

# Pension Committee Agenda



To: Councillor Callton Young OBE (Chair)  
Councillor Clive Fraser (Vice-Chair)  
Councillors Simon Brew, Nina Degrads, Patricia Hay-Justice, Yvette Hopley,  
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, 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, 13 September 2022 at 10.00 am** in

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

Tariq Aniemeka-Bailey  
Democratic Services  
Tariq.aniemeka-bailey@croydon.gov.uk  
[www.croydon.gov.uk/meetings](http://www.croydon.gov.uk/meetings)  
Monday, 5 September 2022

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](http://www.croydon.gov.uk/meetings)

If you require any assistance, please contact the person detailed above, on the righthand side.

## 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 - 46)**

To approve the minutes of the meeting held on:

- 8 December 2020;
- 16 March 2021;
- 25 May 2021;
- 3 December 2021, and;
- 14 June 2022 as accurate records.

### 3. **Disclosure of Interests**

Members and co-opted Members of the Council are reminded that, in accordance with the Council's Code of Conduct and the statutory provisions of the Localism Act, they are required to consider **in advance of each meeting** whether they have a disclosable pecuniary interest (DPI), another registrable interest (ORI) or a non-registrable interest (NRI) in relation to any matter on the agenda. If advice is needed, Members should contact the Monitoring Officer **in good time before the meeting**.

If any Member or co-opted Member of the Council identifies a DPI or ORI which they have not already registered on the Council's register of interests or which requires updating, they should complete the disclosure form which can be obtained from Democratic Services at any time, copies of which will be available at the meeting for return to the Monitoring Officer.

Members and co-opted Members are required to disclose any DPIs and ORIs at the meeting.

- Where the matter relates to a DPI they may not participate in any discussion or vote on the matter and must not stay in the meeting unless granted a dispensation.
- Where the matter relates to an ORI they may not vote on the matter unless granted a dispensation.
- Where a Member or co-opted Member has an NRI which directly relates to their financial interest or wellbeing, or that of a relative or close associate, they must disclose the interest at the meeting, may not take part in any discussion or vote on the matter and must not stay in the meeting unless granted a

dispensation. Where a matter affects the NRI of a Member or co-opted Member, section 9 of Appendix B of the Code of Conduct sets out the test which must be applied by the Member to decide whether disclosure is required.

The Chair will invite Members to make their disclosure orally at the commencement of Agenda item 3, to be recorded in the minutes.

**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. Governance Best Practice Compliance Statement (Pages 47 - 56)**

This report updates the Governance Best Practice Compliance Statement for consideration by the Committee.

**6. Progress on implementing findings of Governance Review (Pages 57 - 74)**

The Pension Board was asked to consider the latest agreed list of recommendations and make comment for presentation to the Pension Committee. This report details those comments and suggested actions for the Committee's consideration.

This report updates the Committee on the progress made in completing recommendation actions to August 2022.

**7. Review of Breaches Log (Pages 75 - 90)**

It is consistent with The Pension Regulator's 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. Training Plan and Review of Committee and Board Training (Pages 91 - 114)**

This report advises the Committee of training undertaken by the Pension Board and Pension Committee members since January 2021 and asks them note the proposed joint Pension Committee and Pension Board training plan for 2022/23.

**9. The Collective Investment Vehicle for London Local Authorities Pension Funds: Compliance with pooling requirements, review of savings and governance structure (Pages 115 - 120)**

This report advises the Committee of the extent to which the Fund is complying with the pooling requirements of Guidance issued by the, then, Department for Communities and Local Government (DCLG) in 2015, the savings made through pooling in 2021/22 and the governance structure of the London Collective Investment Vehicle (LCIV).

**10. Local Government Pension Scheme Advisory Board / The Pensions Regulator Update (Pages 121 - 126)**

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 advisors.

**11. Part A -Progress Report for Quarter Ended 30 June 2022 (Pages 127 - 134)**

This report provides an update on the Fund's performance for the quarter to 30 June 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.

**12. Exclusion of the Press and Public**

The following motion is to be moved and seconded where it is proposed to exclude the press and public from the remainder of a meeting:

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

**13. Part B minutes of the previous meeting (Pages 135 - 152)**

**14. Part B - Progress Report for Quarter Ended 30 June 2022 (Pages**

153 - 228)

This report provides the commercially sensitive context to the performance of the Pension Fund over the most recent quarter.

Performance analysis and market commentary provided by Mercer are included at Appendix A and Appendix B respectively.

**Pension Committee**

Meeting held on Tuesday, 8 December 2020 at 10.00 am in This meeting will be held remotely

**MINUTES**

**Present:** Councillor Andrew Pelling (Chair);  
  
Councillors Simon Brew, Robert Canning, Clive Fraser, Patricia Hay-Justice and Yvette Hopley  
  
Co-opted Members: Ms Gilli Driver, Mr Peter Howard and Charles Quaye

**Also Present:** Nigel Cook, Head of Pensions and Treasury  
Victoria Richardson, Head of HR Finance Service Centre  
Alison Fisher, Pensions Manager  
Matthew Hallett, Pension Fund Investment Manager  
Ian Talbot, Pension Fund Investment Manager  
Peter Gent, Senior Investment Consultant, Mercers  
Daniel Turner, Mercers,  
Robert McInroy, Hymans

**Apologies:** Councillor Simon Hall and Jan Buttinger  
Lisa Taylor, Director of Finance Investment and Risk and S151 Officer

**PART A**

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

The minutes of the meeting held on 15 September 2020 were agreed as an accurate record, subject to the following amendment:

Minute No 7/20 Pension Fund Business Plan

*Councillor Yvette Hopley requested the figures since inception for each fund as had previously been provided in previous reports to the Committee and it was agreed that this would be included in future papers.*

**2/20 Disclosure of Interests**

Members declared interests in relation to discussions around the property transfer as they are representatives of the employing authority.

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

There were no items of urgent business.

The Chair took the opportunity to advise Members of the Committee that Councillor Simon Hall had been replaced by Councillor Andrew Pelling as a Member on the Committee.

**4/20 Progress Report for the Quarter ending 30 September 2020 (Part A)**

This item was introduced by the Head of Pensions and Treasury and the following was noted:

- The Fund was performing quite well despite the current circumstances and there was a distinction between what the markets thought and what was occurring in the real economic world that needed to be considered;
- There was, however, the reality that the world would move into recession due to the effects of the pandemic;
- The value of Assets had increased.

Councillor Hay Justice questioned what mitigations were in place as the markets did not reflect the reality of what was occurring around the world in terms of the economic climate, the Covid pandemic, and the presidential elections in America. Officers said that a strategy was in place that spread investments over a number of areas and therefore mitigated risk by diversification.

They continued to follow best advice, and constant monitoring was taking place as was the ability to react as necessary. The Investment adviser added that in terms of risks, as stipulated by Investment 101, that some had to be taken in order to generate a return and not taking any was a risk itself.

It was important that risks were taken in a managed way in areas that would result in payments on a long-term basis and ensuring that risk sources and return driver sources were spread across various different areas.

COVID had created dislocation in the markets. This dislocation would continue to be monitored for signs that the dislocations would become imbedded. The portfolio had a spread of return drivers across it, which was helpful in ensuring the Fund was well placed. Our advisers would continue to



be alive to changes going forward and how we might need to adapt the portfolio.

Members asked whether the Council issuing a Section 114 notice would affect the value of the Fund and whether members of the Committee had been interviewed by the Pensions Regulator regarding the Property transfer. The Chair stated that the Section 114 notice did not affect the Fund.

Mike Ellsmore; the Chair of the Pensions Board confirmed that he had been interviewed by the Pensions Regulator in September 2018 about the Property transfer as he had written a letter to the Section 151 Officer in 2018 raising a few areas where he thought further work was required. He confirmed he had not received any feedback from the Regulator. Councillor Hopley confirmed she had been interviewed by other outside bodies about the ratification of the decision about the Property transfer and concerns on governance. Officers confirmed that they had written to the Pensions Regulator about the Section 114 notice confirming that the arrangements of the Pension Fund were separate from the Council.

Members asked whether valuations of properties associated with the property transfer had been carried out. Officers responded that they had not got the information on this. It was commented that details of this had been requested on several occasions and there had been no details brought forward to date, there were also concerns about registration as well as completion of the legal papers.

It was agreed that a formal request for information be sent on behalf of the Committee to Officers to provide a written briefing on the Fund's position. Members highlighted further concerns about the reduced payment that was being taken from the Council as a result of the current agreement. Officers confirmed that currently the contributions paid by the Council had not been reduced and were in line with those agreed in the triennial valuation.

All Members expressed concerns about the continuing delays in resolving the Property transfer arrangement and that they wanted the situation resolved very quickly.

The Committee requested to be provided with a briefing note on the position in relation to Property Transfer which should include:

- a) The valuations of the properties included in the transfer
- b) The position regarding the legal agreement between the Council and the Fund
- c) The completion of the agreement

RESOLVED: to note the performance of the fund for the quarter.

## **5/20 Key Performance Indicators for the quarter ending 30 September 2020**

The Head of HR Finance Service Centre introduced the report and the following was noted:

- During the period as set out in the report, the team had been tasked with increased administrative duties as well as key annual events that was expected to be delivered during the period.
- There had been increased administrative duties as a result of the Council's staffing review.
- The team had been able to keep within its legal deadlines for key life events such as retirements and deaths but there was however large outstanding tasks as a result of backlogs on deferred benefit calculations.
- A contract had been awarded to Hyman Robertson to undertake some third party administrative duties to clear backlogs, this project should commence within the next month.

Discussions took place on managing the backlog of cases and it was commented that the current caseload was increasing by 200 each month and if Hyman Robertson came in to assist with clearing of backlog there would still be an issue. It was asked what the plan was to manage this in order to come back in line with existing new cases. Officers agreed with this point, in particular in light of the fact that there were two vacancies within the administration team that was being recruited to. Resource numbers were based on the scheme as it was and it was evident that a review needed to take place to ascertain what resource was needed to deliver the administration service as the scheme was becoming more complex. The contract with Hymans was a short to medium term contract to clear outstanding work and a longer term solution must be sought. There would be agreement of KPI's on amount of cases and quality of cases cleared and sample checking of cases would take place to ensure high standards and value for money of the contract.

It was further asked what the implication of a minimal workforce in terms of meeting legal thresholds for pension administration and what the ramifications would be. Officers said that if legal deadlines were not met, there would be a breach of regulation which would need to be recorded on the breaches register. Consideration would also need to be given to the significance of the impact and whether there was a need to report to the regulator.

In light of the situation, it was suggested that it would be in the interest of the Pension Fund and members to explore the possibility of outsourcing more work where necessary. Officers said that there were providers that could support the function of clearance of backlog and due to the limited buoyant

market for trained staff the pool of permanent Local Government pension staff remained a challenging market.

Questions were raised on the CIPFA guidance and whether our report covered all areas. Officers said that a report was brought before the Committee 12 months ago and was currently still a work in progress as there was some performance monitoring frameworks that needed to be established.

**Resolved:** To Note the Key Performance Indicators and the performance against these indicators set out in Appendix A to this report.

## **6/20 Pension Fund Governance Review Action Plan**

The item was introduced by the Head of Pensions Treasury who advised that the updated action plan informs the business plan and the forward plan for the Pensions Board. The headline issues contained in the report were identified as being important to ensure compliance with requirements if the governance review.

Questions were raised on what the situation was on progression of recommendations that were made in 2016, whether additional kpis as recommended by CIPFA has been added. Additionally if the data improvement plan had been completed or were on target. Officers responded that the report made reference to description of work that would be undertaken over the next three years with tasks allocated to future meetings of the Pension Committee and Board. There was a lot of work to be complete. There was also proposal being made that the Council has a named officer for LGPB. It had always been the ambition for the KPIs to be embedded once the processes were in place to collect and present data. This would still take place once Members were able to digest the information presented in a meaningful way

A Member commented that the report showed significant changes that would take time to implement such as the CIV governance structure. It was asked how quickly some of the changes could be brought forward to enable the new structures to be put in place immediately, in particular in areas where opposition Members had not had as much opportunity to consider some of the decisions. Officers said that conversations were taking place with the London CIV and the Pension Board has asked AON to assess progress against the action plan and pick up additional points that had arisen since the review. Once the review had been undertaken, the issues that had been specifically mentioned would be picked up and incorporated in future workload.

It was asked whether a business plan would be looked at and how soon this would take place as per the recommendation for one to be put in place. Officers responded that the business plan was in progress and it was to be presented to the Committee at its next meeting.

In response to a question on whether the recording of the meeting could be considered as a true reflection of the meeting alongside minutes. The Clerk advised that this was currently being looked at as technology had moved

forward. At present, printed minutes were still the only considered legal reference of the meeting.

**RESOLVED:** The Committee AGREED to note progress in respect of the Governance action plan

**7/20 Risk Register review**

The Head of Pensions and Treasury presented the report and the Committee was informed that two risks relating to Covid and the S114 Notice had been added to the register. There had been progress on moving forward on some of the other risks but the team's ability to respond had been impeded as a result of the Pandemic.

It was commented that the future of escalating, in comparison to current risk ratings on some of the entries had fallen in terms of likelihood of the events occurring and it was asked how confident officers were in the risks remaining as predicted. Officers said that a degree of optimism underpinned the entire process and that having recognised the risk and acted appropriately, future risks would be reduced due to the mitigations in place. Arrangements for financial services was put in place a while ago and would always be protected. Arrangements were also in place by banks and service providers to mitigate risks of cyber security.

It was further commented that officers must ensure that there was robust evidence in place to justify any changes made to risks.

**RESOLVED:** The Committee AGREED to note the contents of the Pension Fund Risk Register.

**8/20 Breaches of the Law Log**

The Head of Pensions and Treasury introduced the item and it was noted that there been three breaches recorded to date which were considered to be material to the extent that there was no requirement of reporting to the Pensions Regulator.

The report was being brought to the Committee to provide transparency and discharging of legal obligation on areas where there had been breaches.

**RESOLVED:** The Committee AGREED to note the contents of the Pension Fund Breaches Log.

**9/20 Correspondence review: The Pension Regulator and Scheme Advisory**

## **Board**

The Head of Pensions and Treasury introduced the report which detailed the impact of the McLeod judgement, the £95k cap and exit payments on the administration team.

Concerns were raised that this ruling presented a situation that required identification of inactive members and the financial implications this would have on the fund, additionally the resources that was required to undertake this substantial piece of work. Officers agreed on the complexity of the issues and that there was an infinite group of staff to be identified as part of the process. There was a plan and well as resources in place to manage the process.

**RESOLVED:** The Committee AGREED to note the contents of the report.

### **10/20 Training records update**

The Head of Pensions and Treasury introduced the report which detailed the training opportunities that had been identified. Members were asked to keep the team informed of any training needs they identified for themselves in order to ensure that this could be facilitated and records kept up to date.

A Member asked if there would be a system in place to ensure that there was a deadline in place for completion of induction for new members of the Committee. Officers believed that the three day training session that was offered each year provided basic understanding and knowledge required. It was however agreed that there was a need for continuous training and assessment for all Members and this was the reason for capturing details on the training log, as well as collation of views from feedback forms. There were constraints with the three day course as it was only offered once a year, in October and there was a considerable gap between appointments to the committee in May to the actual training date. It would be down to the Committee to decide how to formalise any changes.

It was asked if the team were able to check if Members were actually attending courses as it was vital to be knowledgeable in order to be able to adequately participate in meetings. Members should be reminded of their professional duty to attend courses. Officers said that there were mechanisms in place to conduct audits and they actively encouraged Members to attend.

**RESOLVED:** The Committee AGREED to note the contents of the report.

### **11/20 Pension Board report**

The Chair of the Pension Board introduced the report and it was noted that going forward, the Board will focus on three main areas. They would focus on

some of the work that came out of the training session that was delivered prior to the meeting today. It was evident that the Pension fund should create distinct lines between their role as an administering body and role as employer. This would result in change in the structure of Croydon and also the Pension Fund Governance Review Action Plan as this would be watched closely going forward.

**RESOLVED:** The Committee AGREED to note the focus of activity of the Pensions Board.

## **12/20 Exit Payment Cap**

The Head of HR Finance and Service centre introduced the item and the following was noted:

- The Public Sector Exit payment regulations came into force in November 2020 and restricts the payments that can be made to existing employees to £95k
- The payment includes redundancy payments and pensions training costs which arise when Local Government Pension is paid and reduced before a member's normal pension age.
- The changes affect employees aged 55 and over who were leaving on grounds of redundancy or efficiency
- The necessary changes to the Local Government Pensions scheme to implement the Cap was still out for consultation.
- The administering authorities were in a position of conflict in legislation between the Exit Cap regulations and the Local Government pensions Scheme Regulations
- The Scheme Advisory Board sought legal advice and advisors expressed opinion that the course of action that presented the least risk was to offer members the opportunity to take a deferred pension or a fully actuarial reduced pension.

In response to a question as to if other LA's were proposing the same recommendations as Croydon, officers advised that they were unsure as to what other funds had decided but the advice from the scheme advisory boards was that they should all seek to adopt the same approach in line with their advice and legal opinion.

It was asked how many staff had been affected or were likely to be affected by the situation and if there was a minimum period of time by which a pension would have to be deferred until it could be taken. Officers responded that it was possible for members to take their redundancy and then draw on pension a year later but it would be a fully actuarial reduced pension. Officers could not provide a figure on the number of staff to be affected as this would have to be looked at on an individual basis.

The complexity of the situation was echoed by all Members and the difficulties in understanding how this conflict of law would impact people and to what extent. Additionally there was a probability of this having a greater impact on women than men due to payment difference which would produce a discriminatory impact. Officers acknowledged the complexity and possible impact and said that this was why it had been recommended that the funds adopt the Government actuarial department's guidance on strain factors to avoid ending up in a position where factors that may have equalities issues were used to calculate strain costs.

**RESOLVED:** The Committee AGREED to:

i. Offer scheme members the opportunity to take a deferred benefit under LGPS regulation 6 or a fully actuarially reduced pension under LGPS Regulation 30(5) if the cap is breached when an LGPS member aged 55 Or over exits, whilst there is a conflict between the exit cap regulations and the LGPS regulations.

ii. Adopt the factors and calculation methodology consistent with Government Actuary's Department (GAD's) draft guidance for calculating early retirement strain factors.

#### **13/20 Exclusion of the Press and Public**

The following motion was moved by Councillor Hay-Justice seconded by Councillor Fraser 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.

#### **14/20 Minutes of the previous meeting**

The Committee agreed that the Part B minutes of the meeting of 15 September were an accurate record.

#### **15/20 Progress Report for the Quarter ending 30 September 2020 (Part B)**

The Committee considered the report of the Head of Pensions and Treasury that detailed the commercially sensitive context of the performance of the Pension Fund over the quarter to the end of September 2020.

**RESOLVED:** The Committee AGREED to note the report.

The meeting ended at 1.08 pm

**Signed:**

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**Date:**

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## Pension Committee

Meeting held on Tuesday, 16 March 2021 at 10.00 am in This meeting will be held remotely

### MINUTES

**Present:** Councillor Humayun Kabir (Chair);

Councillors Simon Brew, Jan Buttinger, Robert Canning, Clive Fraser, Patricia Hay-Justice, Yvette Hopley and Andrew Pelling

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

### PART A

#### 1/21 **Minutes of the Previous Meeting**

The minutes of the previous meeting held on 8 December 2020 were not approved as an accurate record for the following reasons:

- Need to add Councillor Pelling to the attendance
- There were no disclosures of interest listed when Chairman had agreed that these should be included.
- That the minute under 4/20 was substantially inaccurate and should be rewritten for approval by the Committee via email by the end of the following week.

#### 2/21 **Disclosure of Interests**

Members declared an interest in relation to the property transfer as they are Representatives of the Employing Authority.

#### 3/21 **Urgent Business (if any)**

Councillor Hay-Justice made a request that the Committee should consider appointing a Vice-Chair to ensure that in the absence of the Chairman it would still be possible to call meetings.

Councillor Hay-Justice moved a motion, seconded by the Chair, to appoint Councillor Pelling as Vice-Chair for the remainder of the municipal year. Following a vote the Committee:

**RESOLVED** – That Councillor Pelling be appointed as Vice-Chair for the remainder of the 20/21 municipal year.

Councillor Hopley requested that the concerns raised in an email from the Section 151 Officer and Interim Director for Finance, Investment and Resources regarding the property transfer be noted and reported to the next meeting of the Committee. In response to queries raised by the Committee, officers confirmed that the Pension Regulator and Ministry of Housing, Communities & Local Government had been watching the situation closely.

Councillor Hopley moved a motion, seconded by Councillor Brew, to decide whether to refer the property transfer to the Pension Regulator after it came to the next Committee. Following a vote the Committee:

**RESOLVED** – To decide whether to refer the property transfer to the Pension Regulator after it came to the next Committee.

Councillor Pelling wished for his objection to be noted.

**a Exit Payment Cap**

The Pension Committee considered a report which detailed which updated on the government's decision to revoke the Restriction of Public Sector Exit Payments Regulations 2020 which would impact on the level of benefits paid to scheme members and employer strain costs paid when an LGPS member aged 55 or over exited the organisation. The Committee received an introduction from the Head of HR and Finance Service Centre.

In response to queries raised by the Committee, officers confirmed that no members of staff were impacted by any of these changes.

**RESOLVED** – That the Committee agreed to note the report.

**b Review of Breaches Log**

The Pension Committee considered a report which detailed that it was a requirement of The Pension Regulator for the Pension Fund to maintain a breaches log detailing incidences where breaches had 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. The Committee received an introduction from the Head of Pensions and Treasury.

**RESOLVED** – That the Committee agreed to note the report.

**4/21 Final Matters Arising from Governance Review**

The Pension Committee considered a report which advised the Committee of action taken or being taken in respect of the recommendations on specific aspects of the Fund's governance made by Aon Hewitt in their Governance Review received by the Committee on 11 February 2020. The Committee received an introduction from the Head of Pensions and Treasury.

In response to queries raised by the Committee, it was clarified that the employee representative did not have voting rights, as although they were significant stakeholders, there were no decisions within the scheme that they could vote on as set out in legislation.

**RESOLVED** – That the Committee agreed to note the report.

**5/21 Governance Policy and Compliance Statement**

The Pension Committee considered a report which detailed the updates of the Governance Best Practice Compliance Statement agreed by the Committee on 17 September 2019. The Committee received an introduction from the Head of Pensions and Treasury.

The Committee queried whether it was appropriate for the Chairman of the Pension Board to be a member of the Committee with voting rights and it was agreed that the Board Chairman's role was to provide a scrutiny role to the Committee.

**RESOLVED** – That the Committee the draft Governance Best Practice Compliance Statement.

**6/21 (Key Performance Indicators (KPIs))**

The Pension Committee considered a report which set out Key Performance Indicators for the administration of the Local Government Pension Scheme for

the three-month period up to the end of January 2021. The Committee received an introduction from the Head of HR and Finance Service Centre.

In response to queries raised by the Committee, it was clarified that the resources of the Pension Team were protected from any Section 114 notices.

**RESOLVED** – That the Committee agreed to note the report.

## **7/21 Risk Register**

The Pension Committee considered a report which detailed that it was recommended best practice for the Pension Committee to maintain a risk register covering the most significant risks faced by the Fund. This report presented the current register (Appendix A) for the Committee's consideration. The Committee received an introduction from the Head of Pensions and Treasury.

Members queried the costs and quality of the London CIV and the Committee asked for a training session to be held so that the risks and benefits could be better understood. The Committee asked for and received an explanation pertaining to the reasoning behind the amber and green status of some of the risks.

**RESOLVED** – That the Committee agreed to note the report.

## **8/21 Training Records Update**

The Pension Committee considered a report which advised the Committee of training undertaken since October 2020 and invited them to make suggestions for future training as they saw fit.

The Committee received an introduction from the Head of Pensions and Treasury.

The Committee asked that future versions of the report be produced in black and white and over two pages to make it easier to read and understand.

**RESOLVED** – That the Committee agreed to note the report.

## **9/21 Progress Report - Quarter Ending 31 December 2020**

The Pension Committee considered a report which provided an update on the London Borough of Croydon Pension Fund's (the Fund's) performance for the

quarter to 31 December 2020. The Committee received an introduction from the Head of Pensions and Treasury.

The Committee asked for officers to report back to the Chairman and Vice-Chairman with a timetable for the Committee to discuss each aspect of the asset allocation strategy.

**RESOLVED** – That the Committee agreed to note Part A of the report.

**10/21 Pension Board Report**

**11/21 Exclusion of the Press and Public**

It was MOVED and SECONDED:

“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 involved 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.

**12/21 Progress Report - Quarter Ended 31 December 2020**

The meeting ended at 12.27 pm

**Signed:**

**Date:**

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## Pension Committee

Meeting held on Tuesday, 25 May 2021 at 6.30 pm in Council Chamber, Town Hall,  
Katharine Street, Croydon CR0 1NX

### MINUTES

**Present:** Councillor Andrew Pelling (Chair);  
Councillor Clive Fraser (Vice-Chair);  
Councillors Jamie Audsley, Simon Brew, Robert Canning, Pat Clouder and  
Yvette Hopley

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

**Apologies:** Councillor Jan Buttinger

### PART A

#### 13/21 Disclosure of Interests

In respect of the “Reconsideration of Decision to Transfer Property from Croydon Affordable Homes and Croydon Affordable Tenures to the Pension Fund” item, the Chair declared that all Members had an interest and the delay of the transfer to the Pension Fund had been brought to the attention of The Pensions Regulator.

#### 14/21 Urgent Business (if any)

The Chair expressed empathy with officers in relation to the recent reductions in staff that had placed some difficulty in minutes being produced for meetings. However, he emphasised the importance of the need for minutes to be produced as a record of the meetings and the decisions made. He commented that some previous minutes had been very detailed, and in order to facilitate officers in producing minutes in a timely manner, emphasis should be placed on ensuring the decisions and any actions requested were recorded. In respect of this meeting, he requested that a more detailed minute of the “Reconsideration of Decision to Transfer Property from Croydon Affordable Homes and Croydon Affordable Tenures to the Pension Fund” item be recorded because of the importance of this matter. The Chair also asked whether it would be feasible for reserves from the Pension Fund be used to provide resources to help enable minutes to be produced.

Members also commented that there was a lack of detail in some reports and the Chair agreed to raise this matter with officers.

Democratic Services colleagues were invited to respond and advised the Committee that their team was currently still short staffed; however, more resources were expected to be forthcoming. Discussions on using reserves from the Pension Fund to facilitate this could take place if desired.

The Head of Treasury and Pensions stated that matters such as training records of Members were being collated and would be reported as part of the Annual Account report. He requested that Members provide him with any details of training that they had undertaken. He added that the Council, as the administration authority of the Pension Fund, had an obligation to ensure that administrative functions were sufficiently resourced.

**15/21      Review of Breaches Log**

The Head of Treasury and Pensions presented the report and advised that there were no new breaches to report and no matters that would require The Pensions Regulator to be notified.

**RESOLVED** - That the Committee agreed to note the report.

**16/21      Budget Review**

The Head of Treasury and Pensions presented the report which detailed the Pension Fund revenue budget for 2021/22 and the two subsequent years, together with the draft accounts for 2019/20 and the forecast accounts for 2020/21. He also drew Members' attention to the four tables contained within the report.

**RESOLVED** – That the Committee agreed to note the report.

**17/21      Pension Fund Medium Term Business Plan 2021/24**

The Head of Treasury and Pensions presented the report and advised that the McCloud case was one of most significant issues the Council faced. He also highlighted in the report work being undertaken to invest more in Environmental, Social and Governance (ESG) assets.

The Chair commented that the Committee had previously agreed to move all equity investments to the London Collective Investment Vehicle's (LCIV) sustainable equity fund and that resolution should be reviewed. He requested that this be looked at as a matter of urgency and be reported to the 14 September 2021 Committee meeting. He also requested that a meeting



between the LCIV and Members be arranged prior to the Committee meeting. He welcomed moves for more carbon neutral assets.

**RESOLVED** – That the Committee agreed to note the report.

**18/21 Funding Strategy Statement (FSS) updates - Exit Credit and Employer Flexibilities Regulatory Amendments**

The Head of Treasury and Pensions presented the report and advised that changes to the Funding Strategy Statement were proposed.

The Council's actuary added that new regulations had come into force in the last year in respect of exit credit. Contribution rates regarding triennial valuations were to be reviewed.

**RESOLVED:**

1. That the Committee agreed to note the draft changes to the Funding Strategy Statement.
2. That the Committee agreed to instruct officers to undertake an employer consultation on these changes.

**19/21 Governance Consulting Contract**

The Head of Treasury and Pensions presented the report that outlined the process by which the Governance Consultancy contract, awarded through the National Local Government Pension Scheme Framework, had been extended by one year

**RESOLVED** - That the Committee agreed to note the report.

**20/21 Croydon Pensions Administration Team Key Performance Indicators (KPIs)**

The Head of Human Resources and Finance Service Centre presented the report which set out the Key Performance Indicators for the administration of the Local Government Pension Scheme for the three-month period up to the end of March 2021. She added that heavy demands had been placed on the Pensions Administration Team because of the number of severance agreements needing to be arranged.

**RESOLVED** - That the Committee agreed to note the Key Performance Indicators and the performance against these indicators as set out in Appendix A of the report.

**21/21      Reconsideration of Decision to Transfer Property from Croydon Affordable Homes and Croydon Affordable Tenures to the Pension Fund**

The Chair began by referring to the recommendations in the report and that the discussions regarding section 3 in the report be minuted.

Officers then presented the report and advised Members that the situation had created an unusual set of circumstances. Both Members and the external auditor had raised concerns at the delay in the transfer taking place. It had since been considered as to whether the transfer would be in the best interests of the Pension Fund. As a result, it was now being recommended to rescind the decisions made in 2018 and 2019 to transfer funds from Croydon Affordable Homes and Croydon Affordable Tenures to the Pension Fund.

Members commented whether valuation of the properties had been undertaken for the Pension Fund and emphasised the importance of this being undertaken. Members sought the reasons that had led to the delay in the transfer. The lack of property valuations would mean that the Pension Fund would be missing out on future increases in property prices. Confirmation was sought that no completions in respect of any properties had been made. Members commented that more information on the properties concerned would be useful. It was queried whether it would be more beneficial to invest in carbon neutral schemes as opposed to properties as such actions would provide a longer-term asset, notwithstanding the benefit to the Pension Fund of any uplift in value of the properties concerned. Members also asked whether the Council's actuary had expressed any comments about this property investment. Some Members felt that the recommendations in the report to rescind the decisions made in 2018 and 2019 be agreed without delay. It was also queried as to whether a risk assessment had been undertaken in respect of the decisions and recommendations made.

In response to comments and questions from Members, officers confirmed that no transfers of properties had been completed. A risk assessment had been undertaken on the matter and consideration was being given as to the balance of asset allocations for the Pension Fund. The Committee heard that investing more in carbon neutral assets rather than properties may be more beneficial for the Pension Fund and there would be further consideration of this.

The Head of Treasury and Pensions advised Members that an updated valuation of the properties was awaited and this would be comprehensive. There were several complex technical issues that had contributed to the delay in the transfers. The Head of Treasury and Pensions stated that circumstances had changed significantly since the original decisions had been made in 2018 and 2019. Consideration needed to be given as to whether the properties in question would provide best value for the Pension Fund in future years. It was also important that actions taken were in accordance with the actuarial valuation.

The Council's actuary was then invited to comment. The actuary representative recommended that any assets taken on should be evaluated regularly to ensure appropriate safeguarding being taken. The actuary had reservations about the property transfer. Whilst a desk top valuation of the properties had been undertaken earlier, it was important to ensure valuations were up to date.

The Chair acknowledged the difficulties in considering this matter. He felt that more information was needed before any decisions could be made. He requested that further details of the valuation of properties at the time of the proposed transfer be provided. More information was needed in respect of the financial flows and structure concerning the scheme in order to provide Members with a greater understanding of the situation. In addition, officers were asked to explore other ways of investing cash in properties and other investment alternatives in order to seek better options. Further details of the risks involved in the property transfer and clarification on the contract between the Pension Fund and the Council was also sought.

In response, the Head of Treasury and Pensions advised that the information requested would be available in time for the 14 September 2021 Pension Committee meeting at the earliest.

Prior to a motion to this effect being proposed, a Member requested that it be noted that the Minority Party was in favour of the recommendations in the report to rescind the decision to transfer the properties concerned.

The motion with regard to defer any decision pending further information was moved by the Vice-Chair, Councillor Clive Fraser and seconded by the Chair, Councillor Andrew Pelling.

**RESOLVED:** That decisions regarding the transfer of Transfer Property from Croydon Affordable Homes and Croydon Affordable Tenures to the Pension Fund be deferred, pending further information being provided in respect of:

1. Details of the valuation of properties at the time of the proposed transfer
2. The financial flows and structure concerning the scheme
3. Other ways of investing cash in properties and other investment alternatives in order to seek better options
4. The risks involved in the property transfer
5. Clarification on the contract between the Pension Fund and the Council.

**22/21 Exclusion of the Press and Public**

The following motion was moved by Councillor Andrew Pelling and seconded by Councillor Clive Fraser 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.

**23/21 Progress Report for Quarter Ended 31 March 2021**

**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 9.13 pm

**Signed:**

**Date:**

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## Pension Committee

Meeting held on Friday, 3 December 2021 at 10.00 am in Council Chamber, Town Hall, Katharine Street, Croydon CR0 1NX. To view the meeting webcast, please click [here](#).

### MINUTES

**Present:** Councillor Andrew Pelling (Chair);  
Councillor Clive Fraser (Vice-Chair);  
Councillors Simon Brew, Jan Buttinger, Robert Canning and Pat Clouder  
  
Co-opted Members: Ms Gilli Driver, Mr Peter Howard and Charles Quaye

**Also Present:** Councillor  
**Apologies:** Councillor Yvette Hopley

### PART A

#### 1/21 Apologies

It was confirmed by Democratic Services officer that Councillor Audsley had been appointed as a Committee Member active from 22 June 2021 and no decisions made during this municipal year by the Committee needed to be revisited or validity questioned in relation to that appointment.

Councillor Degrads was sitting as a substitute in Councillor Audley's absence; however, she did not have voting rights due to her remote attendance.

#### 2/21 Minutes of the Previous Meeting

A list of amendments and corrections to the minutes was read out by the Chair as follows:

- To add Gilli Driver, Charles Quaye, Michael Ellsmore as attendees;
- To add to 1/20 that the Committee asked for information at its next meeting on Fund payments to the Council for minute-taking;
- At 2/20 to delete all and replace with 'All councillors present declared an interest as members of the Authority in the context of discussions about the asset transfer proposal';
- At 5/20 to add in paragraph 3 the word 'separate' after the words 'delayed in the', and add 'relating to the Authority's accounts' after the words 'audit process';
- At 6/20 replace 'The Chair thanked' with 'The Committee congratulated';

- At 6/20 replace 'hard work' with 'achievements';
- At 6/20 replace 'regarding' with 'that';
- At 6/20 replace 'and' with 'marked n reporting a Government Actuary's Department (GAD) funding valuation of 98%';
- At 6/20 replace 'Maloney' with 'McInroy';
- In paragraph 1 replace 'noted' with 'pointed out';
- At the end of paragraph 1 add 'Mr. McInroy described the paper as really positive news';
- At the end of sentence 1 in paragraph 3 add 'in assumptions employed';
- In paragraph 3 sentence 3 delete 'was a' and replace with 'used', and delete 'they had been presented previously' and replace with 'used by Hymans Robertson LLP';
- Delete the rest of sentence 3;
- At the end of paragraph 4 add 'and provide in a summarised form metrics evolution details and a London league table';
- In paragraph 5 replace 'received' with 'to receive', replace 'for with 'regarding', replace 'performances' with 'balances', replace 'was' with 'were', replace 'by' with 'for' and delete 'the' in its fifth appearance;
- At 10/20 in paragraph 1 replace 'of moving the resolution' with 'of the moving of the resolution';
- In paragraph 2 delete all after 'Committee' and replace with 'Mr. Gent spoke of the nuances of measuring corporate carbon exposures', and delete 'overtime' and replace with 'over time'.

**RESOLVED** - That the Committee receive a report at its next meeting on the provision of minute taking by a third party.

**RESOLVED** - That the Committee receive a report at its March 2022 meeting on securing Clear Blue Water, the Fund's operation separately from the authority and the provision of a dedicated conflicts of interest policy.

Subject to the above changes, it was:

**RESOLVED** - That the minutes of the previous meeting held on 14 September 2021 were approved as an accurate record.

### **3/21 Disclosure of Interests**

All councillors present declared an interest in the Asset Transfer Proposal.

### **4/21 Urgent Business (if any)**

In relation to the issuing of the agenda and supplementary agenda, Mr Peter Howard and Ms Gili Driver stated that they did not have sufficient time to read the papers ahead of the meeting having received the physical agenda via post on 2 December 2021 at 2 pm. Ms Gili Driver also noted the packaging containing the agenda was damaged.

It was confirmed by Democratic Services that it was legal to proceed with the meeting and papers were circulated adequately. A digital version of the agenda was available to view from the statutory publication date. An urgent paper had been published one day prior to the meeting and was accepted by the Chair for the Committee to consider.

The Chair thanked officers and advisors for the work put into papers, and stated that item 16 would not be taken at this meeting.

It was **MOVED** by the Chair and **RESOLVED** that:

1. Within the constraints on legislation that the Committee provided discretion to the Chair during the current municipal year to make informal suggestions of changes in draft reports to Committee, such proposed alterations being also subject to the professional judgements of officers and advisors.
2. The draft minutes of this meeting be provided to all members before Christmas 2021.

**5/21 Croydon Council's Local Government Pension Scheme Employer Contribution Review 2021/2022 to 2022/2023**

**RESOLVED:**

To note the content of the report and the detail contained in the report in the closed part of this agenda and to request that the Scheme Actuary certify the change in contribution rates via a revised Rates and Adjustments Certificate.

**6/21 London Collective Investment Vehicle - amendments to Shareholder Agreement and Articles of Association**

**7/21 Governance Review**

The Committee received an introduction to the report from Mary Lambe, AON Hewitt. The Chair read out a list of amendments to the recommendations

which would be sent to officers following the meeting. The Chair requested that the recommendations, AON Hewitt's recommendations of special interest, the Pension Board's recommendations and the recommendations of the Chair of the Pension Board be added to the Action plan for progression.

It was noted that hard copies of agendas would be charged to the Pension Fund.

**RESOLVED:**

1. The Committee has considered the recommendations set out here, expressing its concern as to how officers are coping with service delivery for the Fund in the context of resource challenges detailed by Aon Hewitt.
  - 1.1 To appoint and non-Council employer voting representative to the Pension Committee.
  - 1.2 To create an explicit policy on voting rights at the Committee that shall include enfranchising the second pensioner representative and the trade union representative whilst seeking advice on the merits and demerits of increasing the number of council members on the Committee so as to broaden experience of the Fund's activity across the council, this matter to be settled by council by April 2022.
  - 1.3 That the Committee be provided with external advice by March 2022 on creating an appropriate governance distance from the authority including consideration of the South Yorkshire Pensions Authority.
  - 1.4 That the Committee seeks an urgent external review of service delivery with suggestions on how to progress enhancement of service delivery to be enacted by March 2022.
  - 1.5 That the following recommendations arising from the AON Hewitt governance report be progressed with the following deadlines:
    - a. Reports to committee be provided from March 2022 on the budget of the administration of the Fund and impact of changes in resources and the impact of increases in workload, as well as considering succession planning,
    - b. That the chair on behalf of the Committee write by the end of the year to the Chief Whips of current party groups to draw attention to the report's concerns about lack of continuity



on the Committee and the Board and that the outgoing chair write in similar vein after the May 2022 municipal elections.

- c. Any new Committee members will be given timely induction training to ensure that they can constructively contribute to the management of the Fund as soon as possible and that such induction training requirements subject to Monitoring Officer advice on the legality of such obligation are clearly set out in the Fund's Policy and that this is explained and facilitated for all new members on joining the Committee or the Board.
- d. Note that the Chair of the Committee shall be a representative on the LCIV stakeholder board and will now report back on a regular basis with information from the CIV.
- e. That CIV relationship structures in line with Aon Hewitt's 2019 report shall be proposed for inclusion in the Council's constitution a report being expected by the Committee on this matter by March 2022.
- f. An investigation be made into the reasons for late papers coming to the Committee and Board and a report be made to Committee by March 2022 on the processes that lead to papers being produced, their efficacy and legality, including the role of pre-agenda meetings.
- g. That an external provider with expertise in LGPS matters is secured to draft a conflicts of interest policy for the Committee and the Board to be agreed by the Committee by March 2022.
- h. That the Committee will carry out a check on how the Fund complies with the recommendations Good Governance Review and where work will be required to ensure compliance by March 2023.
- i. That the Committee is provided with an evaluation against the new TPR Code's requirements in due course and will address areas of partial compliance and non-compliance in a timely manner.
- j. That the Committee will require a report on the updated CIPFA Code of Practice and Framework for Committees and Officers and action taken thereto.

- k. Breaches of the Law policy to be updated by September 2022.
  - l. That the Committee receive a report on compliance with the Aon Hewitt report on publication of the Fund's policies and documents by September 2023.
  - m. That the Committee are concerned to learn that "Officers are being required to address Council business which is impacting on their ability to progress with Fund activity" reflecting the importance of recommendation 1.15
2. That the Committee asked for summons to meetings to be made in a timely fashion and that hard copies of papers be provided in a convenient fashion to those who request them.

**8/21 London Borough of Croydon Pension Fund: Property Transfer Proposal**

The Head of Pensions Investment and Treasury introduced Richard Warden, the Scheme's actuary, who presented the report. The Chair queried how much property prices had risen since the Scheme began in 2018 and raised concerns about the risks. Due to the position of the Fund having changed drastically since the decision was taken by Full Council, the Chair thought it would be appropriate to cancel the proposal.

Members strongly expressed their concerns about not being properly prepared to discuss the business of the meeting as they had not had adequate time to digest the information in the papers; there was also concern that delaying the business would have adverse effects on the Fund.

The Committee requested that officers submit answers to questions submitted by the Committee at the meeting on 25 May 2021 in a report at the next meeting.

It was **MOVED** by the Chair and **RESOLVED** that this agenda item would be deferred. Councillor Canning requested that their vote to abstain be recorded in the minutes.

**9/21 Pension Fund Governance: the Admission Policy, the Bulk Transfer Policy and the Policy for Employers Leaving the Fund**

**RESOLVED** to:

Agree the “Admissions Policy”, “Bulk Transfer Policy” and the “Policy for Employers Leaving the Fund” as attached as appendices A, B and C respectively.

**10/21 Pension Fund Annual Report 2019/2020**

The Head of Pensions Investment and Treasury noted the deadline for publishing the annual report had been extended to the end of December 2021 due to issues with Covid-19. The audit process had not yet been completed as the annual reports of the General Fund and the Pension Fund needed to be submitted together

**RESOLVED:**

The Committee noted the draft Croydon Council Pension Fund Annual Report 2019/2020.

**11/21 Pension Fund Annual Report 2020/2021**

The Chair requested that officers change the foreword he had been sent and that officers looked at the record of attendance. The Chair also asked that it be noted that he was out of office for a period from November 2017 to May 2018.

**RESOLVED:**

To note the draft Croydon Council Pension Fund Annual Report 2020/2021.

**12/21 Review of Breaches Log**

**RESOLVED:**

To note the contents of the Pension Fund Breaches Log at Appendix A.

**13/21 Update on funding position as at 30 September 2021**

The Scheme’s actuary presented the report and in response to questions from members stated that there would be a further report once the valuation process had been completed in March 2022 about any variation of the funding level. The Committee heard that there had been a couple of spikes in mortality rates compared to 2019 due to age and not as a result of Covid.

The Committee congratulated officers for the outperformance of the Fund and wanted to ensure that asset allocations were adjusted to reflect the desire to protect the trend of being fully funded. Members requested a report on this as soon as possible.

**RESOLVED:**

To note the funding update provided by the Scheme Actuary.

**14/21 Progress Report for Quarter Ended 30 September 2021**

This report provided Members with performance information in relation to the Pension Fund over the most recent quarter ended 30 September 2021. Performance analysis and market commentary provided by Mercer were included at Appendix A and Appendix B respectively but were withheld from publication in view of the commercially sensitive nature of the information contained.

The Chair claimed that there were factual inaccuracies in the report, and officers explained that the discrepancies in figures were due to the different methods and timings of assessments.

**RESOLVED:**

- 1.1 The Committee noted the performance of the Fund for the quarter ended 30 September 2021.
- 1.2 The Committee noted the investment advice set out in paragraph 3.6.9, to divest £33m from the LGIM developed world (ex-tobacco) equity fund with the proceeds being invested in the Pimco Global Bond Mandate which is offered through the London CIV.
- 1.3 The Committee agreed to the high level portfolio structure set out in paragraph 3.6.12 with an immediate action to increase the allocation to LCIV Sustainable Equity Exclusion Fund (RBC) by £52m (20% of the strategic equity allocation)
- 1.4 To undertake a high level strategy review focussing on the approach to currency hedging and allocation to alternatives
- 1.5 To investigate LCIV PEPPA and LCIV RIF in more detail (including liquidity profile)

1.6 To look at the other LCIV equity managers to fill the final slot (if neither are deemed appropriate we will re-visit the underlying allocations)

**15/21 Minute Taking at meetings of the Pension Committee and Pension Board**

The Chair asked that, with the agreement of the Chair of the Pensions Board, some of the correspondence between the Chairs and the Pensions Regulator be circulated to members.

**RESOLVED:**

To consider the report and determine if external minute taking services are required for the Pensions Committee and the Pension Board.

**16/21 Exclusion of the Press and Public**

The following motion was **MOVED** and **SECONDED**:

“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.

**17/21 Minutes of the Previous Meeting**

**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.

**18/21 Croydon Council's Local Government Pension Scheme Employer Contribution Review 2021/2022 to 2022/2023**

**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.

**19/21 Progress Report for Quarter Ended 30 September 2021**

**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.

**20/21 Minute Taking at meetings of the Pension Committee and Pension Board**

**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.

**21/21 London Collective Investment Vehicle - Amendments to Shareholder Agreement and Articles of Association**

**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 4.30 pm

**Signed:**

**Date:**

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# Public Document Pack

## Pension Committee

Meeting held on Tuesday, 14 June 2022 at 10.15 am in Council Chamber, Croydon Town Hall, Katherine Street, CR0 1NX

### MINUTES

**Present:** Councillor Callton Young OBE (Chair);  
Councillor Clive Fraser (Vice-Chair);  
Councillors Simon Brew, Nina Degrad, Patricia Hay-Justice and  
Yvette Hopley and Robert Ward

Co-opted Members: Ms Gilli Driver

**Also Present:** Matthew Hallett (Acting Head of Pensions and Treasury), Gillian Phillip (Pensions Manager), Ian Talbot (Interim Finance Officer), Jane West (Corporate Director of Resources (Section 151 Officer)), Mike Ellsmore (Chair of Pension Board) and Robbie Sinnott (Mercer)

**Apologies:** Councillors Endri Llabuti and Alasdair Stewart  
Co-opted Members: Peter Howard and Charles Quaye

### PART A

#### 9/22 Disclosure of Interests

There were none.

#### 10/22 Minutes of the Previous Meeting

It was confirmed to the Committee that the three sets of outstanding minutes which had not been approved were with the Pension Team for checking, and that they would be sent for approval as soon as they had been checked. It was agreed that these sets of minutes would be on the agenda for approval at the next Pension Committee meeting.

It was also agreed that the Work Programme and Action Log should be presented to the Committee.

The minutes of the meeting held on 13 April 2022 were agreed as an accurate record of the proceedings.

#### 11/22 Urgent Business (if any)

There were no items of urgent business.

## 12/22 Breaches Log

Matthew Hallett, Acting Head of Pensions and Treasury, introduced the report and highlighted three new additions to the log. In response to members' concerns over decisions being made and not minuted, Mr Hallett clarified that:

- Previous decisions made by the Committee were still recorded and were valid and that the lack of approved minutes did not affect this. The Pension Team, however, would review all decisions and bring the Action Log up to date.

Officers confirmed they were in dialogue with the Pensions Regulator and would provide feedback to the Committee. The Committee also requested that the backlog in administration task be quantified.

**RESOLVED** to consider the contents of the Pension Fund Breaches Log, Appendix A, and to comment as appropriate.

## 13/22 Budget Review

Matthew Hallett, Acting Head of Pensions and Treasury, introduced the report. In response to members' questions, officers explained that:

- There were plans to recruit permanently for the Governance and Compliance team, and that there would be temporary recruitment to the Investment and Accounting team before permanent staff would be in place, but that the Pension Administration team was fully resourced;
- The £18.5m bulk transfer referred to the pensions belonging to employees of the South London Waste Partnership, for which the Croydon Pension Fund was responsible.

The Chair pointed out that the tables in the report showed only one year's worth of data to forecast future spending, and asked that the Pension team provided an estimate of forecast costs based on data stretching further back in time.

**RESOLVED** to note the contents of the report.

## 14/22 Business Plan 2023 to 2026

Matthew Hallett, Acting Head of Pensions and Treasury, explained that this was an extension of the medium-term plan agreed in 2021, and that it

incorporated issues raised by the Governance Review. In response to questions from members, officers clarified that:

- The team could attach timescales and deadlines to the objectives set out in the plan, and that some of the objective deadline dates had already passed, so those would be revised;
- Staffing was a high priority on the plan. However, Officers confirmed that it was difficult to find the right staff and they had asked other Local Authorities, but they were experiencing similar issues. Officers also highlighted the practical difficulty in separating the Head of Pensions from the Treasury role due to the expertise required.
- The Pension team had undertaken a prioritising exercise and that they would negotiate priorities with the Committee.

The Chair welcomed this approach. Mike Ellsmore, the Chair of the Pension Board, was also present. He said that the Committee needed to reflect and take stock of the vast programme of work. He also encouraged involvement of the Committee with officers and made a plea for them to complete four-year terms as members, as continuity was important to the planning and management of the Fund.

**RESOLVED** to agree to the recommended Medium Term Business Plan 2022/25.

## **15/22 Discretions Policy**

Matthew Hallett, Acting Head of Pensions and Treasury, introduced the report and drew attention to the recommendation to the change of the policy on abatement. He explained that the principal reason for doing this was in the interests of fairness to members. The Committee raised the question of whether the costs of administrating the current policy would outweigh the cost of continued payments. Officers confirmed that there were only currently three cases so it would be a saving.

**RESOLVED** to note the review of the existing policies and approve the suggested changes ready for consultation with scheme employers.

## **16/22 Forward Plan Review 2023 - 24**

Matthew Hallett, Acting Head of Pensions and Treasury, introduced the report. Members expressed concerns about the number of meetings and the number of items of business they had to get through. The Committee

discussed whether there could be more meetings in the year, to avoid situations such as a meeting the previous year which had been exceptionally long. The Committee also discussed meetings taking place in the evening, which was noted by the Chair to consider.

The Committee suggested there could be more informal workshops, and that they expected more presentations from Fund Managers, and officers agreed to arrange this. The Committee requested an extra meeting between September and December.

**RESOLVED** to agree the Forward Plan for the remainder of financial year 2022/23.

#### **17/22 Governance Best Practice Compliance Statement**

Matthew Hallett, Acting Head of Pensions and Treasury, introduced the report. In response to comments from members, officers noted that Principal G of the report (That subject to any rules in the Council's Constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee) could not be described as fully compliant due to the historical poor performance in producing meeting papers and minutes on time. The Pension Team also agreed to look at whether or not item d) of the Compliance Statement on Structure could be described as fully compliant. Officers would review whether or not the Pension Board should be described as a sub-committee and if decided not then the Pension Committee did not have sub-committees. It should still be recognised that the Chair of the Pension Board observed Pension Committee meetings and was invited to speak and comment on the work of the Board.

**RESOLVED** to review and agree the draft Governance Best Practice Compliance Statement attached as Appendix A.

#### **18/22 Knowledge and Skills Policy Review**

Matthew Hallett, Acting Head of Pensions and Treasury, introduced the report. Members expressed that they found it difficult to know exactly which training needed to be completed, and commented that they would like a formal training document that was meaningful for members to use. Officers agreed to circulate this to members and to include access to the Hymans Training Portal.

**RESOLVED** to agree the attached Knowledge and Skills Policy, (Appendix E) and adopt the CIPFA Knowledge and Skills Framework, (Appendix A-C), with

the caveat that officers develop and circulate a clear and useable training document for members.

## **19/22 Key Performance Indicators June 2022**

Matthew Hallett, Acting Head of Pensions and Treasury, introduced the report and in response to members' questions explained that:

- Hymans Robertson had been allocated around 3,000 cases to clear, and they were currently clearing around 1,000, which was considerable progress;
- Very old cases were included in this number, and that the Pension Team could provide two sets of data for the Committee to compare progress of older and newer cases;
- These data included not just Council cases but also those of partner agencies.

**RESOLVED** to note the Key Performance Indicators and the performance against these indicators set out in Appendix A to this report.

## **20/22 Local Government Pension Scheme Advisory Board / The Pensions Regulator Update**

Matthew Hallett, Acting Head of Pensions and Treasury, introduced the report. In response to comments from members, the Pension Team explained that with regards to the effects on the Fund of the McCloud Judgement, the team was still collecting data from historic payroll systems and awaiting amendments to the regulations which were expected in the autumn. Matthew Hallett also explained that, with regards to Central Government having recommended that fund managers avoid Russian investments, the Croydon Pension Fund did not have any in its global equity allocation, but that there was a small number within the Global Bonds Mandate held with the London Collective Investment Vehicle (LCIV). The Committee was assured the LCIV would not be making any further investments of this nature.

**RESOLVED** to note the contents of the report.

## **21/22 Progress Report**

Matthew Hallett, Acting Head of Pensions and Treasury, introduced the report and in response to members' questions explained that the reason the Fund was holding a larger amount of cash than usual, at 2.5%, was a deliberate

action. The current volatility and downward spiral in equity and bond markets meant that it was sensible to have a higher cash allocation. Officers went on to explain the Fund was investing the cash in the Local Authority market to gain a bit of pick up on return. This involved lending to other Local Authorities.

**RESOLVED** to note the performance of the Fund for the quarter ended 31 March 2022.

**22/22 Exclusion of the Press and Public**

The following motion was moved by Councillor Young and seconded 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.

**23/22 Progress Report**

**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 12.24 pm

**Signed:**

**Date:**

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## Croydon Council

<b>REPORT TO:</b>	<b>Pension Committee</b> <b>13 September 2022</b>
<b>SUBJECT:</b>	<b>Governance Best Practice Compliance Statement</b>
<b>LEAD OFFICER:</b>	<b>Matthew Hallett – Acting Head of Pensions and Treasury</b>

**CORPORATE PRIORITY/POLICY CONTEXT:**

Sound Financial Management: This report advises the Committee of the changes made to the Governance and Compliance Statement and asks it to review them.

**FINANCIAL SUMMARY:**

There are no financial implications associated with this report.

**1. RECOMMENDATION**

1.1 The Committee is asked to review and agree the revised draft Governance Best Practice Compliance Statement attached as Appendix A.

**2. EXECUTIVE SUMMARY**

2.1 This report updates the Governance Best Practice Compliance Statement for consideration by the Committee.

**3. DETAIL**

3.1 Regulation 55 of the Local Government Pension Scheme Regulations 2013 requires an administering authority to prepare a written statement setting out the extent to which a delegation of its functions to a committee, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying. In addition A3 of the Scheme Advisory Board Good Governance Review recommends Local Government Pension Scheme Administering Authorities to measure their governance arrangements against any standards set out. Statutory Guidance issued by the, then, Secretary of State for Communities and Local Government or (now) by the Secretary of State for Levelling Up, Housing and Communities. The Committee is expected to review the Governance Best Practice Compliance Statement annually and must consult such persons as it considers appropriate when preparing or revision the statement.

3.2 At their meeting on 14 June 2022 the Committee considered a draft Compliance Statement and the minutes of their discussion were as follows:

3.3 *In response to comments from members, officers noted that Principle G of the report (That subject to any rules in the Council's Constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee) could not be described as fully compliant due to the historical poor performance in producing meeting papers and minutes on time. The Pension Team also agreed to look at whether or not Principle A item d) of the Compliance Statement on Structure could be described as fully compliant. Officers would review whether or not the Pension Board should be described as a sub-committee and if decided not then the Pension Committee did not have sub-committees. It should still be recognised that the Chair of the Pension Board observed Pension Committee meetings and was invited to speak and comment on the work of the Board.*

3.34 **RESOLVED** to review and agree the draft Governance Best Practice Compliance Statement attached as Appendix A.

3.35 The updated compliance statement included as Appendix A takes into account the points made by the Committee and other matters consequent upon the Committee's consideration. Officers confirm that soon after local pension boards were established in 2015 administering authorities, via the Local Government Association, received advice from Leading Counsel that they are not council committees and have no corporate status. Council Committees are created under section 101(1) and 102 of the Local Government Act 1972. Pension Boards are established under section 5 (1) of the Public Service Pensions Act 2013 and The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015. Appendix A sets out where the Pension Fund is fully compliant with the guidance and, where it is not fully compliant, provides an explanation.

3.36 The Committee are asked to review and agree the attached Governance Best Practice Compliance Statement.

## **4 CONSULTATION**

4.1 Officers have prepared the Compliance Statement 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 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**

PEN 13092022



- 6.1 Burges Salmon LLP (a legal adviser appointed to the Fund) note that there are no direct legal considerations arising from this report but noting further that administering authorities have a legal obligation to produce a written compliance statement further to regulation 55 of the Local Government Pension Scheme Regulations 2013, and to keep that statement under review.

## 7 HUMAN RESOURCES IMPACT

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

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

## 8 EQUALITIES IMPACT

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

**Approved by:** Gavin Hanford, Director of Policy, Programmes & Performance

## 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)

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**CONTACT OFFICER:**

Matthew Hallett – Acting Head of Pensions and Treasury.

**BACKGROUND DOCUMENTS:**

None.

**APPENDICES:**

Appendix A: Governance Best Practice Compliance Statement

**Governance Best Practice - Compliance Statement**

Regulation 55 of the Local Government Pension Scheme Regulations 2013 requires an administering authority to prepare a written statement setting out the extent to which a delegation of its functions to a committee, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying. In addition, A3 of the Scheme Advisory Board Good Governance Review recommends Local Government Pension Scheme Administering Authorities to measure their governance arrangements against any standards set out in the Statutory Guidance issued by the, then, Secretary of State for Communities and Local Government or (now) by the Secretary of State for Levelling Up, Housing and Communities. The Committee is expected to review the Governance Best Practice Compliance Statement annually and must consult such persons as it considers appropriate when preparing or revising the statement. The following compliance statement sets out where the Pension Fund is fully compliant with current guidance and, where it is not fully compliant, provides an explanation.

<b>Principle A - Structure</b>	<b>London Borough of Croydon Pension Fund Compliance</b>
a. The management of the administration of benefits and strategic management of Fund assets clearly rests with the main committee established by the appointing council.	<b>Fully Compliant</b> The Council Constitution delegates responsibility for the Pension Fund to the Pension Committee in respect of these matters.
b. That representatives of participating LGPS employers, admitted bodies and Scheme members (including pensioners and deferred members) are members of either the main or secondary committee to underpin the work of the main committee.	<b>Partially Compliant</b> Pensioner and Union representatives are appointed to the Pension Committee. The Committee does not currently have representatives of participating employers.
c. That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Not applicable – the Fund does not have a secondary committee.
d. That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Not applicable – the Fund does not have a secondary committee.

Principle B – Committee Membership and Representation	London Borough of Croydon Pension Fund Compliance
<p>a. That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:-</p> <ul style="list-style-type: none"> <li>i) Employing authorities (including non-scheme employers, eg admitted bodies);</li> <li>ii) Scheme members (including deferred and pensioner scheme members);</li> <li>iii) Where appropriate, independent professional observers; and</li> <li>iv) Expert advisers (on an ad-hoc basis).</li> </ul>	<ul style="list-style-type: none"> <li><b>i) Partially Compliant</b> The Committee includes eight Councillors, but does not include employer representation.</li> <li><b>ii) Fully Compliant</b> The Committee includes 2 pensioner representatives and one trade union representative.</li> <li><b>iii) Fully Compliant</b> The Committee does not have an independent professional observer as does not deem it appropriate. However, the Chair of the Pension Board is often invited to comment at meetings.</li> <li><b>iv) Fully Compliant</b> The Fund has an Investment Advisor, Actuary and Governance and Legal Advisors.</li> </ul>
<p><b>b)</b> That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision-making process, with or without voting rights</p>	<p><b>Fully Compliant</b> All members of the Committee are sent papers ahead of meetings, are invited to training and are able to contribute fully to the decision-making process.</p>

<b>Principle C - Selection and role of lay members</b>	<b>London Borough of Croydon Pension Fund Compliance</b>
a. That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee	<b>Fully Compliant</b> See the Governance Policy; training sessions specifically cover these points.
b. That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	<b>Fully Compliant</b> Members of the Committee declare interests as appropriate at the start of each meeting.

<b>Principle D – Voting</b>	<b>London Borough of Croydon Pension Fund Compliance</b>
a. The policy of individual administering authority on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	<b>Fully Compliant</b> See Governance Statement. Whilst one of the pensioners' representatives and the trade union member representative do not have voting rights at the Committee, they are encouraged to participate fully in the meetings and decision making process.

<b>Principle E - Training/Facility time/Expenses</b>	<b>London Borough of Croydon Pension Fund Compliance</b>
a. That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process	<b>Fully Compliant.</b> See the Fund's Knowledge and Skills / Training Policy
b. That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum	<b>Fully Compliant</b>
c. That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	<b>Fully Compliant</b> The Council seeks to ensure that all members of the Committee are aware of the eight areas of knowledge and skills relating to the LGPS which CIPFA has identified as being the core technical requirements for those involved in decision taking; they are advised of training opportunities and a log is maintained of all training undertaken.

<b>Principle F - Meetings (frequency/quorum)</b>	<b>London Borough of Croydon Pension Fund Compliance</b>
a. That an administering authority's main committee or committees meet at least quarterly	<b>Fully Compliant</b>
b. That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Not applicable – the Fund does not have a secondary committee.
c. That an administering authority that does not include lay members in their formal governance arrangements must provide a forum outside of those arrangements by which the interest of key stakeholders can be represented.	<b>Fully Compliant</b> This is achieved through representation on the Pension Committee or via the Pension Board.

<b>Principle G - Access</b>	<b>London Borough of Croydon Pension Fund Compliance</b>
a. That subject to any rules in the Council's Constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee	<b>Partially Compliant</b> Meeting papers are generally dispatched to all members 5 clear working days prior to each meeting and, at the same time, published on the website. However, over the last two years some papers have not been published on time and sometimes not in a format requested by some Members. In addition, the production of minutes on time has been very poor. However, action has been taken to rectify this. Democratic services are now fully resourced and are producing and circulating and publishing draft minutes shortly after meetings.

<b>Principle H - Scope</b>	<b>London Borough of Croydon Pension Fund Compliance</b>
a. That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	<b>Fully Compliant</b> The Committee reviews all aspects of the Pension Fund management.

<b>Principle I - Publicity</b>	<b>London Borough of Croydon Pension Fund Compliance</b>
a. That administering authority have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements	<b>Fully Compliant</b> Governance Policy and Compliance statement is published in full on the Pensions website <a href="http://www.croydonpensionscheme.org/">http://www.croydonpensionscheme.org/</a>

September 2022

To be reviewed in June 2023

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<b>REPORT TO:</b>	<b>PENSION COMMITTEE</b> <b>13 September 2022</b>
<b>SUBJECT:</b>	<b>Progress on implementing findings of Governance Review</b>
<b>LEAD OFFICER:</b>	<b>Matthew Hallett, Acting Head of Pensions and Treasury</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b> <b>Sound Financial Management:</b> This report forms an important component of the governance arrangements for the stewardship of the Pension Fund.	
<b>FINANCIAL SUMMARY:</b> Financial risks relating to the Pension Fund are substantial and can impact on the General Fund of the Council.	

## RECOMMENDATIONS

1. To agree the outstanding actions to be taken forward as a result of the findings from the various Governance Reviews as detailed in section 3.4 of this report.
2. To note the progress achieved in addressing the findings of the Governance Reviews of 2019 and 2021.

## 2. EXECUTIVE SUMMARY

- 2.1 The Pension Board was asked to consider the latest agreed list of recommendations and make comment for presentation to the Pension Committee. This report details those comments and suggested actions for the Committee's consideration.
- 2.2 This report updates the Committee on the progress made in completing recommendation actions to August 2022.

## 3. DETAIL

- 3.1 A governance review carried out by AON, the Fund's governance advisors, was commissioned by the Fund and its findings were reported in September 2019. It was envisaged that completion of the actions identified would be delivered over a 3 year period. A follow up review was carried out in June 2021. A list of recommendations from both of these reviews and from a meeting between the Chairs of the Pension Board and Committee, The Head of Pensions, The Pensions Manager and the Fund governance advisers AON on 3 February 2022 was formulated.

- 3.2 At their 7 July 2022 meeting the Pension Board were asked to consider these recommendations and whether to request that the Committee amend the work programme in respect of any of the items. The Board report detailing the recommendations is attached as Appendix A.
- 3.3 The Chair expressed that he and the Board were very impressed and pleased with the progress made on the recommendations of the Governance Reviews and that the next steps were to consolidate all the findings of the reviews into an action plan.
- 3.4 Officers have consolidated all of the findings and detailed these findings and recommendations in the Governance Review Action Plan which is attached as Appendix B. The Pension Committee are asked to agree the outstanding actions to be taken forward as detailed below:

#### **Non-Pension Officer Actions**

- That the Chair of the Local Board write to the Chief Whips of current party groups to draw attention to the report's concerns about lack of continuity on the Committee and the Council representatives on the Board and that the outgoing Chair write in similar vein after the May 2022 municipal elections
- Democratic Services to keep Pension Officers informed of changes to Board and Committee membership in a timely way
- Relevant individuals within the appropriate teams in the Council are reminded of the responsibility placed on members of the Committee and Board.
- 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
- To create a Head of the Pension Fund position, accountable directly to the Pension Committee and the S151 officer for all aspects of the Fund including governance, investment and pensions administration

#### **Constitutional Actions**

- To create a Fund wide Conflicts of Interest Policy covering Committee, Board and Senior Officers and incorporating work with the LCIV
- That a small annual allowance should be paid to Pension Board members to reflect the increasingly onerous skills and training requirements.
- To include LCIV relationships structures in the constitution
- To appoint non-council employer representatives to the Pension Committee
- Update Part 3 of the Constitution is updated to be consistent to avoid any confusion around the responsibilities of the Pension Board.
- 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
- To review voting rights of categories of Committee members

#### **Resourcing**

- To review the operation of procurement and recruitment for the Fund
- That the administering authority should proactively consider the use of third party suppliers to increase the resources available to the Fund ;
- The Board requested a report on Procurement and Recruitment to the Fund in July 2023;
- That the Board receive a report on resourcing twice a year

- The Board requested that the Pension Team performed an options appraisal for payments of benefits and the Pension Administration Team.

### **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 ;
- To report when the 2019/20 pension fund report and accounts have been signed off by audit
- To compile a 3-year financial plan covering admin, fund management and other overhead costs ;
- Review structure and content of the business plan, including a three year financial plan, ensuring compliance with CIPFA guidance

### **Website**

- That the Committee receive a report on compliance with the Aon report on publication of the Funds policies and documents by September 2023
- Consider adding additional information from Code of Practice paragraph 96 about the Pension Board and Pension Committee members onto the Fund website

### **Policy and Process**

- To review the Breaches of the Law Policy
- To review the Investment Strategy Statement- to include compliance statement against the Myners Principles
- To review the Administration Strategy
- To review the Communications Policy
- To create a Data Improvement Plan
- To review the Governance and Compliance Policy
- To review the IDRP procedure to include details on what is exempt (as per section 50(9) of the 1995 Pensions Act.
- To create a Record Management Policy
- Regularly review knowledge and skills requirements as a standing agenda item for Board and Committee meetings
- Report on meeting administration and process

### **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
- 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 non-compliance in a timely manner

- 3.5 Members' attention is drawn to the significant positive actions already embedded in practices and progress made by officers in delivering the recommendations of the original review in 2019 and the latest review, as well as the updated recommendations list, and should note that officers continue to work to address the remaining points covered by both reviews.
- 3.6 This latest review rated areas of practice considered as:
- positive – meets legal requirements, national guidance and good practice;
  - neutral – meets legal practice, in the main, but could be improved to meet good practice or national guidance;
  - negative – requires improvement as it does not appear to meet legal requirements or practices we consider key to good governance.
- 3.7 Eleven elements in the latest governance review were highlighted as positive.
- 3.8 Three elements were rated as negative. As at August 2022, 33% of the negative rating actions have been completed and a further 67% are in progress, making a total of 100% of actions having been progressed.
- 3.9 Thirty-eight elements were rated as neutral. 21% of neutral items are constitutional and are being taken forward as part of an overall review of the constitution. Work is in progress on this.
- 3.10 As at August 2022. of the remaining neutral items 43% have been completed and a further 30% are in progress, making a total progressed of 73%.
- 3.11 Of the original points on the 2019 Governance review, as at August 2022, 80% of the actions have been completed and a further 17% are in progress, making a total of 97% of actions either completed or in progress.
- 3.12 The updated recommendations list had 28 items categorised as follows:
- The updated recommendations list has 23 items actions for pension officers to take forward. This includes 4 constitutional items that are being taken forward as part of an overall review of the constitution. Work is in progress on this.
- Of the remaining 19 items 26% have been completed, 35% are in progress, making a total of 61% of these items having been progressed, and 22% are still to be actioned. However, of that 22%, 9% are not due to be completed until at least March 2023.
- 3.13 The Committee are asked to consider adopting the comments of the Pension Board and to note progress in completion of actions.

#### **4. CONSULTATION**

- 4.1 Officers have prepared this report in line with previous recommendations of the Pension Fund's advisers Aon.

#### **5. FINANCIAL CONSIDERATIONS**

- 5.1 This report deals with governance and stewardship of the Pension Fund. It is important that the recommendations of the governance reviews are followed through on.

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

## 6. COMMENTS OF BURGESS SALMON LLP

Burgess Salmon LLP (a legal advisor appointed to the Pension Fund) comments that the Pension Committee's role is to ensure that the Pension Fund is properly operated in accordance with the Local Government Pension Scheme Regulations 2013. Ensuring good governance is essential for the operation of the Pension Fund.

## 7. HUMAN RESOURCES IMPACT

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 Dean Shoemith, Chief People Officer

## 8. EQUALITIES IMPACT

- 8.1 The council has an obligation under the Public Sector Equality Duty, which is to eliminate unlawful discrimination, to advance equality of opportunity and to build better relationships between groups with protected characteristics. I have not identified any negative impacts in this report amongst groups with protected characteristics.

**Approved by:** Gavin Hanford, Director of Policy, Programmes & Performance

## 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:** A Review of Recommendations and Update on Progress of Governance Review

**Appendix B:** Governance Review Action Plan

<b>REPORT TO:</b>	<b>Pension Board</b> <b>7 July 2022</b>
<b>SUBJECT:</b>	<b>Review of Recommendations and Update on Progress of Governance Review</b>
<b>LEAD OFFICER:</b>	<b>Matthew Hallett, Acting Head of Pensions and Treasury</b>

## **1. RECOMMENDATIONS**

- 1.1 The Board is invited to review and comment on the recommendations of the Governance Review as agreed at the 13 April 2022 Pension Committee meeting and on the revised suggested list of recommendations which was formulated as a result of discussions between the Chairs of the Pension Board and Committee, The Head of Pensions, The Pensions Manager and the Fund governance advisers AON on 3 February 2022.
- 1.2 The Board are requested to note the progress made in addressing the findings of the Governance Review.

## **2. EXECUTIVE SUMMARY**

- 2.1 This report sets out the recommendations of the Governance Review as agreed at the 13 April 2022 Pension Committee meeting and the revised suggested list of recommendations which was formulated as a result of discussions between the Chairs of the Board and Committee, The Head of Pensions, The Pensions Manager and the Fund governance advisers AON on 3 February 2022. The meeting was held following a request from the Board agreed at the meeting 13 January 2022 (Minute 10/20).
- 2.2 This report updates the Board on progress in addressing the actions recommended in the 2019 and 2021 Governance Reviews.
- 2.3 The Aon Governance Review dated August 2021 is included as an appendix to this report.

### 3. DETAIL

3.1 A governance review carried out by AON, the Fund's governance advisors, was commissioned by the Fund and the findings were reported in September 2019. It was envisaged that completion of the actions identified would be delivered over a 3-year period. A follow up review was carried out in June 2021. Again, the actions arising from the report would form part of the work programme going forward.

3.2 Discussions between the Chairs of the Board and Committee, The Head of Pensions, The Pensions Manager and the Fund governance advisers AON took place on 3 February 2022 where a revised suggested list of recommendations was formulated as a result of their discussions. This list, including the items agreed at the 3 December 2021 and 13 April 2022 Pension Committee meetings plus the items from the 3 February 2022 discussions, is shown below and the items have been included in an action list. Comments on some items have been included as appropriate. The Board is now being asked to consider whether to request that the Committee amend the work programme in respect of any of the following:

1. To create a Head of the Pension Fund position, accountable directly to the Pension Committee and the S151 officer for all aspects of the Fund including governance, investment and pensions administration. ***Although the Council staff restructure that followed the Report in the Public Interest created this post, the Treasury function is still carried out under the Pensions function.***

2. To appoint non-Council employer representatives to the Pension Committee. ***This requires an amendment to the Council's Constitution.***

3. 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. ***Negotiations can begin when resources become available and this will be added to the Committee's Action Plan.***

4. To compile a 3-year financial plan covering admin, fund management and other overhead costs. ***This features in the Business Plan that has already been adopted and which will be updated and monitored periodically.***

5. To review the operation of procurement and recruitment for the Fund. ***Support from the Council's procurement team is required.***



6. 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 Robertson to assist with backlog work and continues to benefit from governance consultancy provision from AON. Additionally, Burges Salmon now undertake minute taking and legal comment for reports.***
7. That the Fund Annual Report and Accounts be reported to the Pension Committee prior to being reported to the General Purposes and Audit Committee ***These will be presented to the Committee in their meeting on 13 September 2022 which will satisfy this recommendation.***
8. To include all negative and neutral rated items in the latest Aon report into an updated governance review action plan. ***This has been done.***
9. That a small annual allowance should be paid to Pension Board members to reflect the increasingly onerous skills and training requirements. ***Officers are looking into how this can be achieved.***
10. Consider the progress already achieved against the original governance review actions and the new governance review actions at every alternate meeting of the Committee. ***This has been incorporated into the work programme.***
11. To create an explicit policy on voting rights at the Committee that shall include enfranchising the second pensioner rep and trade union rep whilst seeking advice on merits/demerits of increasing the number of Council members on the Committee so as to broaden experience of the Fund's activity across the Council. ***There is "an explicit policy" already contained in the Constitution Part 4.N 4.1 b. Therefore this would require an amendment to the Council's Constitution.***
12. That the Committee be provided with external advice on creating an appropriate governance structure which distances the Fund from the Authority including consideration of the SYPF Model.
13. That the Committee seeks an urgent external review of service delivery with respect to the pensions services team with suggestions of how to progress enhancement of service delivery to be enacted.
14. That the Committee ask that summons to meetings be made in a timely fashion and that hard copies of papers be provided in a

convenient fashion to those who request them (accepting that the cost of this will be charged to the Fund)

**15. That the following recommendations from the Aon report be progressed with the following deadlines including:**

- Reports to Committee to be provided by March 2022 on the Budget of the Administration and management of the Fund and impact in changes of resources and the impact of increases in workload as well as considering succession planning
- That the Chair of the Local Board write to the Chief Whips of current party groups to draw attention to the report's concerns about lack of continuity on the Committee and the Council representatives on the Board and that the outgoing Chair write in similar vein after the May 2022 municipal elections
- 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
- That any new Committee members will be given timely induction training to ensure they can constructively contribute to the management of the Fund as soon as possible, and that such induction training requirements, subject to monitoring officer advice on the legality of such obligations are clearly set out in the Fund's policy and that this is explained and facilitated for all new members on joining the Committee or Board ***An induction training session was provided for the Committee members on 7 June 2022. A training programme is being developed any includes induction training and provision of training to meet the requirements of the CIPFA framework. The Board Chair will provide induction training to new Board members.***
- Note that the Chair of the Committee shall be the representative on the LCIV Stakeholder Board and will now report back on a regular basis with information from the CIV
- The CIV relationship structures (in line with Aon's 2019 report) shall be proposed for inclusion in the Council's constitution, a report being expected by the Committee on this matter by March 2022
- As proposed in the Aon report, an investigation be made for the reasons for late papers coming to the Committee and Board and a report to be made to Committee by March 2022 on the processes that lead to papers being produced, their efficacy and legality, including the role of pre-agenda meetings
- That an external provider in LGPS matters is procured to draft a Conflict of Interests Policy for the Committee and the Board to be agreed by the Committee by March 2022 ***Officers have had a policy drafted for some while. They are continuing to liaise with other teams as the content needs to be considered in line with changes to the Constitution.***

- That the Committee will carry out a check on how the Fund complies with the recommendations of the Good Governance Review 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.***
- 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 non-compliance 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.***
- That the Committee will require a report on the updated CIPFA Code of Practice and Framework for Officers, and Committee and action taken to address ***A new Knowledge and Skills Policy was agreed by Committee at their meeting of 14 June 2022 which incorporated the CIPFA Framework requirements.***
- Breaches of the law policy to be updated by September 2022 ***This is scheduled in the work plan for the September 2022 Committee meeting.***
- That the Committee receive a report on compliance with the Aon report on publication of the Funds policies and documents by September 2023
- That the Committee are concerned to learn that “officers are being required to address Council business which is impacting on their ability to address Fund activity” reflecting the recommendation 1.1.5.

3.3 Members’ attention is drawn to the significant positive actions already embedded in practices and progress made by officers in delivering the recommendations of the original review in 2019 and the latest review and note that the pensions team continue to work to address the remaining points covered by both reviews.

3.4 The latest review rated areas of practice considered as:

positive – meets legal requirements, national guidance and good practice;  
 neutral – meets legal practice, in the main, but could be improved to meet good practice or national guidance;

negative – requires improvement as it does not appear to meet legal requirements or practices we consider key to good governance.

3.5 **The following elements in the latest governance review were highlighted as positive:**

1. The latest Funding Strategy Statement was approved by the Committee in May 2021;

2. The Funding Strategy Statement has been updated to reflect the 2020 Amendment Regulations on exit credits and sets out the Administering Authority's policy on employer flexibilities;
3. The Investment Strategy Statement was updated in March 2020 in respect of the asset allocation strategy;
4. The Compliance Policy was approved by the Committee at their meeting on 17 September;
5. The Compliance Statement in Appendix B incorporates all the points from the 2008 guidance and was reviewed by the Pension Committee;
6. The latest version of the Communications Policy was approved by the Committee on 17 September 2019;
7. No improvements were required to the Administration Strategy when it was last considered in 2019. However, the Strategy is now currently under review and a revised version will be issued for consultation shortly;
8. The Risk Management Policy was reconsidered and approved at the 17 March 2020 Committee;
9. Following AON Hewitt's recommendation that a single Fund Knowledge and Skills/Training Policy was created, standardising the approach for all Fund stakeholders in accordance with the SAB and CIPFA requirements the new knowledge and skills policy was approved by Committee on 17 March 2020;
10. A business plan is in place; and
11. The governance structure was rated as good in the previous 2019 review so no action was needed.

**3.6 38 items were rated as neutral.**

3.7 As at June 2022 29% of the neutral rating actions have been completed and a further 24% are in progress, making a total of 53% of actions having been progressed.

**3.8 3 items were rated as negative:** the Administering Authority Discretions Policy, the Fund Annual Report and Accounts 2019/20 and the Conflicts of Interest Policy.

1. The Discretions Policy was agreed by the Committee on 14 June 2022
2. The Annual Report and Accounts were reported to the Committee on 3 December 2021 however, as the Fund accounts form part of the Council accounts, they are unable to be signed off until the auditors sign off the Council accounts. For this reason this action remains as 'in progress' status.
3. At their meeting of 14 September, the Committee stated a desire for a Fund Conflicts of Interest Policy to be put before them. A policy has been drafted and officers are in consultation with other departments in respect of how this aligns with the revision of the Constitution in order to finalise the policy.

3.9 As at June 2022, 33% of the negative rating actions have been completed and a further 67% are in progress, making a total of 100% of actions having been progressed.

3.10 Of the original points on the 2019 Governance review, as at June 2022, 80% of the actions have been completed and a further 17% are in progress, making a total of 97% of actions either completed or in progress.

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

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

No.

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

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#### **CONTACT OFFICER:**

Matthew Hallett, Acting Head of Pensions and Treasury,

#### **BACKGROUND DOCUMENTS**

None

#### **APPENDICES:**

Appendix A - Governance Review Report 2021

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**London Borough of Croydon Pension Fund  
Governance Review Action Plan September 2022**

**APPENDIX B**

<b>Category</b>	<b>Action</b>	<b>Comments</b>	<b>Date Due</b>
<b>Non-Pension Officer Actions</b>	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.	
<b>Non-Pension Officer Actions</b>	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 2023-24	31 March 2023
<b>Constitutional Actions</b>	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
<b>Constitutional Actions</b>	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
<b>Constitutional Actions</b>	To include LCIV relationships structures in the constitution	This is being done through amendment to the Constitution	October 2022
<b>Constitutional Actions</b>	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
<b>Constitutional Actions</b>	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
<b>Constitutional Actions</b>	To review voting rights of categories of Pension Committee members. Board would like to see inclusion of a voting non-council	This is being done through amendment to the Constitution	October 2022

**London Borough of Croydon Pension Fund  
Governance Review Action Plan September 2022**

**APPENDIX B**

	employer representative and a voting member representative.		
<b>Resourcing</b>	To review the operation of procurement and recruitment for the Fund	This will be worked on over the year and reported back.	July 2023
<b>Resourcing</b>	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
<b>Resourcing</b>	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	January 2023
<b>Resourcing</b>	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
<b>Resourcing</b>	The Board requested that an options appraisal of the Pensions Administration Function be carried out.		July 2023
<b>Finance and Business Planning</b>	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
<b>Finance and Business Planning</b>	To report when the 2019/20 pension fund report and accounts have been signed off by audit		January 2023
<b>Finance and Business Planning</b>	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



**London Borough of Croydon Pension Fund  
Governance Review Action Plan September 2022**

**APPENDIX B**

<b>Website</b>	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
<b>Website</b>	Consider adding additional information from Code of Practice paragraph 96 about the Pension Board and Pension Committee members onto the Fund website		January 2023
<b>Policy and Process</b>	To review the Breaches of the Law Policy		October 2022
<b>Policy and Process</b>	To review the Investment Strategy Statement- to include compliance statement against the Myners Principles	Will be done alongside the Triennial Valuation	March 2023
<b>Policy and Process</b>	To review the Administration Strategy		December 2022
<b>Policy and Process</b>	To review the Communications Policy		December 2022
<b>Policy and Process</b>	To create a Data Improvement Plan	Checks are currently carried out on data but officers will formalise this in a policy document	March 2023
<b>Policy and Process</b>	To review the Governance and Compliance Policy		June 2023
<b>Policy and Process</b>	To review the IDR procedure to include details on what is exempt (as per section 50(9) of the 1995 Pensions Act		January 2023
<b>Policy and Process</b>	To create a Record Management Policy		January 2023
<b>Policy and Process</b>	Regularly review knowledge and skills requirements as a standing agenda item for Board and Committee meetings	Added to forward plan	Ongoing

**London Borough of Croydon Pension Fund  
Governance Review Action Plan September 2022**

**APPENDIX B**

<b>Projects</b>	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
<b>Projects</b>	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 non-compliance 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

<b>REPORT TO:</b>	<b>Pension Committee</b> <b>14 June 2022</b>
<b>SUBJECT:</b>	<b>Review of Breaches Log</b>
<b>LEAD OFFICER:</b>	<b>Matthew Hallett - Acting Head of Pensions and Treasury</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b> Sound Financial Management: This report forms an important component of the governance arrangements for the stewardship of the Pension Fund.	
<b>FINANCIAL SUMMARY:</b> Financial risks relating to the Pension Fund are substantial and can impact on the General Fund of the Council.	
<b>FORWARD PLAN KEY DECISION REFERENCE NO.:</b> N/A	

## 1. RECOMMENDATION

The Committee is asked to:

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

## 2. EXECUTIVE SUMMARY

- 2.1 It is consistent with The Pension Regulator’s 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,

they 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 them 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;
- 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 the Code.

3.3 Since the Committee last reviewed the Log 3 entries have been amended. The entries that have been amended are in respect of failure to pay a refund of scheme contributions which has been updated to show case numbers at April 2022, the entry around failure to produce meeting minutes and the entry concerning failure to publish the Fund accounts for 2019/20.

3.4 The Committee is asked 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:** Matt Davis, Interim Director of Finance 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 the Pensions Regulator, including relevant financial, governance and administrative matters.

- 6.2 Section 70 of the Pensions Act 2004 ('the Act') imposes a requirement on persons ('reporters') to report breaches of the law 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

**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.

**9. ENVIRONMENTAL IMPACT**

9.1 There are no environmental impacts arising from this report.

**10. CRIME AND DISORDER REDUCTION IMPACT**

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

**11. DATA PROTECTION IMPLICATIONS**

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

**NO**

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

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**CONTACT OFFICER:**

Matthew Hallett, Acting Head of Pensions and Treasury

**APPENDIX:**

Appendix A: Breaches Log

**BACKGROUND DOCUMENTS:**

None.

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Date	Category	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to the breach	Reported/Not reported (with justification if not reported and dates)	Traffic light colour	Outcome of report and or investigations	Outstanding actions	Comments
Aug-20	Administration	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. Non-compliance with LGPS regulations timescales. Member has been unable to check	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.	Green	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.		

			personal data is complete and accurate or that the correct contributions have been credited.						
Aug-21	Administration	Failure to produce 100% of Annual Benefit Statement notifications	Members and former members do not receive have up to date information on the value of their LGPS benefits affecting their ability to make informed decisions around pension provision. Non-compliance with LGPS regulations timescales. Members	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.	Green	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.		

			have been unable to check personal data is complete and accurate or that the correct contributions have been credited.						
Aug-22	Administration	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. Non-compliance	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	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.	Green	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		

			<p>with LGPS regulations timescales. Members have been unable to check personal data is complete and accurate or that the correct contributions have been credited.</p>	<p>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.</p>			<p>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</p>		
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				Members will be contacted once the calculations have been completed.					
Jan-21	Administration	Failure to inform 100% of scheme members of their calculated benefits (refund or deferred) – backlog cases. The original number of backlog cases was 2665. To 31 August 2022, 1906 cases have been completed. A further 707 cases are being processed or checked. This leaves a remaining figure of 52 cases awaiting processing.	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. Non-compliance with LGPS regulations timescales. Members have been	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.	Amber	Not reported to The Pensions Regulator.		A separate A table has been added to the KPI report detailing progress with the backlog cases

			unable to check personal data is complete and accurate or that the correct contributions have been credited.						
Oct-21	Administration	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	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	Amber	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 13 September 2022		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

				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.	has been done by the Chairs of the Board and Committee.		meeting for consideration and approval. The three outstanding draft Board minutes have been published and approved by the Board.		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.
Sep-21	Finance	Failure of the Fund to	Lack of accurate data	The Fund report and	The matter has not been	Green		The Fund Accounts	

		publish audited Fund Accounts for year 2019/20 by 30 September 2020.	available on which to base funding requirements. This could result in insufficient funds to pay all benefit liabilities.	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	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			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.	
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				Report and Accounts were presented to Pension Committee on 3 Decemeber 2021.	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.				
Sep-22	Finance	Failure to publish the	Lack of accurate data	The report and accounts were	The matter has not been	Green		The Fund Accounts	

		<p>audited Fund Accounts for year 20/21 by 30 September 2021</p>	<p>available on which to base funding requirements. This could result in insufficient funds to pay all benefit liabilities.</p>	<p>prepared and 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 Decemebr 2021.</p>	<p>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.</p>			<p>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.</p>	
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<b>REPORT TO:</b>	<b>Pension Committee</b> <b>13 September 2022</b>
<b>SUBJECT:</b>	<b>Training Plan and Review of Committee and Board Training</b>
<b>LEAD OFFICER:</b>	<b>Matthew Hallett, Acting Head of Pensions and Treasury</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b>	
Sound Financial Management: This report forms an important component of the governance arrangements for the stewardship of the Pension Fund (“the Fund”).	
<b>FINANCIAL SUMMARY:</b>	
Financial risks relating to the Pension Fund are substantial and can impact on the General Fund of the Council.	
<b>1. RECOMMENDATION</b>	
1.1 The Committee is asked to note the contents of the joint Pension Committee and Pension Board Training Log and Training Plan.	

## 2. EXECUTIVE SUMMARY

- 2.1 This report advises the Committee of training undertaken by the Pension Board and Pension Committee members since January 2021 and asks them note the proposed joint Pension Committee and Pension Board training plan for 2022/23.

## 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 be fully equipped with 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.

The CIPFA requirements for Pension Board members, Committee members and Officers are attached as appendices to the Knowledge and Skills Policy as approved at the Pension Committee meeting of 14 June 2022.

- 3.5 Members of the Committee had previously asked for a job description of their role to be provided. There is no standard document available as the role of the Committee is as defined in the Constitution and will be different for every Local Authority to reflect their individual structures. However, officers have created a document giving an overview of the role based on Croydon's constitution, as well as statutory, regulatory, CIPFA and SAB requirements, along with details of the Pension Board responsibilities (attached as Appendix D)
- 3.6 This report provides the Committee with a summary of the training undertaken by the Pension Board and Pension Committee since January 2021 (attached as Appendix A). Update reports on uptake of training opportunities by members of the Pension Board and Pension Committee will be presented at every Pension Board and Pension Committee Meeting.
- 3.7 This report provides the Committee with the proposed joint training plan for the Pension Board and Pension Committee for 2022/23 (attached as Appendix B) and an information document explaining the requirements (attached as appendix C)
- 3.8 This report provides the Committee with a standard feedback form for members of the Pension Board and Pension Committee to complete and forward to officers on completion of every training event attended by Pension Board and Committee members (attached as appendix E). This will confirm that the event was attended and will be recorded on the training log. If members do not inform officers of attendance at training events then details cannot be recorded on the log.

- 3.9 Members of the Pension Board and Pension Committee will be asked to take part in the National Knowledge Assessment run by Hymans which will take place in September and October 2022. This will involve the completion of a multiple choice questionnaire which assess knowledge across all areas of Fund management. The results will inform provision of further training opportunities.

#### 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 Schedule 4 Clause 19 amendment of the Pensions Schemes Act 1993 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. 1

2.5. 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.

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

## **8. EQUALITIES IMPACT**

8.1 The council has an obligation under the Public sector equality duty, which is to eliminate unlawful discrimination, to advance equality of opportunity and to build better relationships between groups with protected characteristics.

No negative impacts have been identified amongst groups with protected characteristics because the training is mandatory. In cases where a person may have a disability reasonable adjustment will be made for access to the training where necessary.

**Approved by:** Gavin Hanford, Director of Policy, Programmes & Performance

## 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)

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### **CONTACT OFFICER:**

Matthew Hallett, Acting Head of Pensions and Treasury

### **BACKGROUND DOCUMENTS:**

None

### **APPENDICES:**

Appendix A: Summary of Training Undertaken

Appendix B: Proposed Training Plan

Appendix C: Training Plan Information Document

Appendix D: Committee and Board Roles Document

Appendix E: Feedback Form

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Training undertaken by Pension Board and Pension Committee April 2022 to August 2022

Date	Board/ Committee / Reserve Committee	Member	Event
07/06/2022	C	Cllr Simon Brew	Induction Training
07/06/2022	C	Cllr Nina Degrads	Induction Training
07/06/2022	C	Cllr Clive Fraser	Induction Training
07/06/2022	C	Cllr Patricia Hay-Justice	Induction Training
07/06/2022	C	Cllr Yvette Hopley	Induction Training
07/06/2022	C	Cllr Alasdair Stewart	Induction Training
07/06/2022	C	Cllr Callton Young	Induction Training
07/06/2022	R	Cllr Louis Carserides	Induction Training
07/06/2022	R	Cllr Richard Chatterjee	Induction Training
07/06/2022	R	Cllr Enid Mollyneaux	Induction Training
07/06/2022	R	Cllr Rober Ward	Induction Training
07/07/2022	B	Cllr Margaret Bird	Governance Review Update
07/07/2022	B	Mike Ellsmore	Governance Review Update
07/07/2022	B	Richard Elliott	Governance Review Update
07/07/2022	B	Teresa Fritz	Governance Review Update
07/07/2022	B	Ava Payne	Governance Review Update
07/07/2022	B	David Wickman	Governance Review Update

Training undertaken by Pension Board and Pension Committee January 2021 to March 2022

Date	Board/ Committee / Reserve Committee	Member	Event
26/01/2021	B	Richard Elliott	LGA Governance and Investment webinar
26/01/2021	C	Cllr Humayun Kabir	LGA Governance and Investment webinar
26/01/2021	B	Mike Ellsmore	LGA Governance and Investment webinar
25/03/2021	B	Teresa Fritz	AON webinar on TPR Code of Practice
25/03/2021	B	Mike Ellsmore	AON webinar on TPR Code of Practice
25/03/2021	C	Cllr Yvette Hopley	AON webinar on TPR Code of Practice
25/03/2021	C	Peter Howard	AON webinar on TPR Code of Practice
03/06/2021	B	Mike Ellsmore	Competancy self assessment matrix
03/06/2021	B	Richard Elliott	Competancy self assessment matrix
03/06/2021	B	David Whickman	Competancy self assessment matrix
03/06/2021	B	Teresa Fritz	Competancy self assessment matrix
23/06/2021	B	David Whickman	Barnett Waddingham Pension Board Annual Event
23/06/2021	B	Ava Payne	Barnett Waddingham Pension Board Annual Event
23/06/2021	B	Mike Ellsmore	Barnett Waddingham Pension Board Annual Event
23/06/2021	B	Richard Elliott	Barnett Waddingham Pension Board Annual Event
24/06/2021	B	David Whickman	CIPFA Board Members Annual Event
24/06/2021	B	Mike Ellsmore	CIPFA Board Members Annual Event
19/10/2021	B	Mike Ellsmore	AON webinar Refreshing and redesigning a 'one pension team'
19/10/2021	C	Peter Howard	AON webinar Refreshing and redesigning a 'one pension team'

Hymans On-line Training Modules Progress for Pension Board and Pension Committee

Fullname	LGPS Role	Course Name	Course Progress (%)
Appu Srinivasan	Pension Committee	Module 1 - An introduction to the LGPS	100
Appu Srinivasan	Pension Committee	Module 2 - LGPS Governance & Oversight Bodies	100
Appu Srinivasan	Pension Committee	Module 3 - Administration & Fund Management	100
Appu Srinivasan	Pension Committee	Module 4 - Funding and Actuarial Matters	100
Appu Srinivasan	Pension Committee	Module 5 - Investments	100
Appu Srinivasan	Pension Committee	Module 6 - Current Issues	100
Ava Payne	Pension Board	Module 1 - An introduction to the LGPS	100
Charles Quaye	Pension Committee	Module 1 - An introduction to the LGPS	16
Endri Llabuti	Pension Committee	Module 1 - An introduction to the LGPS	100
Endri Llabuti	Pension Committee	Module 2 - LGPS Governance & Oversight Bodies	14
Mike Ellsmore	Pension Board	Module 1 - An introduction to the LGPS	33
Mike Ellsmore	Pension Board	Module 2 - LGPS Governance & Oversight Bodies	35
Mike Ellsmore	Pension Board	Module 3 - Administration & Fund Management	41
Mike Ellsmore	Pension Board	Module 4 - Funding and Actuarial Matters	57
Mike Ellsmore	Pension Board	Module 5 - Investments	52
Mike Ellsmore	Pension Board	Module 6 - Current Issues	26
Peter Howard	Pension Committee	Module 1 - An introduction to the LGPS	33
Peter Howard	Pension Committee	Module 2 - LGPS Governance & Oversight Bodies	14
Peter Howard	Pension Committee	Module 3 - Administration & Fund Management	5
Peter Howard	Pension Committee	Module 4 - Funding and Actuarial Matters	21
Peter Howard	Pension Committee	Module 5 - Investments	5

Fullname	LGPS Role	Course Name	Course Progress (%)
Richard Elliott	Pension Board	Module 1 - An introduction to the LGPS	83
Richard Elliott	Pension Board	Module 2 - LGPS Governance & Oversight Bodies	71
Richard Elliott	Pension Board	Module 3 - Administration & Fund Management	70
Richard Elliott	Pension Board	Module 4 - Funding and Actuarial Matters	71
Richard Elliott	Pension Board	Module 5 - Investments	70
Richard Elliott	Pension Board	Module 6 - Current Issues	36
Robert Ward	Pension Committee	Module 1 - An introduction to the LGPS	100
Robert Ward	Pension Committee	Module 2 - LGPS Governance & Oversight Bodies	78
Robert Ward	Pension Committee	Module 3 - Administration & Fund Management	70
Robert Ward	Pension Committee	Module 4 - Funding and Actuarial Matters	92
Robert Ward	Pension Committee	Module 5 - Investments	76
Robert Ward	Pension Committee	Module 6 - Current Issues	31
Teresa Fritz	Pension Board	Module 1 - An introduction to the LGPS	100
Teresa Fritz	Pension Board	Module 2 - LGPS Governance & Oversight Bodies	100
Teresa Fritz	Pension Board	Module 3 - Administration & Fund Management	100
Yvette Hopley	Pension Committee	Module 1 - An introduction to the LGPS	50
Yvette Hopley	Pension Committee	Module 2 - LGPS Governance & Oversight Bodies	7

## Pension Board and Committee Training Plan 2022/ 23

### Mandatory Training

*Either*

Event	Details	Date	Offered To	Form
Hymans Module 1	Introduction	As required	All Board, Committee and Reserves	On line
Hymans Module 2	Governance & Regulators	As required	All Board, Committee and Reserves	On line
Hymans Module 3	Administration & Management	As required	All Board, Committee and Reserves	On line
Hymans Module 4	Funding & Actuarial Matters	As required	All Board, Committee and Reserves	On line
Hymans Module 5	Investments	As required	All Board, Committee and Reserves	On line

*Or*

LGE Fundamentals Course	Legal structure of LGPS	18/10/2022	All Board, Committee and Reserves	On line	20/10/2022	In Person
LGE Fundamentals Course	Investment framework of the LGPS	22/11/2022	All Board, Committee and Reserves	On line	10/11/2022	In Person
LGE Fundamentals Course	Duties and Responsibilities	20/12/2022	All Board, Committee and Reserves	On line	06/12/2022	In Person

**Plus**

<b>Induction Presentation</b>	In house Induction Event delivered by Hymans	07/06/2022	Committee and Reserves	Council Chamber
	In house Induction Event delivered by Hymans	TBA	Board	
	Also as required on an individual basis			
<b>National Knowledge Assessment</b>	Form to be completed	Start Financial Yr	All Board, Committee and Reserves	Email

**Plus**

Aon pre-meeting session	Cyber Security	TBA				AON	All Board
Aon pre-meeting session	Data Dashboard	TBA				AON	All Board
AON in meeting advice	Governance Review Update	07/07/2022			During Board Meeting	AON	All Board
Aon pre-meeting session	McCloud Update	TBA				AON	All Board
Hymans pre-meeting session	Trienniel Valuation	11/10/2022				Hymans	All Board, Committee and Reserves
Mercers pre-meeting session	Investment Advisors Presentations	06/12/2022				Mercers	All Board, Committee and Reserves

		07/07/2022	13/10/2022	Jan-23
Governance Review	AON			
Cyber Security	AON			
Data Dashboard	AON			
McCloud Update	AON			

## Additional Training Opportunities

Events	es			Details	Details	Offered To
PLSA Annual Conference	12/10/2022	13/10/2022		2 Days	ACC Liverpool	All Board, Committee and Reserves
Barnett waddingham DB trustee online training sessions	04/10/2022	05/10/2022	06/10/2022	3 Days	On line	All Board, Committee and Reserves
LGPS Conference	19/01/2023	20/01/2023		2 Days	Marriott Hotel Cardiff	2 Members of Board and 2 Members of Committee
<b>Webinars</b>						
Barnett Waddingham on-demand webinars	Any Time				On line	All Board, Committee and Reserves
Aon webinars					TBA	All Board, Committee and Reserves
<b>Fund Manager Visits</b>						
Investment Managers Presentations	Rota			1 Hour	See rota	All Board, Committee and Reserves

			10.00 AM	10.00 AM	10.00 AM			
		20/09/2022	11/10/2022	09/11/2022	06/12/2022	Jan-23	Feb-23	Mar-23
1	Fund Manager Presentation	RBC with CIV						
2	Fund Manager Presentation	Wellington						
3	Fund Manager Presentation	Access						
4	Fund Manager Presentation	Schroders						
5	Pre-meeting Training	Hymans (valuation)						
6	Pre-meeting Training	Mercers (investment)						

<b>Induction</b>						
Induction Training Committee	As required				Delivered 7/6/2022	All Committee and Reserves
Induction Training Board	As required				To be delivered by Board Chair	All Board

**Useful Reference Site**

SAB Website	As required			Reference Information		All Board, Committee and Reserves
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<https://lgpsboard.org/index.php/welcome>

**Hymans on-line training Module 6 - Current Issues**

**Topics currently available**

Understanding McCloud	As required			Videos	On line	All Board, Committee and Reserves
Understanding Goodwin	As required			Videos	On line	All Board, Committee and Reserves
Cost Sharing	As required			Videos	On line	All Board, Committee and Reserves
Introduction to Cyber Risk	As required			Videos	On line	All Board, Committee and Reserves
GAD Section 13	As required			Videos	On line	All Board, Committee and Reserves
Climate Change and TCFD (Taskforce for Climate-related Financial Disclosures)	As required			Videos	On line	All Board, Committee and Reserves

**Planned Hymans Additions to Module 6**

TPR Single Code

Good Governance

Responsible Investment



## Mandatory Training

### CIPFA Knowledge and Skills Framework

To enable you to meet the CIPFA knowledge and Skills requirements you will need to complete **either** of the two following resources (both Hymans and the organisers of the LGE Fundamentals course have ensured that these training provisions meet the CIPFA knowledge and skills requirements):

### Hymans On-line training Facility

We provide an online training programme which is delivered by Hymans. It gives you the flexibility to complete training whenever it is convenient for you. You can access it at any time and complete as much or as little as want; you do not have to complete a whole module at once as your progress will be saved.

The programme is split into 6 modules. The first 5 modules deliver the mandatory CIPFA training. Module 6 is entitled 'Current Issues'. It will deliver training on various hot topics and will be refreshed on an ongoing basis. It will keep you up to date with issues concerning the LGPS as they emerge. **Even if you choose to complete the LGE Fundamentals sessions, the Hymans on-line facility is still a valuable reference tool and we would urge you to make use of it.**

We will be able to check on your progress in completing the modules through regular reports. The data for modules 1 to 5 will be included in periodic reports to Board and Committee and will be added to your training record.

You have been sent login details via email to allow you to access this learning.

### LGA Fundamentals Course

The LGA run an annual training course run over 3 days which provides a scheme overview and covers current issues in relation to administration, investment and governance of the LGPS. Attending all three days will allow you to meet the relevant requirements for knowledge, skills and understanding either required in statute or encouraged by relevant guidance. Each day has a different theme and will include sessions delivered by experts in their field.

The dates for this year's sessions and links to the agendas have been emailed to Board and Committee members and reserve members; there is a choice of attending remotely or in person. If you haven't already done so, please email the Governance and Compliance Manager if you would like to attend and we will make the booking for you.

## Competency Self – Assessment Matrix

The CIPFA Competency Self-Assessment Matrix is a checklist for you to rate your knowledge against the CIPFA knowledge requirements. It will help you and us to identify where there are gaps in your knowledge so that these can be addressed. We will usually ask you to complete this once a year. Your answers will be used to feed into the training plan so that we can tailor training events to specific areas of need. However, this year an alternative method will be used – [The National Knowledge Assessment](#).

## National Knowledge Assessment

In 2020, Hymans designed a National Knowledge assessment following recommendations from the Scheme Advisory Board that LGPS pension committee and board members will need to start evidencing their understanding of and capability in respect of their pension knowledge.

The assessment results from all participating LGPS funds are used to produce a national report containing analysis of the LGPS Pension Committee and Board landscape. Additionally, each Fund receives the following:

- Their own Fund results report
- Individual participant scores
- Benchmarked Fund results against other LGPS funds and tracked against 2020 results
- Benchmarked engagement scores
- Analysis and suggested next steps
- A recommended training plan tailored for your Committee and Board

We will be participating in the 2022 National Knowledge assessment. It takes the form of a set of multiple-choice questions across a range of knowledge areas which takes 15 to 20 minutes for Board and Committee members to complete.

For us to get the maximum benefit from this exercise we need all Board, Committee and Reserve members to participate. You will be sent information on what you need to do in due course.

## Induction Training

An induction session for the Committee took place on 7 June 2022. It was delivered by Hymans and gave you some background information about the LGPS and some specific information about the Croydon Fund.

As and when new Committee or Board members join us, individual induction training will be arranged.

### **Additional Pre-meeting Training**

Officers have arranged some topic- specific training sessions before Board and Committee meetings so that members do not need to attend training on additional days. These are current issues affecting the Fund and Committee and Board members should be informed on these areas.

### **Supplementary Training**

We will be offering you additional supplementary training opportunities during the year. These will be either external sessions with outside providers, sessions delivered by the Fund advisers or guest speakers and presentations from the Fund Investment Managers. Details will be provided on the Fund Training Plan and/or via email.

We would urge members to participate in as many of these opportunities as possible as they will further enhance your knowledge and understanding and will keep you up to date with current developments and issues.

### **General**

A feedback form is provided for you to tell us when you have completed any training opportunities (you do not need to complete one for the Hymans on-line resource). This informs us when you have attended an event and allows you to provide comment on how useful you found it. Please ensure you complete a form for every training opportunity you attend and forward it to the Governance and Compliance Manager for recording in the training records (including any events that you attend that have not been facilitated by us). If you do not provide us with the completed forms, we will not always know that you attended a training session and will therefore not be able to record it on the training log.

If you become aware of a training opportunity that we haven't facilitated please make us aware so that we can publicise it to other members.

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## **Summary of the role of the Committee**

The committee is the responsible committee of the London Borough of Croydon in its capacity as scheme manager/ administering authority. The role of the Committee is setting strategy whilst officers will provide advice and ensure the strategy is implemented. The main areas of strategic responsibility are as follows:

To ensure that the Fund is properly operated in accordance with the Local Government Pensions Scheme Regulations (“the Regulations”) all other relevant legislation, statutory guidance and best practice as advised by Department for Levelling Up, Housing and Communities, the Pensions Regulator and the Scheme Advisory Board (as applicable), including financial, governance and administrative matters.

To adopt Fund specific policies concerning the administration of the Fund, investing of Fund monies and the management of the Fund’s solvency level. In addition, the committee is responsible for compliance with all financial and regulatory requirements of the Fund.

To discharge its fiduciary responsibilities in the best interests of the Fund.

To set the investment policy and review the performance of the Fund’s investment managers, pooling arrangements, scheme administration, and external advisors.

To make arrangements for the triennial actuarial valuation.

To determine the Pension Administration Strategy and communications policy and keep them under review.

To approve and monitor compliance of statutory statements and policies required under the Regulations.

To approve the Fund’s Statements of Accounts and annual report;

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

To make representations to government as appropriate concerning any proposed changes to the Local Government Pension Scheme.

To ensure the terms of reference are reviewed at least annually

To meet the knowledge and skills requirements of CIPFA knowledge and Skills framework

To attend pension training events

To keep officers advised of training completed

To attend committee meetings

To take advice and oversee actions arising from the Pension Board recommendations

To monitor Breaches and Risks and take any necessary action

To approve the annual business plan

To appoint external Fund advisors and other service providers

To oversee the application of the Internal Disputes Resolution Procedure

To monitor performance across all aspects of the service undertaken by the Fund

To receive and where necessary instruct corrective action, in response to both internal and external auditor reports

To review the investment strategy statement and Funding Strategy Statement

To review the administrative authority mandatory discretions policy

To review the Governance policy and compliance statement

To review the Training policy

To oversee keeping records and ensuring the quality of member data

To ensure the correct contributions are paid to the Fund

To manage conflicts of interest

To publish information

To communicate information to Fund members

## **Role of The Pension Board**

Pension boards are responsible for assisting the scheme manager in securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme; the scheme manager is the administering authority (the pension committee) in the local government scheme. The Board and Committee work together in practice in support of the management of the Fund for the benefit of stakeholders.

The pension board will:

Secure compliance with requirements imposed in relation to the scheme by the Pensions Regulator.

Assist the Scheme Manager to ensure the effective and efficient governance and administration of the scheme.

Secure compliance with legislative requirements.

Advise and make recommendations to the pension committee on all aspects of their areas of responsibility

Attend board meetings

Meet the knowledge and skills requirements of CIPFA knowledge and Skills framework

Attend pension training events

Keep officers advised of training completed

Monitor Breaches and Risks and take any necessary action

Monitor compliance with the Conflicts of Interest policy

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## **Training Attendance**

**Name of event:**

**Date of event:**

**Name of Board / Committee Member:**

**Rate effectiveness of training 1 (Poor) to 5 (Excellent):**

**Feedback / Comments:**

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## Croydon Council

<b>REPORT TO:</b>	<b>Pension Committee</b> <b>13 September 2022</b>
<b>SUBJECT:</b>	<b>The Collective Investment Vehicle for London Local Authorities Pension Funds: Compliance with pooling requirements, review of savings and governance structure</b>
<b>LEAD OFFICER:</b>	<b>Matthew Hallett – Acting Head of Pensions and Treasury</b>

### 1. RECOMMENDATION

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

#### **CORPORATE PRIORITY/POLICY CONTEXT:**

Sound Financial Management: This report advises the Committee of relationships between the Pension Fund and the London Collective Investment Vehicle. These relationships are important components of governance and investment arrangements of the Fund.

#### **FINANCIAL SUMMARY:**

There are no direct financial implications associated with this report but it advises the Committee of existing financial arrangements which assist in the efficient management of the Fund and which could have an impact on the General Fund of the Council.

### 2. EXECUTIVE SUMMARY

2.1 This report advises the Committee of the extent to which the Fund is complying with the pooling requirements of Guidance issued by the, then, Department for Communities & Local Government (DCLG) in 2015, the savings made through pooling in 2021/22 and the governance structure of the London Collective Investment Vehicle (LCIV).

### 3. DETAIL

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

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

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

3.3 Since its founding in 2014 LCIV has developed its governance structure through a Corporate Governance and Controls framework. The key components of the framework are the Shareholder Committee, comprising Leaders and Treasurers of twelve of the London boroughs, and a Board made up of executive and non-executive directors all of whom must meet FCA fitness to serve requirements. Details of the full Governance structure can be accessed online via <https://londonciv.org.uk/governance>

3.4 The Croydon Fund's formal involvement in the governance of LCIV is only through attendance at the twice yearly Shareholder General Meeting. Officers are, however, in regular contact with the LCIV officers.

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

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

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

3.6 At 31 March 2022 the Fund had investments of £168.8m (9.8% of its investments) invested in sub-funds managed by the LCIV and a further £696.0m (40.2%) managed by Legal and General which is classified within the pooling umbrella. The arrangement with Legal and General was established in 2016 as a way of providing fee discounts to members without moving passive assets into the LCIV. Whilst the Fund is conscious that the proportion of its assets invested through the pool (50.01%) is below the target of 65%, investments will only be made in pool products when this is the optimum strategy.

3.7 A summary of the overall position of the Fund at 31 March 2022 is as follows:

<b>INVESTMENT</b>	<b>£m</b>	<b>%</b>
<b>CIV related</b>		
Legal and General Equities	696.0	40.2
RBC Equities	84.4	4.9
PIMCO Fixed interest bonds	87.8	5.0
<b>CIV related total</b>	<b>868.2</b>	<b>50.1</b>
Non CIV related total	863.1	49.9
<b>TOTAL</b>	<b>1,731.3</b>	<b>100.0</b>

3.8 Estimated savings made against assumptions of standard fees and costs incurred from the pool investments during 2021/22 were as follows:

	<b>Assets under management at 31 March 2022</b>	<b>Estimated gross fees savings</b>	<b>Management fees and development funding charge</b>	<b>Estimated net fees savings</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Legal and General Equities</b>	695,982	403	34	369
<b>RBC Global Asset Management (UK)</b>	84,441	145	21	124
<b>PIMCO Fixed interest</b>	87,812	317	5	312
<b>CIV Development funding charge**</b>			110	(110)
<b>TOTAL</b>	<b>868,235</b>	<b>865</b>	<b>170</b>	<b>695</b>

\* LCIV's fixed income stream contributing to the core costs of the Company payable equally by all shareholders

3.9 The Committee are invited to note this report.

#### **4. CONSULTATION**

4.1 The only consultation that has been taken place has been with LCIV.

#### **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 Fund) comments that there are no specific legal considerations raised in this report but that it is important that the Fund reviews and regularly considers investment and pooling obligations further to the Local Government Pension Scheme Regulations 2013, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, and the Guidance (which was produced further to the 2016 Regulations).

#### **7. HUMAN RESOURCES IMPACT**

7.1 There are no HR implications arising from the content of this report for council employees or staff.

**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 There are no equalities impacts arising from this report.

**Approved by:** Gavin Hanford, Director of Policy, Programmes & Performance

#### **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)

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### **CONTACT OFFICER:**

Matthew Hallett – Acting Head of Pensions and Treasury.

### **BACKGROUND DOCUMENTS:**

None.

### **APPENDICES:**

None

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## Croydon Council

<b>REPORT TO:</b>	<b>Pension Committee 13 September 2022</b>
<b>SUBJECT:</b>	<b>Local Government Pension Scheme Advisory Board / The Pensions Regulator Update</b>
<b>LEAD OFFICER:</b>	<b>Matthew Hallett – Acting Head of Pensions and Treasury</b>

### **CORPORATE PRIORITY/POLICY CONTEXT:**

Sound Financial Management: This report advises the Committee of the matters currently being considered by the Local Government Pension Scheme Advisory Board and The Pensions Regulator some of which are relevant to the financial management of the Fund.

### **FINANCIAL SUMMARY:**

There are no financial implications associated with this report

### **1. RECOMMENDATION**

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

## **2. EXECUTIVE SUMMARY**

2.1 This report advises the Committee of the matters currently being considered by the Local Government Pension Scheme Advisory Board and The Pensions Regulator which are relevant to the Fund. Any implications for the Fund have been noted and are being addressed in consultation with Fund advisors.

## **3 DETAIL**

### **3.1 Local Government Pension Scheme Advisory Board (SAB)**

Queen's Speech

PB 13092022

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.

#### Special Severance Payment Guidance

On 12 May 2022 The Department for Levelling Up, Housing and Communities (DLUHC) published statutory guidance on the making and disclosure of special severance payments by local authorities in England. The guidance sets out the criteria employers should consider in the circumstances in which it may be appropriate to make a special severance payment. It also clarifies the disclosure and reporting requirements.

Statutory guidance on the making and disclosure of Special Severance Payments by local authorities in England - GOV.UK ([www.gov.uk](http://www.gov.uk))

#### Academy Trust and Local Government Pension Update

On 21 July 2022 the Department for Education (DfE) made a statement confirming an extension of the guarantee that the closure of an academy trust will not lead to any outstanding LGPS liabilities reverting to the fund. This guarantee was first made in 2013 and now includes a new increased annual ceiling of £20m. The Guarantee provides academy trusts with direct Government backing for certain pension costs. The DfE has asked administering authorities to ensure that this is reflected in this year’s scheme valuation, both in the setting of employer contribution rates and the length of deficit recovery periods.

#### LGPS Investments in Russia

On 4 March 2022 SAB advised that they had drafted a relevant note available on the Boycotts, Divestment and Sanctions page of their website.

[https://www.lgpsboard.org/images/PDF/BDS/Investments in Russia 4 March 2022.pdf](https://www.lgpsboard.org/images/PDF/BDS/Investments_in_Russia_4_March_2022.pdf)

On 28 February 2022 SAB advised that in the light of events in Ukraine and resultant extant and potential sanctions by the UK Government any LGPS funds which are not already doing so should consider the implications for their investment portfolios and discuss with their pools and asset managers what action should prudently be taken.

#### 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.

Further regulations are awaited which will set out the detail of the McCloud remedy within the LGPS framework.

#### 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](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 \(www.gov.uk\)](https://www.gov.uk/government/policies/levelling-up-the-united-kingdom)

#### Pensions Dashboards

On 31 January 2022, the DWP launched a consultation on the draft Pensions Dashboards Regulations. The consultation closed on 13 March 2022.

<https://www.gov.uk/government/consultations/pensions-dashboards-consultation-on-the-draft-pensions-dashboards-regulations-2022>

#### Public Service Pensions and Judicial Offices Act 2022

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

On 22 February 2022 an amendment to the Bill relating to investment in line with UK foreign and defence policy was passed at the report stage.

### **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:

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.

[detailed-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/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

PB 13092022

governing the LGPS are likely to be announced in the next few months (for example dealing with McCloud remedies).

## **7. HUMAN RESOURCES IMPACT**

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

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

## **8. EQUALITIES IMPACT**

- 8.1 The council has an obligation under the Public sector equality duty, which is to eliminate unlawful discrimination, to advance equality of opportunity and to build better relationships between groups with protected characteristics.

No negative impacts have been identified amongst groups with protected characteristics. However, future reports would benefit from an analysis of groups with a protected characteristic under the equality act 2010 who are members of the local government pension scheme.

**Approved by:** Gavin Hanford, Director of Policy, Programmes & Performance

## **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)

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**CONTACT OFFICER:**

Matthew Hallett – Acting Head of Pensions and Treasury

**BACKGROUND DOCUMENTS:**

None

**APPENDICES:**

None

## Croydon Council

<b>REPORT TO:</b>	<b>PENSION COMMITTEE 13 September 2022</b>
<b>SUBJECT:</b>	<b>Part A -Progress Report for Quarter Ended 30 June 2022</b>
<b>LEAD OFFICER:</b>	<b>Matthew Hallett Head of Pensions and Treasury</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b>	
<p><b>Sound Financial Management:</b> 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.</p>	
<b>FINANCIAL SUMMARY:</b>	
<p>This report shows that the market value of the Fund investments as at 30 June 2022 was £1,633.8m compared to £1,731.3m at 31 March 2022, a decrease of £97.5m and a return of -4.77% 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.</p>	
<b>FORWARD PLAN KEY DECISION REFERENCE NO.: N/A</b>	

<b>1</b>	<b>RECOMMENDATIONS</b>
1.1	The Committee is asked to note the performance of the Fund for the quarter ended 30 June 2022.

## **2 EXECUTIVE SUMMARY**

- 2.1 This report provides an update on the Fund's performance for the quarter to 30 June 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 the whole of fund funding position 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 valuation date the Fund has made a cumulative return of 31.2% against a return of 13.6% assumed by the valuation. This has had a positive impact on the funding level.

### **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 Scheme's investment advisors. Any proposal to amend this asset allocation will require a period of consultation with such persons as it considers appropriate.



3.4 The target portfolio can be broken down as follows:

<b>Asset Class</b>		<b>Target Allocation</b>	<b>Allowable Tolerance</b>
Equities including allocation to emerging markets.		42%	+/- 5%
Fixed interest		23%	+/- 5%
Alternates		34%	+/- 5%
<i>Comprised of:</i>			
Private Equity	8%		
Infrastructure	10%		
Property	16%		
<b>Cash</b>		<b>1%</b>	
<b>Total</b>		<b>100%</b>	

3.5 Monitoring of asset allocation

3.5.1 **Global Equity** – Global equities continued to perform poorly in the last quarter, with high levels of volatility. This reflects the increased risk of recession because of more aggressive action to curb inflation, concerns over the pace of growth in China and risks to global supply chains.

The Global equity return for the quarter was -11.42% with LGIM Developed World (ex-Tobacco) Equity fund returning -11.77% and the LCIV RBC fund returning -8.54%

Global equities are now at 42.3% compared to the target allocation of 42%.

3.5.2 **Fixed Interest** – During the quarter our fixed interest investments continued on the downward path posting a negative return of -6.2%, with Aberdeen Standard -4.57%, Wellington -7.34% and the LCIV Global Bond -7.63%. The protection offered by the Aberdeen Absolute Return Fund shielded the loses slightly.

Volatility has also been a feature of the bond markets, with the release of data on inflation and growth punctuated by sharp swings in yields. One more recent development is the deterioration in the performance of credit, with an acceleration in the widening of spreads in the investment grade and high yield markets. The combination of rising yields on government bonds and widening spreads has led to the experienced over the quarter. The overall allocation is 16.5% which is 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.

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 are performing in line with their targets.

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 13.4% 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. The performance of private equity investments tends to follow the same direction as global equities. Note the valuations tend to be lagged so the positive returns are largely as a result of performance from the previous quarter. The majority of our

private equity investments are priced in foreign currency so the increase in valuations has largely been as a result of the fall in Sterling. Over the quarter the assets have grown from £186.8m to £193.3m which has increased the allocation from 10.8% to 11.8%. This is above the target allocation of 8%.

3.5.5 **Property** – The Property allocations continued to show good performance over the quarter and for the year. The Schroders portfolio has returned 21% and the M&G has returned 5.27% over the year. The property allocation now makes at 13.9% of the Fund. The recent negative returns in equities and bonds demonstrate the value of a property portfolio as a diversifier and risk mitigator within the overall Fund's portfolio.

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 30 June 2022

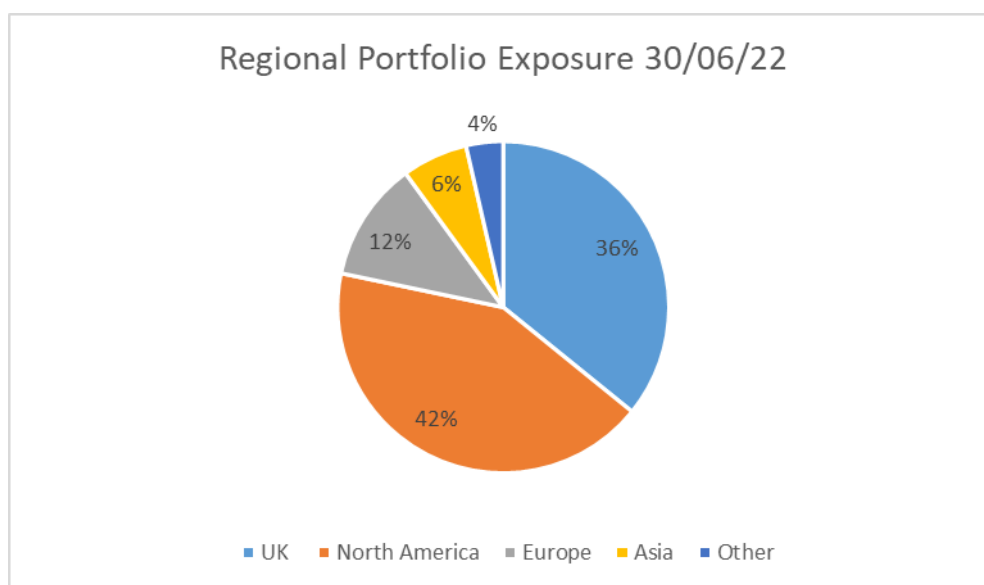
	Valuation at 31/03/2022 £'000	Net cashflow £'000	Gain/Loss £'000	Valuation at 30/06/2022 £'000	Asset allocation Fund percentage	Asset allocation target percentage
<b>Equities</b>					42.3%	42%
Legal & General FTSE World (Ex Tobacco)	695,982	-	81,939	614,043		
LCIV RBC	84,441	-	7,209	77,232		
LCIV	150			150		
<b>Fixed Interest</b>					16.5%	23%
Standard Life	132,133	-	6,039	126,094		
Wellington	67,020	-	4,918	62,102		
LCIV Global Bond	87,812	-	6,702	81,110		
<b>Infrastructure</b>					13.4%	10%
Access	31,842	312	1,258	32,788		
Temporis	56,030	513	296	56,839		
Equitix	75,137	34	29	75,141		
Macquarie GIG Renewable Energy	22,327	735	2,421	24,013		
I Squared	26,810	369	2,725	29,905		
<b>Private Equity</b>					11.8%	8%
Knightsbridge	74,715	269	227	75,212		
Pantheon	73,978	2,901	3,915	74,993		
Access	21,714	1,990	5,860	25,584		
North Sea	16,388	682	447	17,518		
<b>Property</b>					13.9%	16%
Schroders	155,747	-	6,578	162,326		
M&G	64,190	291	888	64,788		
<b>Cash</b>					2.1%	1%
Legal & General FTSE4Good Cash	741	-	-	741		
Cash	44,106	10,867	-	33,238		
<b>Fund Total</b>	<b>1,731,266</b>	<b>15,229</b>	<b>82,220</b>	<b>1,633,817</b>	<b>100%</b>	<b>100%</b>

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 36% invested in the UK 13.9% is allocated to Property and 9.4% 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 PEN 130922 A

the 3 months to 30 June 2022. These reports are included in Part B of this Committee agenda.

### **3.8 Section 4: Investment Manager Visits**

3.8.1 There were no manager meetings held in the quarter.

## **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.

**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 an obligation under the Public Sector Equality duty, which is to eliminate unlawful discrimination, to advance equality of opportunity and to build better relationships between groups with protected characteristics. There are no negative impacts identified amongst groups with protected characteristics.

**Approved by:** Gavin Hanford, Director of Policy, Programmes & Performance

## **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.

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**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.

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