrangements for the stewardship of the Pension Fund ("the Fund").

FINANCIAL SUMMARY:
Financial risks relating to the Fund are substantial and can impact on the General Fund of the Council.

1. RECOMMENDATION

1.1 The Committee is asked to note the contents of the Pension Committee Training Log.

2. EXECUTIVE SUMMARY

2.1 This report advises the Committee of training undertaken by the Pension Committee members in Year 2022/23 to 21 February 2023 and asks them note the contents of the Log attached to this report as Appendix A and the Hymans on-line training Log to 31 January 2023 attached to this report as Appendix B.

3 DETAIL

3.1 In their 2019 governance review Aon recommended that the scope of the Knowledge and Skills Policy be extended to the Pensions Committee and Officers, as well as the Pensions Board. They further recommended that the policy should incorporate knowledge of the work of the London Collective Investment Vehicle (London CIV) and have regard to CIPFA guidance. The policy was agreed on 17 March 2020 (Minute 26/20). This policy has since been reviewed and the revised version was agreed by the Committee in their meeting of 14 June 2022.

3.2 Following the introduction of Markets in Financial Instruments Directive (MiFID II) in January 2018, in order to be treated as a professional client (rather than a retail investor) a Fund, as a collective, must be able to demonstrate sufficient expertise, experience and knowledge to satisfy financial institutions that it is capable of making investment decisions and understanding the nature of potential risks by ensuring that levels of expertise, experience and knowledge are maintained to satisfy the MiFID II requirements.

3.3 All officers and Pension Committee Members charged with management operations and decision-making with regard to the Fund must have the knowledge and skills to discharge the duties and responsibilities allocated to them. All members and officers are expected continually to demonstrate their personal commitment to training and to ensuring that the knowledge and skills objective is met.

3.4 The CIPFA Knowledge and Skills Framework was updated in 2021 eight areas of knowledge and skills identified as the core requirements:

- pensions legislation;
- pensions governance;
- pension accounting and auditing standards;
- pensions administration;
- pension services procurement and relationship management;
- investment performance and risk management;
- financial markets and products knowledge; and
- actuarial methods, standards and practice.

3.5 This report provides the Committee with a summary of the training undertaken by Pension Committee in Year 2022/23 to 21 February 2023 (attached as Appendix A) and the Hymans on-line training Log to 31 January 2023 attached to this report as Appendix B.

3.6 All three of the sessions of the Fundamentals programme have been run. 2 Committee members (18%) attended the first session, 3 (27%) attended the second session and 1 (9%) attended the third session. This course was one of the compulsory options on the training plan, with the other option being the Hymans on-line training.

3.7 The latest report on the Hymans on-line training uptake shows that 2 Committee members (18%) and 3 (38%) Reserve Committee members have completed 1 or more modules, 4 (36%) Committee members and 2 (25%) Reserve Committee members have started 1 or more modules and 11 (100%) Committee members and 6 (75%) Reserve Committee Members have outstanding modules still to be completed.

3.8 At the October 2022 Committee meeting members agreed to provide officers with a list of dates of their availability so that the Investment Manager events could be re-arranged. This action has not yet been completed.

3.9 Committee and Reserve Members were invited to join an Investment Workshop on 21 February facilitated by the Fund's Investment Advisor Mercer. The purpose of this was to assist in the development of the Investment strategy. 7 committee members (64%) and 3 reserve members (38%) attended the session.

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

4. CONSULTATION

4.1 The Knowledge and Skills Training Policy has been agreed by Committee. This is reviewed every 3 years by the Pension Committee. The Aon governance review recommendations and CIPFA knowledge and skills requirements as well as action points from Board and Committee minutes have been incorporated into the plan.

5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

5.1 There are no financial considerations arising from this report.

Approved by: Alan Layton on behalf of Jane West, Corporate Director of Resources (Section 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 Committee's Terms of Reference (London Borough of Croydon's Constitution Part 4.N) Paragraph 7. **Knowledge and Understanding** provides that: *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.*

6.2 In addition, similar training and knowledge obligations are placed on the Local Pension Board members ("LPB Members") both under the Public Service Pensions Act 2013 Schedule 4 Clause 19 amendment of the Pensions Act 2004 and as detailed in Part 4 M of the Constitution which provides, among other matters, that both Employer and Employee representatives participate in training

as and when required. In addition, section 12 of Part 4M specifically deals with training requirements and provides as follows:
“12.1. Employer and Member Representatives (including substitutes) of the LPB must be conversant with – a. The legislation, Scheme Regulations and associated guidance of the LGPS; b. Any document recording policy about the administration of the LGPS (which is for the time being adopted by the Fund).

12.2. All members of the LPB must have a working knowledge and understanding of:
a. The law relating to pensions, and
b. Any other matters which are prescribed in Scheme Regulations.

12.3. It is for the Scheme Manager (this is the Administering Authority) to be satisfied that those appointed have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the LPB or Committee.

12.4. In line with the duties under their role, the LPB and Committee members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date on anything that would fall within the remit of their role. Members are therefore required to maintain a written record of all relevant training and development (whether internal or external) they have undertaken. In the event that members wish to attend an external course/training event prior approval must be sought from the Scheme Manager. All information in relation to training and development of all members shall be made available to the Board and Committee as part of the Review Process. In addition, the Scheme Manager may, at any time request to inspect such records upon providing the relevant member with a written request which must be adhered to within 7 days of receipt of such a request.

12.5. All members will undertake an annual personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses as well as mandatory training that the Board or Scheme Manager considers is required to ensure the Board and Committee operates as effectively as possible. Members will comply with the Scheme Manager’s training policy, details of which are found in the separate document titled “London Borough of Croydon Pension Fund Knowledge and Skills / Training Policy”.

Burges Salmon LLP (a law firm appointed by the Fund) note that there are no other legal implications arising from this report.

7. HUMAN RESOURCES IMPACT

7.1 There are no direct workforce implications arising from the recommendations within this report. If any should arise these will be managed under the Council’s policies and procedures.

Approved by: Gillian Bevan, Head of Hr, Resources and Assistant Chief Executives on behalf of the Chief People Officer

8. EQUALITIES IMPACT

8.1 The Council has a statutory duty to comply with the provisions set out in the Sec 149 Equality Act 2010. The Council must therefore have due regard to:

(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act.

(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it

(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

8.2 There are no equality implications arising from this report. Any training developed will be accessible to support committee members.

Approved by: Denise McCausland Equality Programme Manager

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.

Has a data protection impact assessment (DPIA) been completed?

No. This report relates to matters relating to the administration of the LGPS and the Croydon Pension Fund.

Approved by: Alan Layton on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

CONTACT OFFICER:
Matthew Hallett, Acting Head of Pensions and Treasury

BACKGROUND DOCUMENTS:

None

APPENDICES:
Appendix A: Training Log
Appendix B: Hymans On-line Training Log

				07/06/2022	07/07/2022	18/20 Oct 22	08/11/2022	11/10/2022	13/10/2022	18/11/2022	22/11/2022	25/11/2022	21/02/2023	Dec 22	12/01/2023
No Attended	% Possible			Induction	Gov Review Session	Fundamentals 1	CIPFA Board Webinar	Valuation Training	Cyber / MccCloud	NKA	Fundamentals 2	Westminster Webinar	Investment Workshop	fundamentals 3	Data Dashboard
5	50	Cttee	Cllr Simon Brew	1	0	0	0	1	1	1	0	0	0	0	1
2	20	Cttee	Cllr Nina Degrads	1	0	0	0	1	0	0	0	0	0	0	0
3	30	Cttee	Gilli Driver	0	0	0	0	1	0	1	0	0	1	0	0
6	60	Cttee	Cllr Clive Fraser	1	0	1	0	1	0	1	1	0	1	0	0
4	40	Cttee	Cllr Patricia Hay-Justice	1	0	0	0	1	0	0	1	1	0	0	0
6	60	Cttee	Cllr Yvette Hopley	1	0	0	0	1	1	1	0	0	1	0	1
7	70	Cttee	Peter Howard	1	0	1	0	1	0	0	1	0	1	1	1
2	20	Cttee	Cllr Endri Llabuti	0	0	0	0	1	0	1	0	0	0	0	0
5	50	Cttee	Charles Quaye	0	0	0	0	1	1	1	0	0	1	0	1
4	40	Cttee	Cllr Alasdair Stewart	1	0	0	0	1	0	1	0	0	1	0	0
5	50	Cttee	Cllr Callton Young	1	0	0	0	1	1	0	0	0	1	0	1
2	20	Rcttee	Cllr Louis Carserides	1	0	0	0	0	0	1	0	0	0	0	0
7	70	Rcttee	Cllr Richard Chatterjee	1	0	0	0	1	1	1	0	1	1	0	1
2	20	Rcttee	Cllr Stuart Collins	0	0	0	0	1	1	0	0	0	0	0	0
0	0	Rcttee	Cllr Simon Fox	0	0	0	0	0	0	0	0	0	0	0	0
3	30	Rcttee	Cllr Enid Mollyneaux	1	0	0	0	1	0	1	0	0	0	0	0
0	0	Rcttee	Cllr Nikhil Sherine Thampi	0	0	0	0	0	0	0	0	0	0	0	0
3	30	Rcttee	Cllr Appu Srinivasan	0	0	0	0	1	0	1	0	0	1	0	0
5	50	Rcttee	Cllr Rober Ward	1	0	0	0	0	1	1	0	0	1	0	1
			Total Completed	12	6	4		15	7	12	6	3	10	4	10
			Total Members							19					
			Total % Completed							63					
10		Cttee	Total Possible Events	1	0	1	0	1	1	1	1	1	1	1	1
10		Rcttee	Total Possible Events	1	0	1	0	1	1	1	1	1	1	1	1
11	Cttee		Total Comp Ctte	8	0	2	0	11	4	7	3	1	7	1	5
8	R Cttee		Total Comp Rctte	4	0	0	0	4	3	5	0	1	3	0	2
			% Completion Cttee	73	0	18	0	100	36	64	27	9	64	9	45
			% Completion Rcttee	50	0	0	0	50	38	63	0	13	38	0	25

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Hymans On-line Training Modules Progress for Pension and Reserve Committee to 31/1/2023

Modules Completed / In Progress

LGPS Role	Fullname	Course Name	Course Enrolment Status
Reserve Committee	Appu Srinivasan	Module 1 - An introduction to the LGPS	Completed
Reserve Committee	Appu Srinivasan	Module 2 - LGPS Governance & Oversight Bodies	Completed
Reserve Committee	Appu Srinivasan	Module 3 - Administration & Fund Management	Completed
Reserve Committee	Appu Srinivasan	Module 4 - Funding and Actuarial Matters	Completed
Reserve Committee	Appu Srinivasan	Module 5 - Investments	Completed
Reserve Committee	Appu Srinivasan	Module 6 - Current Issues	Completed
Pension Committee	Charles Quaye	Module 1 - An introduction to the LGPS	In Progress
Pension Committee	Endri Llabuti	Module 1 - An introduction to the LGPS	Completed
Pension Committee	Endri Llabuti	Module 2 - LGPS Governance & Oversight Bodies	Completed
Pension Committee	Endri Llabuti	Module 3 - Administration & Fund Management	Completed
Pension Committee	Endri Llabuti	Module 4 - Funding and Actuarial Matters	Completed
Pension Committee	Endri Llabuti	Module 5 - Investments	Completed
Reserve Committee	Enid Mollyneaux	Module 1 - An introduction to the LGPS	Completed
Reserve Committee	Enid Mollyneaux	Module 2 - LGPS Governance & Oversight Bodies	In Progress
Reserve Committee	Enid Mollyneaux	Module 4 - Funding and Actuarial Matters	In Progress
Pension Committee	Nina Degrads	Module 1 - An introduction to the LGPS	In Progress
Pension Committee	Peter Howard	Module 1 - An introduction to the LGPS	In Progress
Pension Committee	Peter Howard	Module 2 - LGPS Governance & Oversight Bodies	In Progress
Pension Committee	Peter Howard	Module 3 - Administration & Fund Management	In Progress
Pension Committee	Peter Howard	Module 4 - Funding and Actuarial Matters	In Progress
Pension Committee	Peter Howard	Module 5 - Investments	In Progress

Reserve Committee	Robert Ward	Module 1 - An introduction to the LGPS	Completed
Reserve Committee	Robert Ward	Module 2 - LGPS Governance & Oversight Bodies	Completed
Reserve Committee	Robert Ward	Module 3 - Administration & Fund Management	Completed
Reserve Committee	Robert Ward	Module 4 - Funding and Actuarial Matters	Completed
Reserve Committee	Robert Ward	Module 5 - Investments	Completed
Reserve Committee	Robert Ward	Module 6 - Current Issues	In Progress
Pension Committee	Yvette Hopley	Module 1 - An introduction to the LGPS	Completed
Pension Committee	Yvette Hopley	Module 2 - LGPS Governance & Oversight Bodies	In Progress

Modules Completed / In Progress Totals

Course Enrolment Status	Fullname	LGPS Role	Total Completed	% Completed
Completed	Appu Srinivasan	Reserve Committee	6	100
Completed	Endri Llabuti	Pension Committee	5	83
Completed	Enid Mollyneaux	Reserve Committee	1	17
Completed	Robert Ward	Reserve Committee	5	83
Completed	Yvette Hopley	Pension Committee	1	17

Course Enrolment Status	Fullname	LGPS Role	Total In Progress	% In Progress
In Progress	Charles Quaye	Pension Committee	1	17
In Progress	Enid Mollyneaux	Reserve Committee	2	33
In Progress	Nina Degrads	Pension Committee	1	17
In Progress	Peter Howard	Pension Committee	5	83
In Progress	Robert Ward	Reserve Committee	1	17
In Progress	Yvette Hopley	Pension Committee	1	17

Modules Not Started

LGPS Role	Fullname	Course Name	Course Enrolment Status
Pension Committee	Alasdair Stewart	Module 1 - An introduction to the LGPS	Subscribed
Pension Committee	Alasdair Stewart	Module 2 - LGPS Governance & Oversight Bodies	Subscribed
Pension Committee	Alasdair Stewart	Module 3 - Administration & Fund Management	Subscribed
Pension Committee	Alasdair Stewart	Module 4 - Funding and Actuarial Matters	Subscribed
Pension Committee	Alasdair Stewart	Module 5 - Investments	Subscribed
Pension Committee	Alasdair Stewart	Module 6 - Current Issues	Subscribed
Pension Committee	Calton Young	Module 1 - An introduction to the LGPS	Subscribed
Pension Committee	Calton Young	Module 2 - LGPS Governance & Oversight Bodies	Subscribed
Pension Committee	Calton Young	Module 3 - Administration & Fund Management	Subscribed
Pension Committee	Calton Young	Module 4 - Funding and Actuarial Matters	Subscribed
Pension Committee	Calton Young	Module 5 - Investments	Subscribed
Pension Committee	Calton Young	Module 6 - Current Issues	Subscribed
Pension Committee	Charles Quaye	Module 2 - LGPS Governance & Oversight Bodies	Subscribed
Pension Committee	Charles Quaye	Module 3 - Administration & Fund Management	Subscribed
Pension Committee	Charles Quaye	Module 4 - Funding and Actuarial Matters	Subscribed
Pension Committee	Charles Quaye	Module 5 - Investments	Subscribed
Pension Committee	Charles Quaye	Module 6 - Current Issues	Subscribed
Pension Committee	Clive Fraser	Module 1 - An introduction to the LGPS	Subscribed
Pension Committee	Clive Fraser	Module 2 - LGPS Governance & Oversight Bodies	Subscribed
Pension Committee	Clive Fraser	Module 3 - Administration & Fund Management	Subscribed
Pension Committee	Clive Fraser	Module 4 - Funding and Actuarial Matters	Subscribed
Pension Committee	Clive Fraser	Module 5 - Investments	Subscribed
Pension Committee	Clive Fraser	Module 6 - Current Issues	Subscribed
Reserve Committee	Endri Llabuti	Module 6 - Current Issues	Subscribed

Reserve Committee	Enid Mollyneaux	Module 3 - Administration & Fund Management	Subscribed
Reserve Committee	Enid Mollyneaux	Module 5 - Investments	Subscribed
Reserve Committee	Enid Mollyneaux	Module 6 - Current Issues	Subscribed
Pension Committee	Gilli Driver	Module 1 - An introduction to the LGPS	Subscribed
Pension Committee	Gilli Driver	Module 2 - LGPS Governance & Oversight Bodies	Subscribed
Pension Committee	Gilli Driver	Module 3 - Administration & Fund Management	Subscribed
Pension Committee	Gilli Driver	Module 4 - Funding and Actuarial Matters	Subscribed
Pension Committee	Gilli Driver	Module 5 - Investments	Subscribed
Pension Committee	Gilli Driver	Module 6 - Current Issues	Subscribed
Reserve Committee	Louis Carserides	Module 1 - An introduction to the LGPS	Subscribed
Reserve Committee	Louis Carserides	Module 2 - LGPS Governance & Oversight Bodies	Subscribed
Reserve Committee	Louis Carserides	Module 3 - Administration & Fund Management	Subscribed
Reserve Committee	Louis Carserides	Module 4 - Funding and Actuarial Matters	Subscribed
Reserve Committee	Louis Carserides	Module 5 - Investments	Subscribed
Reserve Committee	Louis Carserides	Module 6 - Current Issues	Subscribed
Reserve Committee	Nikhil Sherine Thampi	Module 1 - An introduction to the LGPS	Subscribed
Reserve Committee	Nikhil Sherine Thampi	Module 2 - LGPS Governance & Oversight Bodies	Subscribed
Reserve Committee	Nikhil Sherine Thampi	Module 3 - Administration & Fund Management	Subscribed
Reserve Committee	Nikhil Sherine Thampi	Module 4 - Funding and Actuarial Matters	Subscribed
Reserve Committee	Nikhil Sherine Thampi	Module 5 - Investments	Subscribed
Reserve Committee	Nikhil Sherine Thampi	Module 6 - Current Issues	Subscribed
Pension Committee	Nina Degrads	Module 2 - LGPS Governance & Oversight Bodies	Subscribed
Pension Committee	Nina Degrads	Module 3 - Administration & Fund Management	Subscribed
Pension Committee	Nina Degrads	Module 4 - Funding and Actuarial Matters	Subscribed
Pension Committee	Nina Degrads	Module 5 - Investments	Subscribed
Pension Committee	Nina Degrads	Module 6 - Current Issues	Subscribed

Pension Committee	Patricia Hay-Justice	Module 1 - An introduction to the LGPS	Subscribed
Pension Committee	Patricia Hay-Justice	Module 2 - LGPS Governance & Oversight Bodies	Subscribed
Pension Committee	Patricia Hay-Justice	Module 3 - Administration & Fund Management	Subscribed
Pension Committee	Patricia Hay-Justice	Module 4 - Funding and Actuarial Matters	Subscribed
Pension Committee	Patricia Hay-Justice	Module 5 - Investments	Subscribed
Pension Committee	Patricia Hay-Justice	Module 6 - Current Issues	Subscribed
Pension Committee	Peter Howard	Module 6 - Current Issues	Subscribed
Reserve Committee	Richard Chatterjee	Module 1 - An introduction to the LGPS	Subscribed
Reserve Committee	Richard Chatterjee	Module 2 - LGPS Governance & Oversight Bodies	Subscribed
Reserve Committee	Richard Chatterjee	Module 3 - Administration & Fund Management	Subscribed
Reserve Committee	Richard Chatterjee	Module 4 - Funding and Actuarial Matters	Subscribed
Reserve Committee	Richard Chatterjee	Module 5 - Investments	Subscribed
Reserve Committee	Richard Chatterjee	Module 6 - Current Issues	Subscribed
Pension Committee	Simon Brew	Module 1 - An introduction to the LGPS	Subscribed
Pension Committee	Simon Brew	Module 2 - LGPS Governance & Oversight Bodies	Subscribed
Pension Committee	Simon Brew	Module 3 - Administration & Fund Management	Subscribed
Pension Committee	Simon Brew	Module 4 - Funding and Actuarial Matters	Subscribed
Pension Committee	Simon Brew	Module 5 - Investments	Subscribed
Pension Committee	Simon Brew	Module 6 - Current Issues	Subscribed
Reserve Committee	Simon Fox	Module 1 - An introduction to the LGPS	Subscribed
Reserve Committee	Simon Fox	Module 2 - LGPS Governance & Oversight Bodies	Subscribed
Reserve Committee	Simon Fox	Module 3 - Administration & Fund Management	Subscribed
Reserve Committee	Simon Fox	Module 4 - Funding and Actuarial Matters	Subscribed
Reserve Committee	Simon Fox	Module 5 - Investments	Subscribed
Reserve Committee	Simon Fox	Module 6 - Current Issues	Subscribed

Reserve Committee	Stuart Collins	Module 1 - An introduction to the LGPS	Subscribed
Reserve Committee	Stuart Collins	Module 2 - LGPS Governance & Oversight Bodies	Subscribed
Reserve Committee	Stuart Collins	Module 3 - Administration & Fund Management	Subscribed
Reserve Committee	Stuart Collins	Module 4 - Funding and Actuarial Matters	Subscribed
Reserve Committee	Stuart Collins	Module 5 - Investments	Subscribed
Reserve Committee	Stuart Collins	Module 6 - Current Issues	Subscribed
Pension Committee	Yvette Hopley	Module 3 - Administration & Fund Management	Subscribed
Pension Committee	Yvette Hopley	Module 4 - Funding and Actuarial Matters	Subscribed
Pension Committee	Yvette Hopley	Module 5 - Investments	Subscribed
Pension Committee	Yvette Hopley	Module 6 - Current Issues	Subscribed

Modules Not Started Totals

Course Enrolment Status	Fullname	LGPS Role	Total Not Started	% Not Started
Subscribed	Alasdair Stewart	Pension Committee	6	100
Subscribed	Calton Young	Pension Committee	6	100
Subscribed	Charles Quaye	Pension Committee	5	83
Subscribed	Clive Fraser	Pension Committee	6	100
Subscribed	Endri Llabuti	Reserve Committee	1	17
Subscribed	Enid Mollyneaux	Reserve Committee	3	50
Subscribed	Gilli Driver	Pension Committee	6	100
Subscribed	Louis Carserides	Reserve Committee	6	100
Subscribed	Nikhil Sherine Thampi	Reserve Committee	6	100
Subscribed	Nina Degrads	Pension Committee	5	83
Subscribed	Patricia Hay-Justice	Pension Committee	6	100
Subscribed	Peter Howard	Pension Committee	1	17
Subscribed	Richard Chatterjee	Reserve Committee	6	100
Subscribed	Simon Brew	Pension Committee	6	100
Subscribed	Simon Fox	Pension Committee	6	100
Subscribed	Stuart Collins	Reserve Committee	6	100
Subscribed	Yvette Hopley	Pension Committee	4	67

Croydon Council

REPORT TO:	**Pension Committee** **14 March 2023**
SUBJECT:	**Local Government Pension Scheme Advisory Board / The Pensions Regulator Update**
LEAD OFFICER:	**Matthew Hallett – Acting Head of Pensions and Treasury**

1. **RECOMMENDATION**

1.1 The Committee are 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. Any implications for the Fund have been noted and are being addressed in consultation with Fund advisers.

3 DETAIL

3.1. Local Government Pension Scheme Advisory Board (SAB)

DLUHC consultation on changes to the SAB's cost management process

On 30 January 2023 DLUHC launched an 8 week consultation on changes to the Scheme Advisory Board's cost management process – the process that operates separately from but alongside the quadrennial scheme-level cost management process, which is based upon HM Treasury legislation and directions. The consultation follows the report from the Government Actuary's Department into changes to the HM Treasury cost management process, and the resulting policy and legislative changes set out in HM Treasury's response to that report. It acknowledges the differences between these two processes but proposes measures suggested by SAB in its consultation response to better integrate the SAB process within the statutory HMT mechanism. The consultation closes on 24 March 2023 and can be found here.

"Edinburgh Reforms"

On 9 December, the Chancellor of the Exchequer announced a set of reforms to drive growth and competitiveness in the financial services sector. It has been confirmed that the Government will be consulting in early 2023 on issuing new guidance on Local Government Pension Scheme asset pooling. The government will also consult on requiring LGPS funds to ensure they are considering investment opportunities in illiquid assets such as venture and growth capital, as part of a diversified investment strategy.

2021/22 Annual Reports

On 30 November 2022 the Board stated that it is aware that some pension fund audits are likely to be delayed again this year, largely due to issues with auditing the host authority's accounts. There is a statutory duty under regulation 57 of the LGPS Regulations 2013 for administering authorities to publish an annual report 'on or before 1 December'. The Board has written to the minister with proposals to help improve the timely completion of audit. In the meantime, it urges administering authorities to publish their 2021/22 annual reports based on the best data available to them by the statutory deadline. Ideally, the report would be based on audited data. However, if that is likely to result in a significant delay, the Board asks funds to produce and publish reports based on unaudited data (labelled as draft), and to re-publish an amended annual report with the external auditor's opinion and revised data after audit, where necessary.

Climate risk reporting consultation

On 18 November 2022 the Board submitted its response to DLUHC's climate risk reporting consultation. The response includes some over-arching observations on the role of pension funds (as well as their limitations), the production of climate risk reports as well as responses to the Department's specific questions on governance, scenario analysis, metrics, and risk management. The Board welcomed the opportunity to engage with the Department's proposals and believes that pension funds should be able to make a positive contribution by supporting the just transition to a sustainable future. The full response can be found here.

Statement on employer contributions

On 1 November 2022 the Board announced that, at their meeting on 10 October 2022, they discussed emerging results from the current round of triennial fund valuations. Whilst understanding and recognising the extremely challenging position for local government finance, the Board asks that administering authorities and other fund employers have regard to the desirability for long term stability in pension contributions when considering whether reductions in employer contributions are desirable as a result of an improved funding position. The full statement gives more detail of the Board's discussion, and full reasons for making this statement.

Taskforce on Climate-related Financial Disclosures (TCFD)

On 1 September 2022 The Department for Levelling Up, Housing and Communities (DLUHC) launched its consultation regarding governance and reporting of climate change risks. The consultation sought views on proposals to require Local Government Pension Scheme administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). The consultation closed on 24 November 2022.

Scheme Advisory Board response to HM Treasury's exit pay consultation

In August, HM Treasury issued a consultation on a new controls process for high value exit payments paid to staff working in central government. Although that will not affect local government workers directly, some LGPS employers are likely to be covered by the new arrangements and on 17 October 2022 the Scheme Advisory Board submitted this response.

Age discrimination in LGPS benefits

On 26 August 2022 the Board Chair, Cllr Phillips, wrote to the Minister recommending reform of the LGPS rules on death grants and survivor benefits. This is to address recent challenges that the current rules are discriminatory and also to investigate "future proofing" Scheme benefits against potential future legal challenge.

Audit issues within the Local Government Pension Scheme (LGPS)

On 3 August 2022 the Board Chair, Cllr Phillips, wrote to the Minister outlining issues facing funds as a result of audit issues relating to the main local authority accounts. The letter proposes separating pension fund accounts from main local authority accounts as a potential solution to the problem and asks the Minister to task officials to work with the Board and its committees to consider the benefits and risks of such an approach.

McCloud response

On 2 August 2022 the DLUHC provided an update on its work to rectify "McCloud" age discrimination. This has already been shared with LGPS administering authorities in England and Wales and software suppliers. Full details are available in the July LGPC bulletin.

On 17 March 2022 the Queen gave Royal Assent to the Public Service Pensions and Judicial Offices Bill and it became the Public Service Pensions and Judicial Offices Act 2022.

Queen's Speech

On 11 May 2022, the Queen's Speech included a Procurement Bill which will cover the procurement, purchasing and investment decisions of public bodies and a Boycotts, Divestment and Sanctions Bill.

Levelling Up White Paper

On 27 April 2022 the Board Chair wrote to the Minister in response to the White Paper.

https://lgpsboard.org/images/Other/Letter_to_Kemi_Badenoch_Levelling_Up_270422.pdf

On 2 February 2022 the Government published the Levelling Up White Paper which includes references to LGPS funds having plans for up to 5% of assets to be allocated to projects which support local areas. SAB understands that in this context local refers to UK rather than local to a particular fund and that there will be no mandation beyond the requirement to have a plan. Further details are expected to emerge over the period up to an expected summer consultation which SAB understands will also include the outstanding climate risk and reporting regulations and the pooling guidance.

The White Paper also notes that the UK Infrastructure Bank is committed to expanding institutional investment in UK infrastructure, including exploring opportunities with the LGPS

Levelling Up the United Kingdom - GOV.UK (www.gov.uk)

3.2 **The Pensions Regulator (TPR)**

TPR has a wider remit than the SAB and most of its publications / press releases concern private sector schemes. However, in recent months it has published the following matter of interest to the LGPS:

Funding Code of Practice for defined benefit pensions schemes

On 16 December 2022 TPR published its **draft funding code of practice for defined benefit (DB) pensions schemes** and a **consultation document**.
The 14-week consultation sets out that schemes will be expected to set a long-term objective and a journey plan to get there. It is expected that schemes will reduce reliance on their sponsoring employer as they reach maturity. It will require trustees to improve risk management and raise the bar for evidencing supportable risk taking.

The code will support trustees, sponsoring employers and their advisers to manage their pension schemes and will replace the current code, introduced in 2014. It includes key expectations in relation to:

- trustees setting a plan for how they will achieve low dependency on the employer
- setting a journey plan to reach that point

- assessing the employer covenant as a key underpin for the level of risk that is supportable on that journey – considering cash, prospects and contingent assets
- setting their funding assumptions consistently with those plans
- open schemes allowing for future accrual where they can justify their approach
- assessing reasonable affordability when determining the appropriateness of recovery plans

The final regulations and code are currently planned to come into force in October 2023.

Dashboards compliance and enforcement policy

On 24 November 2022 TPR invited occupational pension schemes, their administrators, providers, and the wider industry, to respond to its newly published **consultation on dashboards compliance and enforcement**.

The compliance and enforcement policy sets out TPR's expectations on how schemes should comply with new regulations, and its approach to regulating dashboard obligations. TPR is keen to hear from schemes of all sizes, their administrators and integrated service providers to ensure the new policy is understood by, and meets the needs of, the industry.

While TPR already regulates trustees and workplace pensions, a key part of complying with dashboard obligations will rest with third parties, such as administrators, employers and integrated service providers.

New legislation has been introduced enabling TPR to issue third parties with compliance notices. If they do not comply, they could be fined up to £50,000 (and individuals up to £5,000) for each breach. This is alongside other new powers to fine trustees and managers in the case of non-compliance with dashboard regulations. They include an option to issue penalties of up to £5,000 to individuals and up to £50,000 in other cases for any instance of a single compliance breach.

The consultation closed on 24 February 2023 and TPR expects to publish its final policy in spring 2023, ahead of the first schemes' dashboard deadlines in August 2023.

Guidance on tendering for fiduciary managers and setting objectives for investment consultants

On 4 August TPR took over the regulation of trustee duties from the Competition and Markets Authority. TPR has revised its guidance on the tender process for fiduciary management services and trustees setting objectives for their investment consultants.

Since December 2019, trustees have been legally required to run a competitive tender process when appointing fiduciary managers in relation to 20% or more of scheme assets. They have also been prohibited from receiving investment consultancy services without having set strategic objectives for their investment consultancy provider.

guidance/funding-and-investment-detailed-guidance/tender-and-set-objectives-for-investment-service-providers/tender-for-fiduciary-management-services

https://www.thepensionsregulator.gov.uk/en/document-library/scheme-management-detailed-guidance/funding-and-investment-detailed-guidance/tender-and-set-objectives-for-investment-service-providers/set-objectives-for-your-investment-consultant

4. CONSULTATION

4.1 No consultation is required for this report however Fund advisors are consulted as appropriate on matters arising from it.

5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

5.1 There are no financial or risk assessment considerations arising from this report.

Approved by: Alan Layton on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

6. LEGAL CONSIDERATIONS

6.1 Burges Salmon LLP (a legal advisor appointed to the Pension Fund) comments that there are no direct legal implications arising from the content of this report although it is important to be aware that a number of changes to the regulations governing the LGPS are likely to be announced in the next few months (for example dealing with McCloud remedies, climate change reporting and updated statutory guidance on investment maters (including pooling))

7. HUMAN RESOURCES IMPACT

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

Approved by: Gillian Bevan Head of HR Resources and Assistant Chief Executives on behalf of Dean Shoesmith, Chief People Officer

8. EQUALITIES IMPACT

8.1 The Council has a statutory duty to comply with the provisions set out in the Sec 149 Equality Act 2010. The Council must therefore have due regard to:

(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act.
(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it

(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

8.2 There are no impending equality implications arising from the report. However, should special severance payments be made in relation to the report, payments should be monitored by protected characteristic.

Approved by: Denise McCausland Equality Programme Manager

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.

Has a data protection impact assessment (DPIA) been completed?

No. This report relates to matters relating to the administration of the LGPS and the Croydon Pension Fund.

Approved by: Alan Layton on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

CONTACT OFFICER:

Matthew Hallett – Acting Head of Pensions and Treasury.

BACKGROUND DOCUMENTS:

None.

APPENDICES:

None.

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Croydon Council

REPORT TO:	**PENSION COMMITTEE** **14 March 2023**
SUBJECT:	**Part A -Progress Report for Quarter Ended 31 December 2022**
LEAD OFFICER:	**Matthew Hallett** **Head of Pensions and Treasury**

CORPORATE PRIORITY/POLICY CONTEXT:

Sound Financial Management: Reviewing and ensuring that the performance of the Council's Pension Fund (the Fund) investments are in line with their benchmark and in line with the assumptions made by the Actuary.

FINANCIAL SUMMARY:

This report shows that the market value of the Fund investments as at 31 December 2022 was £1,620.9m compared to £1,614m at 30 September 2022, an increase of £6.9m and a return of 0.17% over the quarter. The performance figures, independent information and analysis on the fund managers and markets have been provided by the Fund's independent investment advisor Mercer and are included in the part B report.

FORWARD PLAN KEY DECISION REFERENCE NO.: N/A

1 RECOMMENDATIONS

1.1 The Committee is asked to note the performance of the Fund for the quarter ended 31 December 2022.

2 EXECUTIVE SUMMARY

2.1 This report provides an update on the Fund's performance for the quarter to 31 December 2022. The report falls into four parts. Section 1 addresses performance against strategic goals. The second section considers the asset allocation strategy and how that is being applied, specifically current and planned investments. The third section deals with risk management and the fourth and final section summarises the recent investment manager site visit.

3 DETAIL

Section 1: Performance

3.1 At the 2019 Triennial Actuarial Valuation funding position for the Fund was 88% using a future investment return assumption (otherwise described as the discount rate) of 4.0% p.a. The Fund would be 100% funded if an assumed investment return of 4.8% p.a. was used. In setting the Pension Fund's investment strategy, performance is measured against a benchmark return of CPI + 4% for the whole fund. Achieving this benchmark return will ensure the investments achieve a higher return than as calculated in the valuation and on the basis that other assumptions remain constant, the funding gap will close.

3.2 Since the 2019 valuation date the Fund has made a cumulative return of 29.6% against a return of 15.9% assumed by the valuation. This has had a positive impact on the funding level and the Funding level at 31 March 2022 was estimated to be 97%.

Section 2: Asset Allocation Strategy

3.3 The Pension Committee discussed changes to the current asset allocation strategy at the Committee meeting held on 17 March 2020 (Minute A27/20 refers). However, reviewing the current allocation it is apparent that the target allocation cannot yet be applied as it has not been formally adopted because, as per the Minute – "Officers pointed out that they were not able to give investment advice and the Pension Fund's investment adviser had not been given the opportunity to offer appropriate advice to inform the decision." The prudent option is therefore to measure allocation against the prior allocation. This option is supported by the Fund's investment advisers. Following the results of the triennial valuation at 31 March 2022, the Fund's investment advisers are now conducting an asset allocation review in consultation with the Pension Committee.

3.4 The target portfolio can be broken down as follows:

Asset Class		***Target Allocation***	***Allowable Tolerance***
Equities including allocation to emerging markets.		42%	+/- 5%
Fixed interest		23%	+/- 5%
Alternates		34%	+/- 5%
Comprised of:			
Private Equity	8%		
Infrastructure	10%		
Property	16%		
	Cash	**1%**	
	Total	**100%**	

3.5 **Monitoring of asset allocation**

3.5.1 **Global Equity –** The performance of Global equities in general stabilized during the quarter due to a more positive outlook for interest rates and China. This led to a positive return of 4.5% for the LGIM Developed World (ex-Tobacco) Equity fund which follows that of the major indices. The LCIV RBC fund did not benefit from markets rebounding from October lows and returned -0.8% for the quarter. This was mainly due to stock selection within the financial sector and specific consumer and health care stock picks. The LCIV RBC fund has still performed slightly above its benchmark (14.14% compared to 14.06%) since its inception on 16/04/2020.
Global equities are now at 43.8% compared to the target allocation of 42%.

3.5.2 **Fixed Interest** – During the quarter fixed interest investments started to recover with a positive return of 2.7%, with Aberdeen Standard 2.3%, Wellington 3.8% and the LCIV Global Bond 2.4%. Positive returns were experienced during the quarter as bond markets rallied in November amid investor expectations that inflation will be range bound at lower levels than previously anticipated.
The overall allocation increased to 15.9% which is still outside the target allocation of 23% allowing for a 5% tolerance. This is largely due to the poor performance of bonds when compared to the other asset classes. Given the continued uncertainty Officers have continued in not rebalancing the Fund with the view to waiting for the outcome of the strategic asset allocation review which is being conducted over the coming months.

3.5.3 **Infrastructure** – Due to the nature of these assets, performance of Infrastructure investments and indeed Private Equity, discussed in more detail below, is better measured over a period of time, rather than quarter by quarter. All the Fund's Infrastructure investments continue to perform well largely due to their link to inflation. The renewable investments have performed particularly well recently due to increased inflation expectations and increases in power prices, both of which have a positive impact on the returns. The allocation currently stands at 14.0% compared to a target of 10%.

3.5.4 **Private Equity** – Our Private Equity managers continue to perform extremely well and have been the main contributor to positive returns over the last few years. During the last quarter the valuations have come down as they tend to follow the direction of global equities, however the performance of the underlying companies remains strong and so there is currently no cause for concern. The majority of the Fund's private equity investments are priced in foreign currency and so the weakness in Sterling has limited the drop in valuations to some extent. Over the quarter the allocation moved from 11.6% to 11.0%. This is above the target allocation of 8%.

3.5.5 **Property** – During the quarter the Schroders property portfolio returned -12.3% and the M&G UK Residential Property Fund returned -1.62%. The negative capital returns have principally been driven by an outward yield shift caused by increasing interest rates. Although negative, on a relative basis, the performance of the Fund's property portfolios has been good. The MSCI/AREF UK Quarterly Property Fund Index returned -14.1% for the quarter. The property allocation now makes at 12.4% of the Fund. The outlook for 2023 is that the property sector will remain challenging. The Fund's property portfolio is positioned defensively being underweight to retail and office sectors.

3.5.6 The table below illustrates the movement in the Fund's valuation during the quarter and the current asset allocation against the target.

London Borough of Croydon Pension Fund
Fund valuation and asset allocation for the quarter ending 31 December 2022

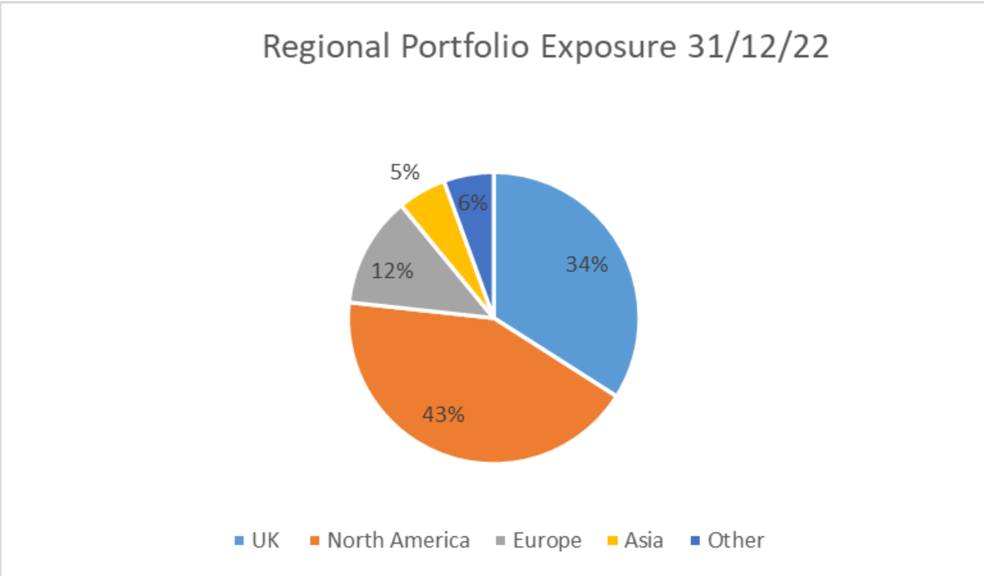
	Valuation at 30/09/2022 £'000	Net cashflow £'000	Gain/Loss £'000	Valuation at 31/12/2022 £'000	Asset allocation Fund percentage	Asset allocation target percentage
Equities					43.8%	42%
Legal & General FTSE World (Ex Tobacco)	605,259	-	26,899	632,159		
LCIV RBC	78,875	-	-645	78,230		
LCIV	150			150		
Fixed Interest					15.9%	23%
Standard Life	119,256	-	2,774	122,030		
Wellington	54,039	-	2,058	56,097		
LCIV Global Bond	77,514	-	1,858	79,372		
Infrastructure					14.0%	10%
Access	32,230	1,826	1,579	35,635		
Temporis	57,189	532	393	58,114		
Equitix	78,652	476	-102	79,026		
Macquarie GIG Renewable Energy	23,541	-491	1,162	24,212		
I Squared	34,491	-3,153	-2,087	29,251		
Private Equity					11.0%	8%
Knightsbridge	74,877		-7,173	67,704		
Pantheon	77,213	1,794	-5,140	73,867		
Access	15,649	261	-180	15,730		
North Sea	19,471	733	906	21,110		
Property					12.4%	16%
Schroders	155,948	-	-18,756	137,192		
M&G	65,705	-314	-1,025	64,365		
Cash					2.9%	1%
Legal & General FTSE4Good Cash	567	-	169	736		
Cash	43,325	2,557	-	45,882		
Fund Total	1,613,951	4,222	2,691	1,620,864	100%	100%

Valuations are based on the bid price as reported by the Fund Managers. The valuations of the Infrastructure and Private Equity funds are the latest available and can be lagged by 3 months.

3.6 Regional Exposure

3.6.1 The Committee asked for an indication of the geographical dispersion of the underlying assets comprising the portfolio. This is set out graphically in the chart below. This information is for illustrative purposes only. It should be noted that there are differences in the period represented as some data is updated far more frequently than others.

Graph 2: Geographic dispersion of funds.



3.6.2 The descriptor Asia includes Japan, Korea and Australia. The descriptor Other includes the continent of Africa and Latin America.

3.6.3 It should be noted that of the 34% invested in the UK 12.4% is allocated to Property and 9.7% to Infrastructure. The majority of the Private Equity and Global Equity investments are in the US and Canada.

3.7 Section 3: Risk Management

3.7.1 The main risk addressed by the Funding Strategy is that returns on investment will fall below the target asset outperformance assumption to ensure that the Pension Fund matches the value of liabilities in the future. Dependent upon that are of course a number of issues.

3.7.2 The global economy will always represent a specific risk and opportunity for the Fund and will effectively be impossible to quantify or evaluate. The Fund takes a long-term view and manages risk by investing in a portfolio of assets which is sufficiently diversified. Having a sufficiently diversified portfolio should ensure the Fund continues to meet its performance objectives over the long term while reducing the impact of short term volatility in caused by uncertainty in global markets.

3.7.3 Mercer, the Fund's investment adviser, have drafted a Fund Monitoring Report, for the 3 months to 31 December 2022. These reports are included in Part B of this Committee agenda.

3.8 **Section 4: Investment Manager Visits**

3.8.1 Officers attended the AGM for Access Capital Partners and attended a meeting with North Sea Capital Partners. The performance of the underlying companies within the portfolios managed by these managers remains strong and there were no concerns raised. This was encouraging and we are expecting the performance of these managers to remain strong.

4 CONSULTATION

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

5 FINANCIAL CONSIDERATIONS

5.1 This report deals exclusively with the investment of the Council's Pension Fund and compares the return on investment of the Fund against the benchmark return.

Approved by: Alan Layton on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

6. LEGAL CONSIDERATIONS

6.1 Burges Salmon LLP (a legal advisor appointed to the Pension Fund) comments that there are no direct legal implications arising from the recommendations within this report.

6.2 The Committee must, however, be mindful of their fiduciary duty to make investment decisions including in the best long-term interests of Fund beneficiaries and taxpayers within the investment strategy framework.

7. HUMAN RESOURCES IMPACT

7.1 There are no direct workforce implications arising from the recommendations within this report. If any should arise these will be managed under the Council's policies and procedures.

Approved by: Gillian Bevan**,** Head of HR, Resources and Assistant Chief Executives on behalf of the Chief People Officer

8. EQUALITIES IMPACT

8.1 The Council has a statutory duty to comply with the provisions set out in the Sec 149 Equality Act 2010. The Council must therefore have due regard to:

(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act.
(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it

(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

8.2 Any risks to the investment fund are likely to impact on the age characteristic in relation to older workers. The council is 67.73% female and 32.27% male so therefore women are more likely to be impacted by any investment risks.

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Approved by: Denise McCausland Equality Programme Manager

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. FREEDOM OF INFORMATION/DATA PROTECTION CONSIDERATIONS

11.1 This report and Appendices contain confidential information which could be of a sensitive nature, disclosure of which could prejudice the commercial interest of the companies involved and those of the Council's Pension Fund and will be reported in the closed part of the agenda. On application of the public interest test it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

CONTACT OFFICER:

Matthew Hallett, Acting Head of Pensions and Treasury,

BACKGROUND DOCUMENTS:

Included in Part B of the agenda.
Quarterly reports from each fund manager (circulated under separate cover to the Committee Members.) Exempt pursuant to Schedule 12A paragraph 3 of the Local Government Act 1972 as amended.

Appendices:

There are no part A appendices.

Part B appendices:

Exempt pursuant to Schedule 12A paragraph 3: Information relating to the financial or business affairs of any particular person (including the authority holding that information), the following appendices are considered to be precluded from publication:

Appendix A: London Borough of Croydon Returns to 31 December 2022, Mercer

Appendix B: Market Background and Market View Q4 2022, Mercer

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

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