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# Pension Committee Agenda

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

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

Reserve Members: Richard Chatterjee, Stuart Collins, Alisa Flemming, Simon Fox, Stella Nabukeera, Appu Srinivasan, Nikhil Sherine Thampi and Robert Ward

A meeting of the **Pension Committee** which you are hereby summoned to attend, will be held on **Tuesday, 19 September 2023** at **10.00 am** in **Council Chamber, Town Hall, Katharine Street, Croydon CR0 1NX**

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

Tariq Aniemeka-Bailey
Democratic Services
Democratic.Services@croydon.gov.uk
www.croydon.gov.uk/meetings
Monday, 11 September 2023

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

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

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

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**

To approve the minutes of the meeting held on XXX as an accurate record.

**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. **Conflicts of Interest Policy** (Pages 7 - 28)

This report advises the Committee of the arguments for adopting a whole Fund Conflicts of Interest Policy and recommends that they agree the draft attached
as Appendix B.

6. **Strategies and Policies required for the Fund** (Pages 29 - 44)

This report advises the Committee of the various policies and strategies required for the proper administration of the Fund.

7. **Fund Representation Policy** (Pages 45 - 52)

This report asks the Committee to agree the Representation Policy (attached as Appendix A) and to comment as appropriate.

8. **Risk Management Policy Review** (Pages 53 - 66)

This report updates the Committee on the review of the Fund's Risk Management Policy and asks them to agree it.

9. **Review of Risk register** (Pages 67 - 88)

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

10. **Administration Report** (Pages 89 - 102)

This report sets out Key Performance Indicators for the administration of the Local Government Pension Scheme for the three-month period up to the end of July 2023.

11. **Breaches of the Law Log** (Pages 103 - 130)

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

**12. Update of training** (Pages 131 - 152)

This report advises the Committee of training undertaken by the Pension Committee members in Year 2023/24 to 31 August 2023 and asks them note the contents of the Log attached to this report as Appendix A, the Hymans online training Log to 31 August 2023 attached to this report as Appendix B and the mandatory training items required to be completed attached to this report as Appendix C.

**13. London CIV Savings Report** (Pages 153 - 160)

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 2022/23 and the governance structure of the London Collective Investment Vehicle (LCIV).

**14. Scheme Advisory Board and The Pensions Regulator Updates** (Pages 161 - 174)

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

**15. Investment Strategy Statement Review** (Pages 175 - 192)

This report presents a draft Investment Strategy Statement for the Pension Fund for consideration by the Committee.

**16. Responsible Investment Policy** (Pages 193 - 204)

This report presents a draft Responsible Investment Policy for the Pension Fund for consideration by the Committee.

**17. Officers' Investment Progress Report to 30 June 2023** (Pages 205 - 214)

This report provides an update on the Fund's performance for the quarter to 30 June 2023. 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.

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

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

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

**PART B**

**19. Advisors' investment Progress Report and Market Update Report 30 June 2023** (Pages 215 - 290)

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.

# Croydon Council

| | |
|---|---|
| **REPORT TO:** | **Pension Committee**<br>**19 September 2023** |
| **SUBJECT:** | **Conflicts of Interest Policy** |
| **LEAD OFFICER:** | **Matthew Hallett, Acting Head of Pensions and Treasury** |

1. **RECOMMENDATION**

1.1 The Committee are asked to agree to the recommended Conflicts of Interest Policy.

**CORPORATE PRIORITY / POLICY CONTEXT**

Sound Financial Management: This report asks the Committee to agree a whole Fund Conflicts of Interest Policy required for the proper administration of the Fund.

The decision supports the Council priority of OUTCOME 1 “Balances the books, listens to residents and delivers good, sustainable services.”

**FINANCIAL SUMMARY:**

There are no direct financial implications associated with this Report but it assists in the efficient management of the Fund and could have an impact on the General Fund of the Council.

## 2. EXECUTIVE SUMMARY

2.1 This report advises the Committee of the arguments for adopting a whole Fund Conflicts of Interest Policy and recommends that they agree the draft attached as Appendix B.

## 3 DETAIL

3.1. In accordance with LGPS Regulations 2013 (S108) and Scheme Advisory Board Guidance, in July 2015, the Fund adopted a Conflicts of Interest Policy for the Pension Board.

3.2 Conflicts are currently more broadly managed as follows:

- Committee members and co-opted members are required to adhere to the "Constitution of the London Borough of Croydon" [as at 14 April 2023] Part 5.I Section 9 and Appendix B accessible via:

  https://democracy.croydon.gov.uk/documents/s46562/Part%205I%20MEMBERS%20CODE%20OF%20CONDUCT.pdf

  and must have proper operational procedures in place under Regulation 55 of The Local Government Pension Scheme Regulations 2013.

- Officers of the Council are required to adhere to the Staff Code of Conduct Section 4, the first paragraph of which states as follows:

  *You have an obligation to act in the best interests of the council and to avoid situations where there may be a potential conflict of interest e.g. where your personal loyalties could lead you to act in a way that is not in keeping with your loyalty to the council. You must take steps to resolve any conflicts arising in a way that protects the public interest, including declaring private interests as below [in Code of Conduct].*

3.3 In their Governance Review of the Fund, Aon go into some detail as to how conflicts of interest are currently managed and, whilst they acknowledge that current practices meet current legal requirements, they argue that they could be improved to meet good practice and national guidance. As regards a Policy to cover the whole of the Fund's management they comment as follows:

*Clearly this is not a legal requirement but, as mentioned earlier in the report, we would encourage the Administering Authority to develop a Fund specific policy outlining how conflicts of interest will be managed and dealt with at a Fund level. This could include reference to:*

- *the Council's Code of Conduct*
- *how it relates to co-optees and observers*
- *examples of Fund specific potential conflicts of interest*
- *how conflicts of interest (and potential conflicts of interest) will be managed*
- *guidance for officers and advisers of the Fund to also adhere to*

3.4 In the Action Plan Aon further comment:

*This [Conflict of Interest declarations and approach for implementing Fund wide policy] should involve implementing the requirements of the Fund wide Conflict of Interest Policy including:*

- *it should clearly set out who conflicts should be reported to*
- *require all parties to complete a declaration and allow for an annual exercise to reaffirm declarations*
- *implement conflict register*

3.5 During 2019, working groups acting on behalf of the Scheme Advisory Board made a number of proposals in their “Good Governance Review” and, on 3 February 2020, these were accepted by the Board. Amongst these proposals was the following:

***B.1*** *Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, with specific reference to key conflicts identified in the Guidance.*

The Board requested that the working groups provide further detail on the implementation of this proposal.

In their report dated February 2021 the working groups reported on this matter as detailed in Appendix A. It is expected that these recommendations will be reflected in legislation and / or statutory guidance and this Policy aims to reflect many of the recommendations within the “Good Governance Review.” It will be reviewed once the recommendations are enacted in legislation and statutory guidance as necessary to ensure compliance.

3.6 The Pensions Regulator’s new single Code of Practice relating to Conflicts of Interest (TGB039) states:

*“Scheme managers should consider conflicts of interest in identifying and evaluating risks (see Identifying and assessing risks). Where relevant, our expectations on scheme managers for identifying and recording conflicts of interest are the same as the list above’.* Those requirements are as follows:

**Identifying and recording conflicts of interest**

- Have a clear understanding of the importance of managing conflicts of interest and the circumstances in which they may arise;
- Understand any requirements of the scheme’s governing documentation, or regulations under which it may operate, in relation to conflicts of interest; and
- Encourage a culture of openness and transparency in relation to conflicts of interest.

**Maintain a written policy for managing actual and perceived conflicts of interests**

- Maintain a register of interests which should be considered in every meeting of the governing body;
- Consider whether the register of interests should be published (for example on the scheme’s website) redacted to the extent that it contains confidential information and/or personal data;
- Ensure all members of the governing body, advisers and service providers make declarations of interests and conflicts at their appointment, and as they arise;

- Ensure contracts and terms of appointment require advisers and service providers to operate their own conflicts policy and disclose all conflicts to the governing body;
- Record conflicts of interest in relation to a decision-making process, as well as the action taken to manage them, in the written records of the meeting (see Meetings and decision-making);
- If carrying out transactions with related parties, governing bodies should ensure transparency by complying with 'Financial Reporting Standard (FRS) 102 – Related Party Disclosures;' and
- Consider seeking independent legal advice to help decide the best approach to manage or avoid an actual or potential conflict of interest.

3.7 At their meeting on 20 June 2023 the Committee were asked to agree a draft Conflicts of Interest Policy. In addition to the justification contained in this report, the Acting Head of Pensions and Treasury explained that members of the Committee and officers had two roles, working both on the behalf of the Council and on behalf of the Administering Authority as the Scheme manager. He stated that the Council's Constitution did not address this issue sufficiently and that the Fund needed a Conflict of interests Policy which covered the Committee, the Board, advisers and officers.

3.8 Member concern was expressed as to the length, content and some of the wording of the draft and the Committee resolved to "Note the draft conflict of interest policy as a work in progress."

3.9 At their meeting on 27 July 2023 the Pension Board received the Policy and made no significant critical comment.

3.10 In light of member comment officers have amended the previous draft and now re-present it as Appendix B.

3.11 The Committee are asked to agree the draft Conflicts of Interest Policy attached as Appendix B.

## CONSULTATION

4.1 Officers have prepared the Conflicts of Interest Policy in consultation with Aon, the Fund's Governance Adviser and the Monitoring Officer.

## 5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

5.1 There are no direct financial implications arising from this report
**Approved by**: Allister Bannin on behalf of Jane West, Corporate Director of Resources (Section 151 Officer). Date 08/09/2023.

## 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 managing conflicts of interest is an important ongoing requirement and it will be important to maintain robust and appropriate procedures to manage conflicts of interest that will arise from time to time. The Committee should note that the Pension Regulator's new code of practice (now known as the General Code) is likely to be formally published this year, and demonstrating compliance with it will be important.

## 7. HUMAN RESOURCES IMPACT

7.1 There are no immediate workforce impacts arising from the content of this report. Should any arise, these will be managed under Council policies and procedures

**Approved by:** Gillian Bevan, Head of HR, Resources and Assistant Chief Executives directorates on behalf of the Chief People Officer. Date 5.9.23

## 8. EQUALITIES IMPACT

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

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

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

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

8.2 There are no equality implications arising from this report

Approved by: Naseer Ahmad for Equality Programme Manager, (08/09/2023)

## 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:** : Allister Bannin on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

**CONTACT OFFICER:**

**BACKGROUND DOCUMENTS:**

None.

**APPENDICES:**

Appendix A: Extract from “Good Governance: Phase 3 Report to SAB” February 2021

Appendix B: Conflicts of Interest Policy

**APPENDIX A**

## Extract from "Good Governance: Phase 3 Report to SAB" February 2021

## Conflicts of Interest

**B.1 Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, including reference to key conflicts identified in the Guidance.**

One of the key objectives of the Good Governance Review was to consider how potential conflicts of interest manifest themselves within current LGPS set up and to suggest how those potential conflicts can be managed to ensure that they do not become actual conflicts. In doing so, the SAB was of the view that the democratically accountable nature of the LGPS be maintained.

Since almost all LGPS funds are rooted in local authority law and practice, those elected members who serving on pension committees are subject to local authority member codes of conduct. These will require members to register existing conflicts and to recognise when conflicts arise during the course of their duties and how to deal with them. Elected members must also comply with the Seven Principles of Public Life (often referred to as the Nolan Principles). Non-elected members sitting on committees and local pension boards should be subject to the same codes and principles.

There are, however, specific conflicts that can arise as a result of managing a pension fund within the local authority environment. The intention of this recommendation is that all administering authorities publish a specific LGPS conflicts of interest policy. This should include information on how it identifies, monitors and manages conflicts, including areas of potential conflict that are specific to the LGPS and will be listed in The Guidance. The expectation is that the areas covered will include:

- Any commercial relationships between the administering authority or host authority and other employers in the fund/or other parties which may impact decisions made in the best interests of the fund. These may include shared service arrangements which impact the fund operations directly but will also include outsourcing relationship and companies related to or wholly owned by the Council, which do not relate to pension fund operations;

- Contribution setting for the administering and other employers;

- Cross charging for services or shared resourcing between the administering authority and the fund and ensuring the service quality is appropriate for the fund;

- Dual role of the administering authority as an owner and client of a pool;

- Investment decisions about local infrastructure; and

- How the pension fund appropriately responds to Council decisions or policies on global issues such as climate change.

- Any other roles within the Council being carried out by committee members or officers which may result in a conflict either in the time available to dedicate to the fund or in decision making or oversight. For example, some roles on other finance committees, audit or health committees or cabinet should be disclosed.

Each administering authority's policy should address:

- How potential conflicts of interest are identified and managed;

- How officers, employer and scheme member representatives, elected members, members of the local pension board and advisers and contractors understand their responsibilities in respect of ensuring that conflicts of interest are properly managed;

- Systems, controls and processes, including maintaining records, for managing and mitigating potential conflicts of interest effectively such that they never become actual conflicts;

- How the effectiveness of its conflict of interest policy is reviewed and updated as required;

- How a culture which supports transparency and the management and mitigation of conflicts of interest is embedded; and

- How the specific conflicts that arise from its dual role as both an employer participating in the Fund and the administering authority responsible for delivering the LGPS for that fund are managed.

In putting together such a policy it is recognised that membership of the LGPS is not, in and of itself, a conflict of interest.

The Guidance should require each fund to make public its conflicts of interest policy.

# APPENDIX B

# LONDON BOROUGH OF CROYDON PENSION FUND

# CONFLICTS OF INTEREST POLICY

## Introduction

1. This is the Conflicts of Interest Policy (Policy) for the London Borough of Croydon Pension Fund (Fund) of which the Council is the Administering Authority. The Policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of the Fund whether directly or in an advisory capacity.

2. The potential for conflicts of interest has always existed for those with Local Government Pension Scheme (LGPS) administering authority responsibilities and for advisers to LGPS funds. This reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, for example as a member of the LGPS, as an elected member or board member of an employer participating in the LGPS or indeed as an adviser to more than one administering authority. Furthermore, any of those persons may have a personal, business or other interest which might conflict, or be perceived to conflict, with their role managing or advising LGPS funds.

## Purpose and objectives

3. This Policy applies to the Pension Committee members, Pension Board members, officers and advisers. Along with other constitutional documents, including the Member and Officer Codes of Conduct, it aims to ensure that those individuals do not act improperly or create a perception that they may have acted improperly. It is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the Fund.

4. The Council recognises that its functions as an Administering Authority, managing the Fund, can be quite different from its other functions and this policy has been developed with the specific requirements of Fund governance in mind. The Fund's "governance" objectives are set out in its Governance Policy Statement and prominent amongst them is that the Fund manages conflicts of interest appropriately.

## To whom this Policy applies

5. This Policy and the issue of conflicts of interest in general must be considered in the light of each individual's role. The Policy applies to:
   - all members of the Pension Committee (including Reserve Members) and the Pension Board, including LGPS member and employer representatives and co-optees, whether voting members or not;

- any member of the Pension Committee or Pension Board whilst representing the Fund on other committees, groups or bodies;
- all employees of the Administering Authority involved in the management, administration and governance of the Fund; and
- all advisers to the Fund whether advising the Pension Committee, the Pension Board or Fund officers.

6. In this Policy, reference to advisers includes all advisers, suppliers and other parties providing advice and services to the Administering Authority in relation to Fund matters. These include, but are not limited to, actuaries, investment consultants, governance consultants, independent advisers, benefits consultants, third party administrators, investment managers, lawyers, custodians, officers of the London CIV and AVC providers.

7. Where an advisory appointment is with a firm rather than an individual, reference to "advisers" is to the lead adviser(s) responsible for the delivery of advice and services to the Administering Authority rather than the firm as a whole.

8. In accepting any role covered by this Policy, those individuals agree that they must:
   - acknowledge and declare any potential conflict of interest they may have;
   - be open with the Administering Authority on any actual or potential conflicts of interest they may have;
   - adopt practical solutions to managing those conflicts; and
   - plan ahead and agree with the Administering Authority how they will manage any conflicts of interest which may arise in future.

9. The procedures outlined later in this Policy provide a framework for each individual to meet these requirements.

## Legislative and related context

10. The overriding requirements in relation to the management of potential or actual conflicts of interest for those involved in LGPS funds are contained in various elements of legislation, guidance and professional standards as set out in Annex 1.

## Administering Authority specific requirements

### Pension Committee members

11. In addition to the requirements of this Policy, Committee members and the voting co-opted member are required to adhere to the "Constitution of the London Borough of Croydon" Part 5.I (Members' Code of Conduct) and non-voting co-opted Members to Part 6.D of the Constitution (Scheme of Co-option).

**Pension Board Members**

12. In addition to the requirements of this Policy, Pension Board members are required to adhere to the "Constitution of the London Borough of Croydon" Part 4.M "Local Pension Board Procedure Rules."

**Employees**

13. In addition to the requirements of this Policy, officers of the Council are required to adhere to the Staff Code of Conduct.

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**Advisers**

14. The Administering Authority appoints its own advisers. How conflicts of interest will be identified and managed should be addressed within the contractual arrangements.

15. There may be circumstances where advisers are asked to give advice to the Council as an employer, other employers, LGPS members or member representatives such as the trades unions in relation to pension matters. Similarly, an adviser may also be appointed to another administering authority which is involved in a transaction involving the Fund. An adviser can only continue to advise the Administering Authority and another party where there is no conflict of interest in doing so.

16. Where the Pension Board decides to appoint an adviser, this can be the same person as is appointed to advise the Pension Committee or Fund officers if there is no conflict of interest between the two roles.

**London CIV Conflict of Interest requirements**

17. One of the potential areas of conflict covered by this Policy is investment pooling. A proportion of the Fund's assets are invested through the London CIV. Any members of the Pension Committee or senior officers of the Fund who are members of the Board of the London CIV or its Shareholder Committee must also comply with any requirements relating to the management of actual or potential conflicts of interest for the governance of the London CIV.

**Conduct at Meetings**

18. There may be circumstances where a representative of employers or members wishes to provide a specific point of view on behalf of an employer (or group of employers) or member (or group of members). The Administering Authority requires that any individual wishing to speak from an employer's or member's viewpoint must state this clearly, e.g. at a Pension Board or Pension Committee meeting, and that this is recorded in the minutes.

## What is a Conflict or Potential Conflict and how will it be managed?

19. The Public Service Pensions Act 2013 defines a conflict of interest as a financial or other interest which is likely to prejudice a person's exercise of functions.

    Therefore, a conflict of interest may arise when an individual has a responsibility or duty in relation to the management of the Fund and at the same time has:
    - a separate personal interest (financial or otherwise); or
    - another responsibility in relation to that matter giving rise to a possible conflict with their first responsibility.

20. An interest could also arise due to a family member or close colleague having a specific responsibility or interest in a matter.

21. One of the key areas of potential conflict relates to the dual roles held by those employed by or representing the Council as the Administering Authority to the Fund and as a participating employer in the Fund.

22. The "Members' Code of Conduct Guidance", part of the "Members' Code of Conduct" (see paragraph 26 above) included in the Constitution includes various worked examples of where conflicts could arise. Annex 2 provides examples specific to Fund activities.

23. The Council encourages a culture of openness and transparency, including in relation to its activities as Administering Authority. It encourages individuals to be vigilant and to have a clear understanding of their role, the circumstances in which they may have a conflict of interest and how potential conflicts should be managed. One way of managing conflict where the Council has a dual role of Employer and as the Administering Authority, is to create an 'Ethical Wall' whereby a set of officers would act of behalf of the Council as employer and one would act on behalf of the Council as the Administering Authority. The Head of Pensions and Treasury, with advice from the Monitoring Officer as required, will evaluate the nature of any dual interests or responsibilities that are highlighted and assess the impact on Fund operations and good governance were an actual conflict of interest to materialise. Anyone with concerns as to how the Policy is operating can report them through the Council's Whistleblowing procedure.

24. Under the Members' Code of Conduct Appendix B Clause 4:

    *Where a matter arises at a meeting which directly relates to one of your Disclosable Pecuniary Interests as set out in **Table 1**, you must disclose the interest, not participate in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest, just that you have an interest. Dispensation may be granted in limited circumstances, to enable you to participate and vote on a matter in which you have a disclosable pecuniary interest.*

The Administering Authority has a similar approach and so that it can fulfil its obligations to manage and monitor potential conflicts of interests, the Pension Committee and the Pension Board must include an item on conflicts of interest at each meeting, applying to all those attending, which will require consideration of actual or potential conflicts relevant to the Fund, even if not a disclosable pecuniary interest or other registrable interest under the Members' Code of Conduct.

25. Provided that the Administering Authority, (having taken any professional advice deemed to be required) is satisfied that the method of management is satisfactory, the Council shall endeavour to avoid the need for an individual to have to resign due to a conflict of interest. However, where the conflict is considered to be so fundamental that it cannot be effectively managed, or where a Pension Board member has an actual conflict of interest as defined in the Public Service Pensions Act 2013, the individual will be required to resign from the Committee, Board or appointment.

## Responsibility

26. The Administering Authority must be satisfied that conflicts of interest are appropriately managed. For this purpose, the Head of Pensions and Treasury is the designated individual for ensuring the procedure outlined below is adhered to. Where required, the Head of Pensions and Treasury will seek advice from the Monitoring Officer. However, it is the responsibility of each individual covered by this Policy to identify any potential instances where their personal, financial, business or other interests might come into conflict with their Fund duties.

## Operational procedure for officers, Pension Fund Committee members, Pension Board members and advisers

27. The Fund operates a Register of Conflicts of Interests for the recording of all declarations of interest. The format of the register is set out in Annex 3.

28. Details of how potential conflicts of interest should be identified and managed are set out below:

| What is required | How this will be done |
|---|---|
| Step 1 - Initial identification of interests which do or could give rise to a conflict | On appointment to their role or on the commencement of this Policy if later, all relevant individuals will be provided with a copy of this Policy and will be required to complete a Disclosure of Interests form.<br><br>The information contained in disclosures will be collated into the Fund's Register of Interests. Each individual is responsible for maintaining their register on a continuous basis. |

| | |
|---|---|
| Step 2 - Ongoing notification and management of potential or actual conflicts of interest | Where possible, any conflicts should be advised in writing to the Head of Pensions and Treasury before the start of any Committee, Board or other Fund meeting At the commencement of each Pension Committee, Pension Board or other formal meeting where Fund matters are to be discussed, the Chair will ask all those present who are covered by this Policy to declare any new potential conflicts. Any disclosures will be recorded in the minutes of the meeting and in the Fund's Register of Interests. In addition, the latest version of the Register will be made available by the Head of Pensions and Treasury to the Chair of every meeting prior to that meeting if required.<br><br>The Chair, in consultation with the relevant officers will decide whether the conflicted or potentially conflicted individual needs to leave the meeting during the discussion on the relevant matter or to withdraw from voting on the matter.<br><br>If such a conflict is identified outside of a meeting the notification must be made to the Head of Pensions and Treasury and, where it relates to the business of any meeting, also to the Chair of that meeting. The Head of Pensions and Treasury, in consultation with the Chair and with the advice of the Monitoring Officer where relevant, will consider any necessary action to manage the potential or actual conflict.<br><br>Where information relating to any potential or actual conflict has been provided, the Head of Pensions and Treasury may seek such professional advice as he or she thinks fit on to how to address any identified conflicts.<br><br>Any such potential or actual conflicts of interest and the action taken must be recorded on the Fund's Register of Interests and in the minutes of the meeting, if raised during a meeting. |
| Step 3 - Periodic review of potential and actual conflicts | At least once every 12 months, the Head of Pensions and Treasury will provide to all individuals to whom this Policy applies a copy of their currently declared Pension Fund Register of interests. All individuals will confirm in writing that their information is correct or highlight any changes that need to be made |

## Operational procedure for advisers

29. All of the Fund’s key advisers are expected to have their own policies on how conflicts of interest in their relationships with their clients are managed and these should be shared with the Administering Authority.

30. Although this Policy applies to advisers, the operational procedures outlined above relating to completing ongoing disclosures are not expected to apply to advisers. Instead all advisers must:
    - be provided with a copy of this Policy on appointment and whenever it is updated;
    - adhere to the principles of this Policy;
    - provide, on request, information in relation to how they manage and monitor actual or potential conflicts of interests relating to the provision of advice or services to the Fund.; and
    - notify the Head of Pensions and Treasury immediately should a potential or actual conflict of interest arise, including declaring such actual or potential conflicts at the beginning of Pension Committee and Pension Board meetings

31. All potential or actual conflicts notified by advisers will be recorded in the Fund’s Register of Interests.

## Monitoring and Reporting

32. In order to identify whether the objectives of the Policy are being met the Head of Pensions and Treasury will review the Register on an annual basis and consider whether there have been any potential or actual conflicts of interest that were not declared at the earliest opportunity.

## Key Risks

33. The key risks to the delivery of the Policy are outlined below.
    - insufficient training or poor understanding in relation to individuals’ roles on Fund matters;
    - insufficient training or failure to communicate the requirements of the Policy;
    - absence of the individual nominated to manage the operational aspects of the Policy and no one deputising, or failure of that individual to carry out the operational aspects in accordance with the Policy; and
    - failure by a relevant Chair to take appropriate action when a conflict is highlighted at a meeting.

34. All of these could result in an actual conflict of interest arising and not being properly managed. The Head of Pensions and Treasury will monitor these and other key risks and consider how to respond to them.

## Approval, review and consultation

35. This Policy was approved by the Pension Committee on 19 September 2023. It will be formally reviewed and updated at least every three years or sooner if the conflict management arrangements, or other matters included within it, merit reconsideration, including if there are any changes to the LGPS or other relevant Regulations or Guidance which need to be considered.

## Further Information

36. If you require further information about anything in or related to this Policy, please contact:

Matthew Hallett
London Borough of Croydon
Acting Head of Pensions and Treasury
Bernard Weatherill House
8 Mint Walk
Croydon
CR0 1EA

E-mail – matthew.hallett@croydon.gov.uk

Further information on the London Borough of Croydon Pension Fund can be found at:
pensions@croydon.gov.uk

# Annex 1

# Legislation, Guidance and Professional Standards

**The Public Service Pensions Act 2013**

1. Section 5 of the Act requires that the scheme manager (in the case of the LGPS this is the administering authority) must be satisfied that a pension board member does not have a conflict of interest at the point of appointment and from time to time thereafter. It also requires pension board members (or nominated members) to provide reasonable information to the scheme manager for this purpose.

2. The Act defines a conflict of interest as "a financial or other interest which is likely to prejudice the person's exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the LGPS or any connected scheme)."

3. Further, the Act requires that LGPS managers must have regard to any such guidance that the national Scheme Advisory Board issue (see below).

**The Local Government Pension Scheme Regulations 2013**

4. Regulation 108 of these Regulations applies the requirements of the Public Service Pensions Act 2013 to the LGPS, placing a duty on each administering authority to satisfy itself that pension board members do not have conflicts of interest on appointment or whilst they are members of the board. It also requires those pension board members to provide reasonable information to the administering authority in this regard.

5. Regulation 109 states that each administering authority must have regard to guidance issued by the Secretary of State in relation to pension boards. Further, regulation 110 provides that the national Scheme Advisory Board has a function of providing advice to administering authorities and pension boards. The LGPS national Scheme Advisory Board issued guidance relating to the establishment of pension boards including a section on conflicts of interest. This Policy has been developed having regard to that guidance.

**The Pensions Act 2004**

6. The Public Service Pensions Act 2013 also added several provisions to the Pensions Act 2004 related to the governance of public service pension schemes and, in particular, conflicts of interest.

7. Section 90A requires The Pensions Regulator to issue a code of practice relating to conflicts of interest for pension board members. The Pensions Regulator has issued such a code and this Policy has been developed having regard to that Code.

8. Further, under section 13, The Pensions Regulator can issue an improvement notice (i.e. a notice requiring steps to be taken to rectify a situation) where it is considered that the requirements relating to conflicts of interest for pension board members are not being adhered to.

**Localism Act 2011**

9. All members and co-opted members of the Pension Committee are required by the Localism Act 2011 to register and declare 'disclosable pecuniary interests' and 'other registerable interests' and abide by Croydon Council Members' Code of Conduct. That Code contains provisions relating to disclosable pecuniary interests, other registerable interests, non-registerable interests and sensitive interests including their disclosure and any limitations on members' participation where they have any such interest.

**CIPFA Investment Pooling Governance Principles for LGPS Administering Authorities Guidance**

10. This Guidance states:

"*the establishment of investment pooling arrangements creates a range of additional roles that committee members, representatives, officers and advisors might have*."

11. It includes some examples of how conflicts of interest could arise in these new roles and highlights the need for administering authorities to:
    - update their conflicts policies to have regard to asset pooling;
    - remind all those involved with the management of the fund of the policy requirements and the potential for conflicts to arise in respect of asset pooling responsibilities;
    - ensure declarations are updated appropriately.

12. This Policy has been updated to take account of the possibility of conflicts arising in relation to asset pooling in accordance with the CIPFA governance principles guidance.

## Principles of Public Life

13. The Seven Principles of Public Life, otherwise known as the "Nolan Principles," apply to anyone who works as a public office holder. They cover everyone elected or appointed to an office within local government and many are integral to the successful implementation of this Policy. They are as follows:

- selflessness;
- integrity;
- objectivity;
- accountability;
- openness;
- honesty; and
- leadership.

**Advisers' Professional Standards**

14. Many advisers are required to meet professional standards relating to the management of conflicts of interest, for example, the Fund Actuary is bound by the requirements of the Institute and Faculty of Actuaries. Any protocol or other arrangement between an adviser and the Administering Authority in relation to conflicts of interest, whether as a requirement of a professional body or otherwise, should be read in conjunction with this Policy.

# Annex 2

## Examples of Potential Conflicts of Interest

a) An elected member on the Pension Committee may be required to provide views on a funding strategy which could result in an increase or decrease in employer contributions payable by the employer he or she represents.

b) An elected member on the Pension Committee may be a member of a political party that has specific areas of interest that might influence Fund decision making.

c) In considering actuarial advice and reports Committee members have an overriding responsibility to protect the long-term solvency of the Fund which could conflict with short-term budgeting priorities of individual employers.

d) A member of the Pension Committee is on the board of, or employed by, an Investment Manager or other supplier that the Committee is considering appointing.

e) An employer representative on the Pension Board is employed by a company to which the administering authority has outsourced its pension administration services and the Pension Board is reviewing the standards of service provided by that company.

f) The person appointed to consider internal disputes is asked to review a case relating to a close friend or relative.

g) The administering authority is considering buying its own payroll system for paying pensioners, rather than using the payroll system used for all employees of the Council. The Director of Finance, who has responsibility for the Council budget, is expected to approve the report to go to the Pension Committee which, if agreed, would result in a material reduction in the charges to the Council from the Fund.

h) An employer representative may be aware of a system which would help to improve standards of service and/or record keeping but would be expensive to implement and lead to increased contribution rates. A conflict could arise through the representative's dual interests.

i) Officers of the Fund are asked to provide a report to the Pension Committee or Pension Board on whether the administration services should be outsourced which, if it were to happen, could result in a change of employer or job insecurity for themselves.

j) An employer representative employed by the administering authority and appointed to the Pension Board to represent employers generally could be conflicted if he or she only serves to act in the interests of the administering authority, rather than those of all participating employers. Equally, a member representative, who is also a trade union representative, appointed to the Pension Board to represent the entire scheme membership could be conflicted if he or she only acts in the interests of their union and union membership, rather than all scheme members.

k) A Fund adviser is party to the development of a strategy which could result in additional work for his or her firm, for example, providing delegated or fiduciary management of Fund investments, providing assistance with monitoring the covenant of employers.

l) An employer representative has access to information by virtue of his or her employment, which could influence or inform the considerations or decisions of the Pension Committee or Pension Board. He or she has to consider whether to share this information in light of their duty of confidentiality to their employer. Their knowledge of this information will put them in a position of conflict if it is likely to prejudice their ability to carry out their functions as a member of the Pension Committee or Pension Board.

m) An officer of the Fund or member of the Pension Committee accepts hospitality from an Investment Manager or other supplier who has submitted a bid as part of a tender process.

n) An officer or member, serving on a committee/group of the London CIV may be called upon to consider the appointment of an investment manager or other supplier who already supplies services to their administering authority.

**Annex 3**

| Date identified | Name of Person | Role of Person | Details of Conflict | Actual or potential conflict | How notified (1) | Action (2) | Follow up required | Date resolved |
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# Croydon Council

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| **REPORT TO:** | **Pension Committee**<br>**19 September 2023** |
| **SUBJECT:** | **Policies and strategies considered by Pension Committee and Pension Board** |
| **LEAD OFFICER:** | **Matthew Hallett – Acting Head of Pensions and Treasury** |

## 1. RECOMMENDATION

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

**CORPORATE PRIORITY / POLICY CONTEXT**

Sound Financial Management: This report advises the Committee of the various policies and strategies required for the proper administration of the Fund.

The decision supports the Council priority of OUTCOME 1 “Balances the books, listens to residents and delivers good, sustainable services.”

**FINANCIAL SUMMARY:**

There are no direct financial implications associated with this Report but it advises the Committee of existing administrative 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 various policies and strategies required for the proper administration of the Fund.

## 3. DETAIL

**3.1** From time to time Members have raised concerns over the number of “strategies” and “policies” which they are asked to consider and the reasons for this.

**3.2** The Local Government Pension Scheme is established through legislation and is subject to many regulations, statutory and non-statutory guidance, codes of practice and best practice. Below are the “Strategies” and “Policies” agreed by the Committee and/or Board and an explantion as to why they need to be agreed.

**3.3 Governance Policy (agreed by Pension Committee on 20 June 2023)**

Regulation 55 of The Local Government Pension Scheme Regulations 2013 requires that:

*(1) An administering authority must prepare a written statement setting out-*

- *(a) whether the authority delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority;*
- *(b) if the authority does so-*
  - *(i) the terms, structure and operational procedures of the delegation,*
  - *(ii) the frequency of any committee or sub-committee meetings,*
  - *(iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights;*
- *(c) the extent to which a delegation, 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; and*
- *(d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 106 (local pension boards: establishment).*

**3.4 Pension Fund Annual Report (agreed by Pension Committee in respect of 2020/21 on 3 December 2021)**

Regulation 57 of The Local Government Pension Scheme Regulations 2013 requires that:

*(1) An administering authority must, in relation to each year beginning on 1st April 2014 and each subsequent year, prepare a document ("the pension fund annual report") which contains-*

- *(a) a report about the management and financial performance during the year of each of the pension funds maintained by the authority;*
- *(b) a report explaining the authority's investment policy for each of those funds and reviewing the performance during the year of the investments of each fund;*
- *(c) a report of the arrangements made during the year for the administration of each of those funds;*

*(d) for each of those funds, a statement by the actuary who carried out the most recent valuation of the assets and liabilities of the fund in accordance with regulation 62 (actuarial valuations of pension funds), of the level of funding disclosed by that valuation;*

*(e) the current version of the statement under regulation 55 (governance compliance statement);*

*(f) for each of the funds, the fund account and net asset statement with supporting notes and disclosures prepared in accordance with proper practices;*

*(g) an annual report dealing with-*

*(i) the extent to which the authority and the Scheme employers in relation to which it is the administering authority have achieved any levels of performance set out in a pension administration strategy in accordance with regulation 59 (pension administration strategy), and*

*(ii) such other matters arising from a pension administration strategy as it considers appropriate;*

*(h) the current version of the statement referred to in regulation 58 (funding strategy statement);*

*(i) the current version of the investment strategy under regulation 7 (investment strategy statement) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016;*

*(j) the current version of the statement under regulation 61 (statements of policy concerning communications with members and Scheme employers); and*

*(k) any other material which the authority considers appropriate.*

**3.5 Funding Strategy Statement – (along with various satellite policies agreed by Pension Committee on 14 March 2023 and Admission Policy agreed at Pension Committee on 3 December 2021)**

Regulation 58 of The Local Government Pension Scheme Regulations 2013 requires that:

*(1) An administering authority must, after consultation with such persons as it considers appropriate, prepare, maintain and publish a written statement setting out its funding strategy.*

*(3) The authority must keep the statement under review and, after consultation with such persons as it considers appropriate, make such revisions as are appropriate following a material change in its policy set out in the statement, and if revisions are made, publish the statement as revised.*

*(4) In preparing, maintaining and reviewing the statement, the administering authority must have regard to-*

- *(a) the guidance set out in the document published in October 2012 by CIPFA, the Chartered Institute of Public Finance and Accountancy and called "Preparing and Maintaining a Funding Strategy Statement in the Local Government Pension Scheme 2012(42); and*
- *(b) the current version of the investment strategy under regulation 7 (investment strategy statement) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.*

### 3.6 Pension Administration Strategy (agreed by Pension Committee on 20 June 2023)

Regulation 59 of The Local Government Pension Scheme Regulations 2013 requires that:

*(1) An administering authority may prepare a written statement of the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate ("its pension administration strategy") and, where it does so, paragraphs (3) to (7) apply.*

*(2) The matters are-*

- *(a) procedures for liaison and communication with Scheme employers in relation to which it is the administering authority ("its Scheme employers");*
- *(b) the establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions by-*
  - *(i) the setting of performance targets,*
  - *(ii) the making of agreements about levels of performance and associated matters, or*
  - *(iii) such other means as the administering authority considers appropriate;*
- *(c) procedures which aim to secure that the administering authority and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;*
- *(d) procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions;*
- *(e) the circumstances in which the administering authority may consider giving written notice to any of its Scheme employers under regulation 70 (additional costs arising from Scheme employer's level of performance) on account of that employer's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b);*
- *(f) the publication by the administering authority of annual reports dealing with-*

*(i) the extent to which that authority and its Scheme employers have achieved the levels of performance established under sub-paragraph (b), and*

*(i) such other matters arising from its pension administration strategy as it considers appropriate; and*

*(g) such other matters as appear to the administering authority after consulting its Scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.*

**3.7 Mandatory Discretions Policy (agreed by Pension Committee on 14 June 2022)**

Regulation 60 of The Local Government Pension Scheme Regulations 2013 requires that:

*(1) A Scheme employer must prepare a written statement of its policy in relation to the exercise of its functions under regulations—*

*(a)16(2)(e) and 16(4)(d) (funding of additional pension);*

*(b)30(6) (flexible retirement);*

*(c)30(8) (waiving of actuarial reduction); and*

*(d)31 (award of additional pension),*

A policy on Mandatory Discretions is required under the following legislation:

The Local Government Pension Scheme Regulations 1995;

The Local Government Pension Scheme Regulations 1997;

The Local Government Pension Scheme (Transitional Provisions) Regulations 1997;

The Local Government Pension Scheme Regulations 1997 (as amended);

The Local Government (Early Termination of Employment) Discretionary Compensation Regulations 2000;

The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007;

The Local Government (Early Termination of Employment) Discretionary Compensation Regulations 2006;

The Local Government Pension Scheme (Administration) Regulations 2008;

The Local Government Pension Scheme (Transitional Provisions) Regulations 2008;

The Local Government Discretionary Payments (Injury Allowance) Regulations 2012; and

The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.

These discretions relate to the following:

- post 31.3.14 active members (excluding councillor members) and post 31.3.14 leavers (excluding councillor members);
- scheme members (excluding councillor members) who ceased active membership on or after 1.4.08 and before 1.4.14;
- scheme members (excluding councillors) who ceased active membership on or after 1.4.98. and before 1.4.08; and
- scheme members who ceased active membership before 1.4.98.

The Administering Authority has in place a Discretions Policy in relation to:

- Abatement of pension following re-employment;
- Waiving reduction;
- Switching on the 85 year rule; and
- Early payment of deferred benefits

It has separate policies for Communication, Funding Strategy and Governance and Compliance Statement.

**3.8 Communication Policy (agreed by Pension Committee on 17 September 2019 and Pension Board on 12 January 2023)**

Regulation 61 of The Local Government Pension Scheme Regulations 2013 requires that:

*(1) An administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with-*

*(a) members;*
*(b) representatives of members;*
*(c) prospective members; and*
*(d) Scheme employers.*

*(2) In particular the statement must set out its policy on-*

(a) *the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers;*

(b) *the format, frequency and method of distributing such information or publicity; and*

(c) *the promotion of the Scheme to prospective members and their employers.*

**3.9 Conflicts of interest policy (Agreed for Board only by Pension Board on 2 July 2015 and revised whole Fund version considered but not agreed by Pension Committee on 20 June 2023)**

Regulation 108 of The Local Government Pension Scheme Regulations 2013 requires that:

*(1) Each administering authority must be satisfied that any person to be appointed as a member of a local pension board does not have a conflict of interest.*

*(2) An administering authority must be satisfied from time to time that none of the members of a local pension board has a conflict of interest.*

On 2 July 2015, the Board adopted a Conflicts of Interest Policy.

In their Governance Review of the Fund, Aon go into some detail as to how conflicts of interest are currently managed and, whilst they acknowledge that current practices meet current legal requirements, they argue that they could be improved to meet good practice and national guidance. As regards a Policy to cover the whole of the Fund's management they comment as follows:

*Clearly this is not a legal requirement but, as mentioned earlier in the report, we would encourage the Administering Authority to develop a Fund specific policy outlining how conflicts of interest will be managed and dealt with at a Fund level. This could include reference to:*

• *the Council's Code of Conduct*

• *how it relates to co-optees and observers*

• *examples of Fund specific potential conflicts of interest*

• *how conflicts of interest (and potential conflicts of interest) will be managed*

• *guidance for officers and advisers of the Fund to also adhere to*

In the “Full draft of the new code of practice” published by The Pensions Regulator in March 2021 is included the following:

*Identifying and recording conflicts of interest*

- ……
- *Maintain a written policy for managing actual and perceived conflicts of interest;*
- …….

In their report dated February 2021 to the Scheme Advisory Report entitled “Good Governance: Phase 3 Report to SAB” Hymans Robertson recommend as follows:

*B.1 Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, including reference to key conflicts identified in the Guidance.*

They further advise that the Policy should address:

• How potential conflicts of interest are identified and managed;

• How officers, employer and scheme member representatives, elected members, members of the local pension board and advisers and contractors understand their responsibilities in respect of ensuring that conflicts of interest are properly managed;

• Systems, controls and processes, including maintaining records, for managing and mitigating potential conflicts of interest effectively such that they never become actual conflicts;

• How the effectiveness of its conflict of interest policy is reviewed and updated as required;

• How a culture which supports transparency and the management and mitigation of conflicts of interest is embedded; and

• How the specific conflicts that arise from its dual role as both an employer participating in the Fund and the administering authority responsible for delivering the LGPS for that fund are managed.

**3.10 Breaches of Law Policy (Agreed by Pension Committee on 11 October 2023)**

The Policy arises from statutory duties and The Pensions Regulator Code requirements that certain people with responsibilities in connection with Fund are required to report matters they consider may be contrary to legal duties and of significance to the Regulator.

On 2 July 2015, in relation to its own duties, the Pension Board agreed a “ Breaches of the Law Policy.”

In their Governance Review of the Fund Aon note that the current procedure “appears to be focussed on Local Pension Board members” and the agreed action arising from the Review is:

*Review current Pension Board breaches procedure but, in doing so, expand to cover all of those involved with the management of the Fund (i.e. Committee and senior officers)*

The current Policy incorporates this recommendation.

**3.11 Risk Management Policy (Agreed by Pension Committee on 17 March 2020, updated and agreed by Pension Board on 23 March 2023 and to be considered by Pension Committee on 19 September 2023)**

The Public Service Pensions Act 2013 added the following provision to the Pensions Act 2004 relating to the requirement to have internal controls in public service pension schemes.

*249B Requirement for internal controls: public service pension schemes*

*(1) The scheme manager of a public service pension scheme must establish and operate internal controls which are adequate for the purpose of securing that the scheme is administered and managed—*

*(a) in accordance with the scheme rules, and*

*(b) in accordance with the requirements of the law.*

Section 90A of the Pensions Act 2004 requires The Pensions Regulator to issue a Code of Practice relating to internal controls. The Pensions Regulator has issued such a Code (Code of Practice number 9) in which they encourage scheme managers (i.e. administering authorities in the LGPS) to employ a risk based approach to assessing the adequacy of their internal controls and to ensure that sufficient time and attention is spent on identifying, evaluating and managing risks and developing and monitoring appropriate controls.

CIPFA has published technical guidance in their publication “Managing Risk In The Local government Pension Scheme” (2018 Edition). The publication explores how risk manifests itself across the broad spectrum of activity that constitutes LGPS financial management and administration, and how, by using established risk management techniques, those risks can be identified, analysed and managed effectively.

In the “Full draft of the new code of practice” published by The Pensions Regulator in March 2021 is included the following:

*Risk management policies*
*• The operation of policies to identify and assess risks facing the scheme;*
*• The internal control policies and procedures for the scheme;*
*• Management of potential internal conflicts of interest, and those with participating employers and service providers;*
*• The prevention of conflicts of interest where the employer and governing body use the same service provider; and.*
*• Continuity planning for the scheme and, where applicable, how it has performed*

### 3.12 Representation Policy (Agreed for Board on 27 July 2023 and to be considered by Pension Committee on 19 September 2023)

In their report dated February 2021 to the Scheme Advisory Report entitled "Good Governance: Phase 3 Report to SAB" Hymans Robertson recommend as follows:

*C1*: *Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to representation and voting rights for each party.*

The report expands on this recommendation as follows:

*The intention behind this recommendation is simply that administering authorities prepare, maintain and publish their policy on representation and to require that they provide:*

- *the rationale for their approach to representation for non-administering authority employers and local authority and non-local authority scheme members on any relevant committees; and*
- *the rationale as to whether those representatives have voting rights or not.*

### 3.13 Investment Strategy Statement (Agreed by Pension Committee on 18 September 2018 as amended on 14 September 2021 and to be considered by the Pension Committee on 19 September 2023)

Regulation 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 requires that:

*(1) An authority must, after taking proper advice, formulate an investment strategy which must be in accordance with guidance issued from time to time by the Secretary of State.*

*(2) The authority's investment strategy must include—*

*(a) a requirement to invest fund money in a wide variety of investments;*

*(b) the authority's assessment of the suitability of particular investments and types of investments;*

*(c) the authority's approach to risk, including the ways in which risks are to be assessed and managed;*

*(d) the authority's approach to pooling investments, including the use of collective investment vehicles and shared services;*

*(e) the authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and*

*(f) the authority's policy on the exercise of the rights (including voting rights) attaching to investments.*

*(3) The authority's investment strategy must set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment.*

**3.14 Satellite Policies included within the Funding Strategy Statement (agreed by Pension Committee on 14 March 2023)**

Within legislation affecting the Fund, most notably the Local Government Pension Scheme Regulations 2013, there are many references to the arrangements for employers wishing to join or leave the Scheme and for bulk transfers of staff.

In their 2019 Governance Review, Aon advised as follows:

*Although not legally required, many administering authorities have now put admission and bulk transfer policies in place to provide greater detail and expand on some of the areas in the FSS.*

*Consider whether to introduce admission and bulk transfer policies, to provide greater detail and expand on some of the areas in the FSS.*

*Update the "Policy for Employer leaving the Fund" in line with exit credit legislation (and review when further amendment regulations are made).*

Arising from the review the "Admissions Policy," Bulk Transfer Policy" and "Policy for Employers Leaving the Fund" were agreed by the Pension Committee on 3 December 2021.

Subsequently, the following policies were appended to the Funding Strategy Statement agreed by the Pension Committee on 14 March 2023:

- Policy on contribution reviews;
- Policy on academy funding;

- Policy on bulk transfers;
- Cessation policy; and
- Policy on prepayments

**3.15 Knowledge and Skills Policy (agreed by Pension Committee on 14 June 2022)**

In their 2019 Governance Review, Aon made reference to Guidance provided by CIPFA, the Local Government Pension Scheme Advisory Board (SAB) and The Pensions Regulator (tPR) and concluded that:

*It appears that all key elements [in the then current Policy] are considered in relation to the Local Pension Board (SAB and TPR), but we are unable to verify this in relation to the wider requirements in line with the CIPFA guidance. Although some information is contained within the Fund's Training Log, we were advised that the original decisions were made at a Pension Committee meeting in 2010 and those papers are no longer publicly available.*

*We would therefore recommend that a single Fund Knowledge / Training Policy is created standardising the approach for all Fund stakeholders in accordance with the SAB and CIPFA requirements and that this is formally approved and adopted by the Committee and Board.*

In the agreed Action Plan arising from the Review it was agreed that the Fund would:

*Introduce a Pension Fund "Knowledge and Skills Policy" clarifying expectations for all those involved with the governance of the Fund (i.e. the Pensions Committee, Pension Board and Senior Officers).*

In their report dated February 2021 to the Scheme Advisory Report entitled "Good Governance: Phase 3 Report to SAB" Hymans Robertson recommend as follows:

*D.3 Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements [as detailed in Report].*

**3.16 Environmental Social and Governance Policy (included as paragraph 6 in Investment Strategy Statement agreed by Pension Committee on 14 September 2021)**

Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 place the following requirements on the Administering Authority in relation to the Investment Strategy:

*7.—(1) An authority must, after taking proper advice, formulate an investment strategy which must be in accordance with guidance issued from time to time by the Secretary of State*

*(2) The authority's investment strategy must include—*

*(e) the authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments;*

**3.17 Business Plan (Agreed by Pension Committee on 14 March 2023)**

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

On 14 March 2023 they subsequently agreed a Business Plan for 2023-26.

## 4. CONSULTATION

4.1 Officers have obtained input from Advisors as necessary on the preparation of the documents referenced within this report..

## 5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

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

**Approved by**: Allister Bannin 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. The Committee should note that the Committee (and Scheme employers) must have regard to the pension administration strategy when carrying out their functions under the Local Government Pension Scheme Regulations 2013.

## 7. HUMAN RESOURCES IMPACT

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

**Approved by:** Gillian Bevan, Head of HR, Resources and Assistant Chief Executives Directorates on behalf of Dean Shoesmith, Chief People Officer
Date: 5.9.23

## 8. EQUALITIES IMPACT

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

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

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

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

8.2 There are no equality implications arising from this report

**Approved by**: Naseer Ahmad for Equality Programme Manager, (08/09/2023)

## 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:** Allister Bannin on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

## CONTACT OFFICER:

Matthew Hallett – Acting Head of Pensions and Treasury.

## BACKGROUND DOCUMENTS:

None.

## APPENDICES:

None.

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# Croydon Council

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| **REPORT TO:** | **Pension Committee**<br>**19 September 2023** |
| **SUBJECT:** | **Representation Policy** |
| **LEAD OFFICER:** | **Matthew Hallett – Acting Head of Pensions and Treasury** |

## 1. RECOMMENDATION

The Committee are:

- asked to agree the Representation Policy and comment as appropriate.

## 2. EXECUTIVE SUMMARY

2.1 This report asks the Committee to agree the Representation Policy (attached as Appendix A) and to comment as appropriate.

## 3. DETAIL

3.1 The Scheme Advisory Board (SAB) commissioned a Good Governance Review to be carried out by Hymans Robertson. They produced 3 reports. The Phase 3 report detailed the list of recommendations which will be reflected in legislation and /or guidance. Officers have been working to ensure compliance with these recommendations in anticipation of their enactment.

3.2 One of the recommendations being taken forward is C1:

*Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to representation and voting rights for each party.*

3.3 The phase 3 report expands on this recommendation as follows:

*The intention behind this recommendation is simply that administering authorities prepare, maintain and publish their policy on representation and to require that they provide:*

- *the rationale for their approach to representation for non-administering authority employers and local authority and non-local authority scheme members on any relevant committees; and*

- *the rationale as to whether those representatives have voting rights or not.*

*The SAB''s view is that it would expect scheme managers to have the involvement of employers and member representatives on any relevant committees.*

*In addition to representation on committees, administering authorities should state other ways in which they engage their wider employer and Scheme membership*

3.4 On 28 March 2023 the Pensions Regulator (TPR) published guidance on Equality, Diversity and Inclusion (EDI). It is expected that this will form part of the new General Code when it is published.

*Pension scheme governing bodies have legal duties to scheme members, and good decision-making is key to ensuring those duties are met. EDI supports robust discussion and effective decision-making and is an important consideration for schemes (including their sub-committees).*

*This guidance provides practical ways and examples to help governing bodies and those with the power to appoint trustees improve EDI.*

Part of the action required around this initiative is to produce an EDI policy which includes representation. This policy will assist with this process.

3.5 Officers have prepared a draft policy document on current representation which the Committee is asked to agree and comment on. It includes details of the rationale behind the make up and voting rights for Pension Committee and Board members.

## 4. CONSULTATION

4.1 The policy was considered by the Board at their meeting of 27 July 2023.

## 5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

5.1 There are no significant direct financial implications arising from this report.
**Approved by**: Allister Bannin 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 although the SAB and TPR guidance should be carefully considered when considering the recommendation.

## 7. HUMAN RESOURCES IMPACT

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

**Approved by:** Gillian Bevan**,** Head of HR, Resources and Assistant Chief Executives directorates on behalf of the Chief People Officer Date: 5.9.23

## 8. EQUALITIES IMPACT

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

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

8.2 Having due regard means to consider the three aims of the Equality Duty as part of the process of decision-making. This means that decision makers must be able to evidence that they have taken into account any impact of the proposals under consideration on people who share the protected characteristics before decisions are taken.

**Approved by:** Naseer Ahmad for Equality Programme Manager. (08/09/2023)

## 9. DATA PROTECTION IMPLICATIONS

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

**CONTACT OFFICER:**

Matthew Hallett – Acting Head of Pensions and Treasury.

**BACKGROUND DOCUMENTS:**

None.

**APPENDIX:**

**Appendix A**: Representation Policy

**London Borough of Croydon Pension Fund Representation Policy**

The Scheme Advisory Board (SAB) commissioned a Good Governance Review to be carried out by Hymans Robertson. They produced 3 reports. The Phase 3 report detailed the list of recommendations which will be reflected in Legislation and /or guidance.

One of those recommendations is as follows:

*C1*: *Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to representation and voting rights for each party.*

The phase 3 report expands on this recommendation as follows:

*The intention behind this recommendation is simply that administering authorities prepare, maintain and publish their policy on representation and to require that they provide:*

- *the rationale for their approach to representation for non-administering authority employers and local authority and non-local authority scheme members on any relevant committees; and*

- *the rationale as to whether those representatives have voting rights or not.*

*The SAB''s view is that it would expect scheme managers to have the involvement of employers and member representatives on any relevant committees.*

*In addition to representation on committees, administering authorities should state other ways in which they engage their wider employer and Scheme membership*

This Policy addresses these requirements.

**This Policy was agreed by Committee on XXXX. It will be reviewed annually in line with the annual review of the Constitution**.

The Policy recognises all members and employers belonging to the Fund should be appropriately represented in the running of the Fund while at the same time ensuring that the Council, as the body with ultimate responsibility for running the Fund, maintains a majority position on the key governance bodies. To this end the Fund's representation policy and the Council's constitution specify that the Council shall maintain a majority of voting members on the Pension Committee. The present Pension Committee is constituted as follows;

4 Voting Councillors from the Labour Group
4 Voting Councillors from the Conservative Group
1 Voting Pensioner Representative, elected by Fund Pensioners – Ex Council Employee
1 Non- Voting Pensioner Representative, elected by Fund Pensioners – Ex Council Employee

1 Staff Side Non-Voting Staff Side Representative, nominated by the Unions – Current Council Employee.

The make-up of the councillor members on the Committee is reflective of political balance of the Council in line with the provisions of the Local Government Act 1972.

The pensioner elections are open to all Fund pensioners to stand, including those former staff of the Fund's admitted and scheduled bodies.

Pensioners make up roughly one third of the Fund membership, as do active members. Only one pensioner member, the one that receives the most votes in the election, is given voting rights; the other non-voting member only has voting rights in the absence of the voting member. This allows pensioner voice and influence in any matter considered by the Committee.

There are currently no voting rights given to the staff side member.

There is currently no employer representative outside of the Council on the Pension Committee.

There is currently no representative for members with deferred benefits; although they make up roughly a third of scheme members it was deemed too difficult to put this into place due to problems with keeping track of members once they have left.

The Pension Board is made up as follows:

1 Non-Voting Independent Chair

3 Voting Employer Representatives, 1 of whom is a Croydon Councillor, 1 is a representative of one of Croydon's scheduled bodies and third position is currently vacant.

3 Voting Employee Representatives, 1 of whom is a current Croydon employee, 1 is an independent member with relevant pensions experience and the third is an ex Croydon Council employee, nominated by the unions.

There are currently no representatives from the Fund's admitted bodies on the Pension Board.

The Pension Board provides oversight and advice to the Pension Committee.

**Consultation**

The Fund consults with all Fund employers on statutory policies such as the administration strategy.

Officers have consulted with Fund advisors on this policy.

**Review**

This policy will be reviewed at least annually and in line with any changes to the Council's constitution and Terms of reference of the Pension Committee and Board if earlier. The next expected review date is XXX..

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# Croydon Council

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| **REPORT TO:** | **Pension Committee**<br>**19 September 2023** |
| **SUBJECT:** | **Risk Management Policy** |
| **LEAD OFFICER:** | **Matthew Hallett, Acting Head of Pensions and Treasury** |

1. **RECOMMENDATION**

1.1 The Committee are asked to agree the reviewed Risk Management Policy to be adopted by the Fund.

## 2. EXECUTIVE SUMMARY

2.1 This report updates the Committee on the review of the Fund's Risk Management Policy and asks them to agree it.

## 3. DETAIL

3.1 On 17 March 2020 the Committee re-adopted a Risk Management Policy previously agreed for the Fund.

3.2 In their original Governance Review of the Fund and subsequent re-visits, as regards the Risk Management Policy, Aon concluded that the Policy appeared to meet all of the requirements in relation to the CIPFA guidance and made no further recommendations in respect of the Policy.

3.3 Both good practice and advice given to the Fund indicate that the Policy be reviewed at least every three years. The recommended Policy is attached as Appendix A with the only changes from the existing version being some minor drafting points and the date of adoption in the final paragraph.

3.4 The Committee are asked to agree the reviewed Policy.

## 4. CONSULTATION

4.1 The policy has been reviewed by the Board. The Fund Advisors Aon concluded that the policy meets all of the requirements of the CIPFA guidance.

## 5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

5.1 There are no significant direct financial implications arising from this report.

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

## 6. LEGAL CONSIDERATIONS

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

## 7. HUMAN RESOURCES IMPACT

7.1 There are no direct workforce 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 directorates on behalf of the Chief People Officer. Date: 5.9.23

## 8. EQUALITIES IMPACT

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

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

8.2 Having due regard means to consider the three aims of the Equality Duty as part of the process of decision-making. This means that decision makers must be able to evidence that they have taken into account any impact of the proposals under consideration on people who share the protected characteristics before decisions are taken.

**Approved by:** Naseer Ahmad for Equality Programme Manager. (08/09/2023)

## 9. OTHER IMPLICATIONS

9.1 None.

## 10. DATA PROTECTION IMPLICATIONS

a. 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:** Allister Bannin 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.

**APPENDIX:**

Appendix A: The London Borough of Croydon Pension Fund - Risk Management Policy

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# London Borough of Croydon Pension Fund

## Risk Management Policy

**Approved: xxx 2023**

**Review Date: xxx 2026**

## Risk Management Policy

### Introduction

This is the Risk Management Policy of the London Borough of Croydon Pension Fund ("the Fund"), part of the Local Government Pension Scheme ("LGPS") managed and administered by the London Borough of Croydon ("the Administering Authority"). The Policy details the risk management strategy for the Fund, including:

- the risk philosophy for the management of the Fund, and in particular attitudes to, and appetite for, risk
- how risk management is implemented;
- risk management responsibilities;
- the procedures that are adopted in the Fund's risk management process; and
- the key internal controls operated by the Administering Authority and other parties responsible for the management of the Fund.

The Administering Authority recognises that effective risk management is an essential element of good governance in the LGPS. By identifying and managing risks through an effective policy and risk management strategy, the Administering Authority can:

- demonstrate best practice in governance
- improve financial management
- minimise the risk and effect of adverse conditions
- identify and maximise opportunities that might arise
- minimise threats.

The Administering Authority adopts best practice risk management, which supports a structured and focused approach to managing risks, and ensures risk management is an integral part in the governance of the Fund at a strategic and operational level.

### To whom this Policy Applies

This Policy applies to all members of the Pension Committee and the Pension Board, including both Scheme member and employer representatives. It also applies to senior officers involved in the management of the Fund.

Less senior officers involved in the daily management of the Fund are also integral to managing risk for the Fund; and will be required to have appropriate understanding of risk management relating to their roles, which will be determined and managed by the Head of Pensions and Treasury.

Advisers and suppliers to the Fund are also expected to be aware of this Policy, and assist officers, Committee members and Board members as required, in meeting the objectives of this Policy.

### Aims and Objectives

In relation to understanding and monitoring risk, the Administering Authority aims to:

- integrate risk management into the culture and day-to-day activities of the Fund
- raise awareness of the need for risk management by all those connected with the management of the Fund (including advisers, employers and other partners);
- anticipate and respond positively to change;
- minimise the probability of negative outcomes for the Fund and its stakeholders;
- establish and maintain a robust framework and procedures for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice; and
- ensure consistent application of the risk management methodology across all Fund activities, including projects and partnerships.

To assist in achieving these objectives in the management of the Fund, the Administering Authority will aim to comply with:

- the CIPFA Managing Risk In The Local Government Pension Scheme (2018 Edition) (CIPFA Managing Risk publication); and
- the Pensions Act 2004 and The Pensions Regulator's Code of Practice for Public Service Pension Schemes as they relate to managing risk.

## Risk Management Philosophy

The Administering Authority recognises that it is not possible or even desirable to eliminate all risks. For example, the Fund's investment strategy shows a preference for growth assets, which involves accepting a level of risk. Accepting and actively managing risk is therefore a key part of the risk management strategy for the Fund. A key determinant in selecting the action to be taken in relation to any risk will be its potential impact on the Fund's objectives in light of the Administering Authority's risk appetite, particularly in relation to investment matters. Equally important is striking a balance between the cost of risk control actions against the possible effect of the risk occurring.

In managing risk, the Administering Authority will:

- ensure that there is a proper balance between risk taking and the opportunities to be gained;
- adopt a system that will enable the Fund to anticipate and respond positively to change;
- minimise loss and damage to the Fund and to other stakeholders who are dependant on the benefits and services provided; and
- make sure that any new areas of activity (new investment strategies, joint-working, framework agreements etc.), are only undertaken if the risks they present are fully understood and taken into account in making decisions.

The Administering Authority also recognises that risk management is not an end in itself; nor will it remove risk from the Fund or the Administering Authority. However it is a sound management technique that is an essential part of the Administering Authority's stewardship of the Fund. The benefits of a sound risk management approach include better decision-making, improved performance and delivery of services, more effective use of resources and the protection of reputation.

## CIPFA and The Pensions Regulator and the Scheme Advisory Board's Requirements

*CIPFA Managing Risk Publication*

CIPFA has published technical guidance on managing risk in the LGPS. The publication explores how risk manifests itself across the broad spectrum of activity that constitutes LGPS financial management and administration, and how, by using established risk management techniques, those risks can be identified, analysed and managed effectively.

The publication also considers how to approach risk in the LGPS in the context of the role of the administering authority as part of a wider local authority and how the approach to risk might be communicated to other stakeholders.

*The Pensions Regulator's Code of Practice*

The Public Service Pensions Act 2013 added the following provision to the Pensions Act 2004 relating to the requirement to have internal controls in public service pension schemes.

> ***"249B Requirement for internal controls: public service pension schemes***
>
> *(1) The scheme manager of a public service pension scheme must establish and operate internal controls which are adequate for the purpose of securing that the scheme is administered and managed—*
>
> > *(a) in accordance with the scheme rules, and*

*(b) in accordance with the requirements of the law.*

*(2) Nothing in this section affects any other obligations of the scheme manager to establish or operate internal controls, whether imposed by or by virtue of any enactment, the scheme rules or otherwise.*

*(3) In this section, "enactment" and "internal controls" have the same meanings as in section 249A."*

Section 90A of the Pensions Act 2004 requires The Pensions Regulator to issue a Code of Practice relating to internal controls. The Pensions Regulator has issued such a Code in which they encourage scheme managers (i.e. administering authorities in the LGPS) to employ a risk based approach to assessing the adequacy of their internal controls and to ensure that sufficient time and attention is spent on identifying, evaluating and managing risks and developing and monitoring appropriate controls.

The Pensions Regulator is also required to issue one or more codes of practice covering specific matters relating to public service pension schemes. The Pensions Regulator has issued such a Code , which includes guidance on internal controls. This recommends scheme managers to carry out a risk assessment and produce a risk register which should be reviewed regularly. The risk assessment should begin by:

- setting the objectives of the scheme
- determining the various functions and activities carried out in the running of the scheme, and
- identifying the main risks associated with those objectives, functions and activities.

The Code of Practice goes on to say that schemes should consider the likelihood of risks arising and the effect if they do arise when determining the order of priority for managing risks, and focus on those areas where the impact and likelihood of a risk materialising is high. Schemes should then consider what internal controls are appropriate to mitigate the main risks they have identified and how best to monitor them. The Code of Practice includes the following examples as issues which schemes should consider when designing internal controls to manage risks:

- how the control is to be implemented and the skills of the person performing the control
- the level of reliance that can be placed on information technology solutions where processes are automated
- whether a control is capable of preventing future recurrence or merely detecting an event that has already happened
- the frequency and timeliness of a control process
- how the control will ensure that data is managed securely, and
- the process for flagging errors or control failures, and approval and authorisation controls.

The Code states that risk assessment is a continual process and should take account of a changing environment and new and emerging risks. It further states that an effective risk assessment process will provide a mechanism to detect weaknesses at an early stage and that schemes should periodically review the adequacy of internal controls in:

- mitigating risks
- supporting longer-term strategic aims, for example relating to investments
- identifying success (or otherwise) in achieving agreed objectives, and
- providing a framework against which compliance with the scheme regulations and legislation can be monitored.

Under section 13 of the Pensions Act 2004, The Pensions Regulator can issue an improvement notice (i.e. a notice requiring steps to be taken to rectify a situation) where it is considered that the requirements relating to internal controls are not being adhered to.

*Scheme Advisory Board Good Governance Review*

The Review states that each administering authority must report its fund's performance against an agreed set of indicators designed to measure standards of service. As regards risk management the Review has an expectation that a fund's risk register be reviewed regularly at an appropriate Committee.

### Application to the London Borough of Croydon Pension Fund

The Administering Authority adopts the principles contained in CIPFA's Managing Risk publication, The Pensions Regulator's Code of Practice and the Scheme Advisory Board's Good Governance Review in relation to the Fund. This Policy highlights how the Administering Authority strives to achieve those principles through use of risk management processes and internal controls incorporating regular monitoring and reporting.

### Responsibility

The Administering Authority must be satisfied that risks are appropriately managed. For this purpose, the Head of Pensions and Treasury is the designated individual for ensuring the process outlined below is carried out, subject to the oversight of the Pension Committee.

However, it is the responsibility of each individual covered by this Policy to identify any potential risks for the Fund and ensure that they are fed into the risk management process.

### London Borough of Croydon Pension Fund Risk Management Process

The Administering Authority's risk management process is in line with that recommended by CIPFA and is a continuous approach which systematically looks at risks surrounding the Fund's past, present and future activities. The main processes involved in risk management are identified in the figure below and detailed in the following sections:


### *1. Risk Identification*

The risk identification process is both a proactive and reactive one: looking forward i.e. horizon scanning for potential risks, and looking back, by learning lessons from reviewing how previous decisions and existing processes have manifested in risks to the organisation.

Risks are identified by a number of means including, but not limited to:

- formal risk assessment exercises managed by the Pension Committee;
- performance measurement against agreed objectives;
- findings of internal and external audit and other adviser reports;
- feedback from the Pension Board, employers and other stakeholders;
- informal meetings of senior officers or other staff involved in the management of the Fund; and
- liaison with other organisations, regional and national associations, professional groups, etc.

Once identified, risks will be documented on the Fund's Risk Register, which is the primary control document for the subsequent analysis, control and monitoring of those risks.

### *2. Risk Analysis & Evaluation*

Once potential risks have been identified, the next stage of the process is to analyse and profile each risk. Risks will be assessed by considering the likelihood of the risk occurring and the impact if it does occur, with the score for likelihood multiplied by the score for impact to determine the current overall risk rating, as illustrated in the London Borough of Croydon's Risk Matrix on the next page.

**Risk Matrix**

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

When considering the risk rating, the Administering Authority will have regard to the existing controls in place and these will be summarised on the Risk Register.

### 3. Risk Response

The Head of Pensions and Treasury will review the extent to which the identified risks are covered by existing internal controls and determine whether any further action is required to control the risk, including reducing the likelihood of a risk event occurring or reducing the severity of the consequences should it occur. Before any such action can be taken, Pension Committee approval may be required where appropriate officer delegations are not in place. The result of any change to the internal controls could result in any of the following:

- **Tolerate** – the exposure of a risk may be tolerable without any further action being taken; this is partially driven by the Administering Authority's risk 'appetite' in relation to the Pension Fund;
- **Treat** – action is taken to constrain the risk to an acceptable level;
- **Terminate** – some risks will only be treatable, or containable to acceptable levels, by terminating the activity; and
- **Transfer** - for example, transferring the risk to another party either by insurance or through a contractual arrangement.

The Fund's Risk Register details all further action in relation to a risk and the owner for that action.

### 4. Risk Monitoring & Review

Risk monitoring is the final part of the risk management cycle and will be the responsibility of the Pension Committee. In monitoring risk management activity, the Committee will consider whether:

- the risk controls taken achieved the desired outcomes
- the procedures adopted and information gathered for undertaking the risk assessment were appropriate
- greater knowledge of the risk and potential outcomes would have improved the decision-making process in relation to that risk
- there are any lessons to be learned for the future assessment and management of risks.

### 5. Risk Reporting

Progress in managing risks will be monitored and recorded on the Risk Register. The Risk Register, including any changes to the internal controls, will be provided on an annual basis to the Pension Committee.

As a matter of course, the Pension Board will be provided with the same information as is provided to the Pension Committee and they will be able to provide comment and input to the management of risks.

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The risks identified are of significant importance to the Fund. Where a risk is identified that could be of significance to the Council it would be included in the Risk Register.

### Key risks to the effective delivery of this Policy

The key risks to the delivery of this Policy are outlined below. The Pension Committee will monitor these and other key risks and consider how to respond to them.

- Risk management becomes mechanistic, is not embodied into the day to day management of the Fund and consequently the objectives of the Policy are not delivered;
- Changes in Pension Committee and/or Pension Board membership and/or senior officers mean key risks are not identified due to lack of knowledge;
- Insufficient resources are available to satisfactorily assess or take appropriate action in relation to identified risks;
- Risks are incorrectly assessed due to a lack of knowledge or understanding, leading to inappropriate levels of risk being taken without proper controls;
- Lack of engagement or awareness of external factors means key risks are not identified; and
- Conflicts of interest or other factors lead to a failure to identify or assess risks appropriately

## Costs

All costs related to this Policy are met directly by the Fund.

## Approval, Review and Consultation

This Policy was approved at the London Borough of Croydon Pension Committee meeting on xxxx. It will be formally reviewed and updated at least every three years or sooner if the risk management arrangements or other matters included within it merit reconsideration.

## Further Information

If you require further information about anything in or related to this Policy, please contact:

Mathew Hallett
Acting Head of Pensions & Treasury
London Borough of Croydon
Bernard Weatherill House
8 Mint Walk
Croydon
CR0 1EA

E-mail - matthew.hallett@croydon.gov.uk

Further information on the London Borough of Croydon Pension Fund can be found at:
pensions@croydon.gov.uk

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| **REPORT TO:** | **Pension Committee**<br>**19 September 2023** |
| **SUBJECT:** | **Review of Risk Register** |
| **LEAD OFFICER:** | **Matthew Hallett, Acting Head of Pensions and Treasury** |

**CORPORATE PRIORITY/POLICY CONTEXT:**

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

**FINANCIAL SUMMARY:**

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

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

## 1. RECOMMENDATION

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

## 2. EXECUTIVE SUMMARY

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

## 3. DETAIL

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

3.2 The Committee is invited to comment on whether it considers this list sufficiently exhaustive and whether the assessment of each risk matches its perception on the adequacy of existing and future controls.

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

3.4 Risks are rated on a scale of 1 to 5 on the likelihood of the risk occurring and its impact if it does. This allows a range of potential scores of between 1 and 25. The register shows that there are 19 risks on the main register with 15 being significant risks for the Fund (i.e. scored 10 or higher). With all of the planned future controls in place, the significant risks could be reduced to 4.

3.5 Since the Committee last reviewed the Register:

No new risks have been added.

3 risks have been deleted as follows:

Risk 7 – London CIV Recruitment Difficulties. This has now been resolved and resourcing is stable.

Risk 16 – Russian Invasion of Ukraine. This has now been included in risk 8.

Risk 21 – Liquidity risk relating to inflation This has now been amalgamated into risk 3.

9 risks, numbers 1, 2, 3, 4, 6, 8, 14, 18 and 22 have been updated.

The risk register is attached as Appendix A.

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

## 4. CONSULTATION

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

## 5. FINANCIAL IMPLICATIONS

5.1 There are no significant direct financial implications arising from noting this report.

**Approved by**: Allister Bannin 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) note there are no direct legal implications arising from the recommendations within this report.

## 7. HUMAN RESOURCES IMPACT

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

**Approved by:** Gillian Bevan, Head of HR, Resources and Assistant Chief Executives directorates on behalf of the Chief People Officer. Date: 5.9.23

## 8. EQUALITIES IMPACT

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

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

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

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

8.2 There are no equality implications arising from this report

**Approved by**: Naseer Ahmad for Equality Programme Manager, (08/09/2023)

## 9. OTHER IMPLICATIONS

9.1 None.

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

**BACKGROUND DOCUMENTS:**
None

**APPENDIX:**
Appendix A: Risk Register

| | Pensions Risk Register | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | |
| | **Risk Scenario** | | | **Current Risk Rating** | | | **Future controls** | | **Future Risk Rating** | |
| | **Risk** | **Type** | **Existing Controls** | **Impact** | **Likelihood** | **Risk factor** | | **Impact** | **Likelihood** | **Risk Factor** |
| **1** | If other scheme employers cease trading or operating for any reason the Scheme Actuary will calculate a cessation valuation of their liabilities. If that employer cannot meet that liability the burden falls on the other employers in the Fund to make good the shortfall. | **Governance Risks** | As part of the valuation a revised Funding Strategy Statement and separate satellite policies on Contribution Reviews, Academies Funding, Bulk Transfers, Cessation and Prepayments were agreed by the Committee on 14 March 2023. The existing Admissions policy which was agreed by the Committee at their meeting of 3 December 2021 remains in place. | **3** | **3** | **9** | Our Fund actuary will be carrying out a covenant monitoring exercise. | **2** | **3** | **6** |

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| | | | These policies are designed to mitigate the risk to the Fund. The Fund puts measures in place such as bonds and parent company guarantees or reduces the funding time horizon to reduce the impact resulting from employer failures. As part of the triennial valuation exercise, individual employer profiles were considered and contribution rates were adjusted to plan for a zero value deficit or surplus at cessation as far as possible. | | | | | | | |
| **2** | The Fund's invested assets are not sufficient to meet its current or future liabilities. This would lead to pressure to | **Funding - Assets and Liabilities Risks** | A formal actuarial valuation is carried out every three years. The Funding position of the Fund has improved to 97%. | **4** | **2** | **8** | Officers are looking at ways of monitoring the funding level on a more frequent basis | **4** | **1** | **4** |

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| | increase contribution rates in the future. | | The Funding Strategy for the Fund has been agreed on with help of advice from the Fund's Actuary and is based on the liklehood that there is a 75% chance that the funding target will be achieved. The current Strategy was agreed by the Committee in March 2023. | | | | rather than waiting for a full valuation every three years, although this needs to be done efficiently and in a cost effective manner. Officers will work with the Actuary to seek a cost efficient way of estimating changes to the funding level. | | | |
| **3** | Liquidity risk - HIgh inflation increases benefits payable at a faster rate and third of the Fund is held in illiquid investments. This means there is a risk that the authority might find itself with insufficient cash to meet short term | **Funding - Assets and Liabilities Risks** | The Fund's contribution income is currently enough to cover the short term liablities and medium term cashflow projections imply that there is no immediate threat to the Fund's liquidity. This is kept under constant review. | **3** | **1** | **3** | No future controls planned | **3** | **1** | **3** |

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| | and medium term liabilities without having to disinvest and thus damage the prospects of generating adequate investment returns. | | There are also sufficient income generating assets in the porfolio which can be drawn on to cover any cash requirements. Cash held by the Fund is at 2%, but we are looking to reduce this following implementation of a revised asset allocation following review. | | | | | | | |
| **4** | There is a possible risk of scheduled or admitted bodies not paying over contributions, which involves the administering authority in incurring unnecessary costs. | **Funding - Assets and Liabilities Risks** | A structured process is in place to monitor receipts of contributions. Contributions and schedules are chased promptly and reconciled. Improved team communications is aiding in this process. which is monitored by the Pensions Board. These measures are | **3** | **3** | **9** | Our administration strategy was agreed by the Committee in their meeting of 20 June 2023. Should engagement with scheme employers to resolve issues not be successful, which is always our | **3** | **2** | **6** |

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| | | | improving outcomes. In the event of significant issues occurring the authority has retained legal advisors to mitigate this risk, possibly through legal channels. There is still one significant ongoing case in terms of contributions due arising from a dispute concerning valuation which we are working with our legal advisors to resolve. | | | | preferred option, there are opportunities within the strategy to impose financial penalties. This, together with our checking and engagement processes, require more time to administer and resources across the governance and accounts teams are impacted. Additional staffing is in the process of being secured. | | | |

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| **6** | There is a risk that, under any set of circumstances, an asset will will underperform. The Fund has a significant allocation to several single asset categories - for example, equities, fixed interest, property or alternatives - which potentially leaves the Fund exposed to the possibility that a particular class of assets will underperform relative to expectation. | **Investment Risks** | The investment allocation mix is in a variety of uncorrelated investments designed to give a diverse porfolio, meaning any one investment class should not unduly impact on the performance of the overall portfolio if it underperforms relative to expectation. The revised asset allocation review recommended an allocation to credit which should increase the diversification of the Fund. | **3** | **3** | **9** | Implement the revised asset allocation. | **3** | **2** | **6** |
| **8** | General underlying risk of a global collapse in investment markets. The markets have experienced a continuous | **Global Macro-economic Risks** | The discount rate assumption is reviewed at every valuation to ensure it gives appropriate views on future return expectations. | **4** | **3** | **12** | No future controls planned | **4** | **3** | **12** |

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| | sequence of such events: Latin American sovereign debt; Black Friday crash; the Dot.com bubble; sub-prime, credit crunch, the Coronavirus pandemic and Russia's invasion of Ukraine. Other crises are inevitable. | | The Fund is also well-diversified which provides a degree of protection. The diversfied nature of the Fund meant that the Fund was well protected during the Coronavirus pandemic. | | | | | | | |
| **12** | Cyber Security – Risk to systems including by system failure, ineffective business continuity plan and lack of adequate monitoring arrangements for third party suppliers. If adequate protections are not in place to prevent system failure working time could be affected impacting | **Operational Risks** | Heywoods is a hosted system. They have processes in place for backing up files, storing data safely and preventing system failure. This is included in the contract we have with them. The technical team keep logs of issues and responses to monitor this. We have a business continuity plan in place should issues arise. Key suppliers, Aquila | **4** | **3** | **12** | We are currently working with Aon to strengthen our Cyber Security arrangements. We will be producing and implementing policies and processes focusing on this area. | **4** | **2** | **8** |

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| | workloads and delivery of key performance indicators. If an effective business continuity plan is not in place and communicated to staff the impact of any system failure will be increased. If adequate monitor arrangements for suppliers are not implemented and reviewed service delivery may be adversely affected. | | Heywood and Hymans Robertson both have ISO:270001 which is the international standard for information security management systems (ISMS). | | | | | | | |

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|---|---|---|---|---|---|---|---|---|---|---|
| **13** | Cyber Security - risk of unauthorised access to personal and other data including by unsafe home working practices, data access protection and levels and safe storage of data. If safe working practices are not followed devices could be lost or stolen or data could be viewed or tampered with. If data access levels are not kept up to date and set at a level appropriate for the performance of the duties of the role only, any possible misuse or error will have a more severe effect. If data held on the pension system is not backed up there is a risk of | **Operational Risks** | Mandatory GDPR and Cyber Security training has been provided to all new and existing staff. There is a remote working protocol available on the staff intranet which includes guidance on working securely, in addition to a good practice guide on information management. When working from home devices are encrypted and accessed via a VPN. Bit locker and passwords are required to access systems. No physical papers are taken home and staff are advised of the need to keep computers in a secure place, never to leave devices unattended and not to access systems in | **4** | **3** | **12** | We are currently working with Aon to strengthen our Cyber Security arrangements. We will be producing and implementing policies and processes focusing on this area. | **4** | **2** | **8** |

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| | data being lost in the event of a system failure. | | public locations. Appropriate data access levels to the pensions administration system are assigned by the Technical Support Team on appointment or change of role, according to the requirements of the role. | | | | | | | |
| **14** | McCloud Judgement. There is a risk affecting our ability to implement the requirements of the McCloud judgement post resolution. Issues include lack of historic data, appropriate resource, capacity or budget to undertake the work. This could result in legal | **Operational Risks** | The team are working overtime to try and ensure the data quality is as good as it can be and the Scheme Advisory Board has issued guidlines on how to deal with problems caused by data accuracy. We expect the financial impact on the Fund to be small, the impact on members to be small, but the work for the | **3** | **3** | **9** | No future controls planned | **3** | **3** | **9** |

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| | breaches reportable to the Pensions Regulator, incorrect pension entitlements being calculated for pensioners and loss of confidence in the service by scheme members and employers. | | admin team to be high. | | | | | | | |
| **15** | Cyber Security – The heightened security threat level due to the Russian invasion of Ukraine could potentially result in added risks to the pension administration system. | **Operational Risks** | In response to the heightened threat, Heywoods have conducted focused threat simulations based upon potentially malicious email traffic, reinforced organisational awareness of the threat landscape and raised vigilance through additional staff training and blocked access/internet traffic from specific countries. | **4** | **3** | **12** | Heywoods will continue to closely monitor the cyber threat landscape, particularly threats connected with events in Ukraine. When necessary, they will take immediate action to mitigate against new threats as they emerge. | **4** | **2** | **8** |

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|---|---|---|---|---|---|---|---|---|---|---|
| **17** | In February 2022 DLUHC issued the Levelling Up white paper requiring Funds to deploy at least an additional 5% of their capital to relevant investment opportunities in the UK. The additional requirement could be problematic for funds such as Croydon which already allocate a significant proportion of their capital to the UK in illiquid assets. | **Investment Risks** | It is unlikely that the Fund will be forced into a position which would mean an unacceptable imbalance in the asset allocation of the Fund. The Fund is not currently committing any further investments to its illiquid portfolio. | **4** | **2** | **8** | If the risk materialises the Fund will seek to follow the direction over a period of time in order to mange any imbalance in the portfolio. | **4** | **2** | **8** |
| **18** | Changes in legislation affect the level of performance of the Pensions Admin Team. Scheme members experiencing delays in receipt of their pension entitlement. Statutory deadlines | **Operational Risks** | Key Performance Monitoring Report completed each month against legal deadlines and team targets reported to Pensions Committee and Board each meeting. Maintaining awareness of latest legislative | **4** | **3** | **12** | Continue detailed planning in respect of legislative changes. Development of IT and automation. Increase to Employer engagement. | **4** | **2** | **8** |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | are not met leading to breaches of legislation and pension regulator requirements. Scheme member dissatisfaction. Reputational damage. Financial penalties. Legal action / challenge. | | requirements. Robust checking procedures at all stages. Staff knowledge - Recruitment of staff of suitable experience Continuous training of existing staff. Currently fully resourced administrative function. | | | | | | | |
| **19** | System malfunction or interruption of our banking systems.The FCA disclosed that in the last 9 months of 2018 there were more than 300 IT failures impacting on bank customers ability to access their funds.The 6 largest banks on average experience one IT failure every 2 weeks.The risk is that one of these | **Operational Risks** | Actively review/assure in relation to bank controls. Automatic compensation paid for major interruptions | **4** | **3** | **12** | No future controls planned | **4** | **3** | **12** |

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| | failures is for a sustained period of time impacting on BACS and CHAPS payments both into and out of the council.This could prevent members of the public and businesses from accessing funds,result in financial loss and /or service interruption. | | | | | | | | | |
| **20** | Risk of losing or being unable to recruit suitably experienced staff. The Head of Pensions and Treasury has retired and other positions within the Pension Team have been vacant for a while. Lack of resourcing and knowledge will have a detrimental impact on the performance of the fund. | **Operational Risks** | The Pension Team have recruited temporary resources in the Treasury Team for the immediate future and are in the process of creating two new posts in the governance team. We are working with our advisors more widely to make greater use of their resources. | **3** | **4** | **12** | Developing in-house knowledge and capacity will mitigate the risk of skills drain if staff leave. A review of the pensions function will assist in further developing effective service delivery. | **3** | **3** | **9** |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **22** | Lack of Fund specific Conflicts of interest Policy – This could lead to a lack of clarity around when it is necessary for Committee and Board members to declare / disclose interests that could impact on decisions they are taking. When acting in their capacity as Committee members their priority should be the interests of the Fund. Without appropriate scrutiny and transparency, the interests of the Fund could be compromised. | **Governance Risks** | There is an existing Board Conflicts of Interest Policy in place and elected members are required to disclose interests in their capacity as Councillors. A standing agenda item is included in every meeting asking if any member has an interest that they need to disclose. A member of Democratic Services attends every meeting and can provide advice on whether a disclosure is needed. The Board Chair regularly attends Committee meetings and will highlight potential items where a disclosure may be appropriate. Democratic Services | **4** | **3** | **12** | A new Fund specific Conflicts of Interest Policy has been drafted and has had legal input on behalf of the Monitoring Officer. A report recommending members to adopt the policy was taken to the June 2023 committee meeting however the committee requested some amendments. A revised version will be presented to the next committee meeting in September 2023. This will | **4** | **2** | **8** |

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| | | | keep a log of Member Interests. | | | | provide greater clarity on disclosable items and potential areas where a conflict might arise. | | | |
| **23** | Climate Change | **Investment Risks** | When setting the funding strategy the Fund included climate scenario stress testing in the contribution modelling exercise for the Council at the 2022 valuation. The results provided some assurance that the funding strategy is resilient to climate risks. | **3** | **5** | **15** | The investment strategy is currently being reviewed with the particular focus on climate change risks and is setting a framework to firstly establish the Fund's current carbon footprint and secondly to enable to future reporting and monitoring of the Fund's exposure to | **1** | **5** | **5** |

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| | | | | | | | | climate change risks. A revised strategy will be set by December 2023. | | | |

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

| | |
|---|---|
| 16 | No of Risks on Register |

| | |
|---|---|
| 7 | No of Current Green Risks |
| 9 | No of Current Amber Risks |
| 0 | No of Current Red Risks |

| | |
|---|---|
| 14 | No of Future Green Risks |
| 2 | No of Future Amber risks |
| 0 | No Future Red Risks |

Risk Matrix

| | | | IMPACT | | | | |
|---|---|---|---|---|---|---|---|
| | | | 1 | 2 | 3 | 4 | 5 |
| | | | Insignificant | Minor | Moderate | Major | Catastrophic |
| LIKELIHOOD | 5 | Almost Certain | 5 | 10 | 15 | 20 | 25 |
| | 4 | Likely | 4 | 8 | 12 | 16 | 20 |
| | 3 | Possible | 3 | 6 | 9 | 12 | 15 |
| | 2 | Unlikely | 2 | 4 | 6 | 8 | 10 |
| | 1 | Rare | 1 | 2 | 3 | 4 | 5 |

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

**Croydon Council**

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| **REPORT TO:** | **Pension Committee**<br>**19 September 2023** |
| **SUBJECT:** | **Croydon Pensions Administration Team Key Performance Indicators for the Period from May 2023 to July 2023** |
| **LEAD OFFICER:** | **Matthew Hallett - Acting Head of Pensions and Treasury** |
| **CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON**:<br>Sound Financial Management: The Pension Committee is responsible for the effective administration of the Local Government Pension Scheme. These Key Performance indicators provide a measure of how well that administration functions. | |
| **FINANCIAL IMPACT**<br>Poor administration may ultimately lead to incorrect calculation or payment of benefits or indeed financial penalties. | |

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

1.1 Note the Key Performance Indicators and the performance against these indicators set out in Appendix A to this report.

## 2. EXECUTIVE SUMMARY

2.1 This report sets out Key Performance Indicators for the administration of the Local Government Pension Scheme for the three-month period up to the end of July 2023.

## 3. DETAIL

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

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

3.3 The Technical Team have focused on End of Year processes throughout the summer and have successfully updated member records with pay and contribution details provided by employers.

3.4 Details of potential starters and leavers not previously known to us have been identified and the team are working with employers to gather information required to process these leavers.

3.5 One employer has so far failed to provide the EOY information and we are working with them to resolve this situation.

3.6 We have carried out extensive testing over the spring and summer on the bulk leaver calculation within the pension software system. The bulk calculation process targets CARE only deferred benefits and frozen refunds. The testing has identified arears where we can use the bulk calculation functionality and free up the team's resources to focus on more complex cases.

3.7 In August we successfully carried out the first bulk calculations and have cleared in excess of 500 leaver calculations.

3.8 The next phase of the project will be to incorporate this into our monthly processes and develop effective KPI monitoring.

3.9 Currently the bulk calculations cannot be used on final salary cases or frozen refund where there is an option to transfer out of the scheme. The team are prioritizing these cases during fortnightly Blitz Days throughout the summer.

3.10 The anticipated upgrade to the member self-service (MSS) tool will be a larger project than previously anticipated and we are in the initial stages of working with Heywoods to plan this. It is likely this will now be in 2024 instead of the later part of 2023.

3.11 In the meantime, we are focusing on easing the member registration process as this has been recognized as a barrier to some members accessing MSS. We will also use the new Insights reporting tools to access at an employer level MSS uptake and tailor MSS promotion by employer.

3.12 We have been working with the Fraud Team to increase mortality screening via the Nation Fraud Initiative from a biennial basis to monthly reports.

3.13 Where we are not informed of a death, overpayment of pension benefits is likely to occur. Although the number of cases has dropped since we became part of Tell Us Once those cases picked up via the NFI reports every two years do cause a substantial amount of work. We anticipate moving to monthly reporting will have a significant impact on the number of pensions overpaid and our ability to recover overpayments.

3.14 The first report was received in June 2023 and has already provided positive results.

3.15 We are continuing to work with the Fraud Team to develop an effective process to be used long term to maximize the benefits of the NFI reports.

3.16 We are required to produce Annual Benefit Statements (ABS) for active and deferred members by the 31 August 2023. The ABS were produced on the 24 August 2023 and were made available on the Member Self-Service portal.

## 4. CONSULTATION

4.1 Officers have previously consulted with both the Pension Committee and Local

Pension Board in the template for the key performance indicator report which forms the basis of Appendix A

## 5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

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

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

## 6. LEGAL CONSIDERATIONS

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

## 7. HUMAN RESOURCES IMPACT

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

Should any impacts arise these will be managed under the Council's policies and procedures.

**Approved by:** Gillian Bevan, Head of Human Resources on behalf of Dean Shoesmith, Chief People Officer 11.9.23

## 8. EQUALITIES IMPACT

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

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

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

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

8.2 There are no equality implications arising from this report

**Approved by**: Naseer Ahmad for Equality Programme Manager, (08/09/2023)

## 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:** Allister Bannin 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.

**APPENDIX**

**Appendix A:** Croydon Pensions Admin Team Performance Report, May 2023 to July 2023.

# Croydon Pensions Admin Team

Performance Report

September 2023

Delivering for Croydon | CROYDON www.croydon.gov.uk

# Contents

# Reference Key Table

| **Direction of travel reference table** | |
|---|---|
| | 100% achieved against target performance improved |
| | 100% achieved on target and performance static |
| | >90% achieved against target and performance improved |
| | >90% achieved against target and performance static |
| | >90% achieved against target and performance declined |
| | <90% achieved against target and performance improved |
| | <90% achieved against target and performance static |
| | <90% achieved against target and performance declined |

## Legal Deadlines

| Process | Legal Requirement | Total Number Completed | % Achieved in legal deadline | Total Number Completed | % Achieved in legal deadline | Total Number Completed | % Achieved in legal deadline | Direction of Travel | Comments |
|---|---|---|---|---|---|---|---|---|---|
| | | May2023 | | June 2023 | | July 2023 | | | |
| **Send a notification of joining the LGPS to a scheme member** | Two months from the date of joining the scheme or earlier if within one month of receiving jobholder information where the individual is being automatically enrolled/re-enrolled | 86 | 100% | 74 | 97.30% | 107 | 99.07% | ⬆ | 1 case missed target in May,<br>2 cases missed target in June and<br>1 case missed target in July 2023.<br><br>We expect there to be a higher number of starter cases following completeion of the end of year processes. |
| **Inform a scheme member of their calculated benefits (refund or deferred)** | As soon as practicable and no more than two months from the date of notification (from employer or scheme member) | 64 | 85.94% | 65 | 73.85% | 105 | 60% | ⬇ | Many deferred benefit calculations were delayed due to outstanding interfund and aggregation cases. The team have been focusing on Blitz Days and a change in aggregation process to try and eliviate this issue.<br>Interfund transfers had been put on hold while we waited for new factors from GAD.<br>The testing and implimenation of the bulk leaver calculations has also impacted on the KPIs for leavers.<br>Annual leave during the summer has also had a impact as the team have been focusing on retirements and deaths as a priority over leaver calculations. |

| Process | Legal Requirement | Total Number Completed | % Achieved in legal deadline | Total Number Completed | % Achieved in legal deadline | Total Number Completed | % Achieved in legal deadline | Direction of Travel | Comments |
|---|---|---|---|---|---|---|---|---|---|
| | | May 2022 | | June 2023 | | July 2023 | | | |
| **To process and pay a refund** | Two months from the date of request | 13 | 100% | 13 | 100% | 14 | 100% | | |
| **Obtain transfer details for transfer in, calculate and provide quotation to member** | Two months from the date of request | 1 | 100% | 0 | N/A | 2 | 100% | | |
| **Notify the amount of retirement benefits** | One month from the date of retirement if on or after normal pension age or two months from the date of retirement if after normal pension age | 57 | 100% | 57 | 100% | 51 | 100% | | |
| **Provide a retirement quotation on request** | As soon as practicable but no more than two months from the date of request unless there has already been a request in the last 12 months | 77 | 98.70% | 68 | 98.53% | 70 | 100% | | 2 cases missed target in May 2023. This was the result of delays trying to trace the members.<br>1 case missed target in June 2023. |

| Process | Legal Requirement | Total Number Completed | % Achieved in legal deadline | Total Number Completed | % Achieved in legal deadline | Total Number Completed | % Achieved in legal deadline | Direction of Travel | Comments |
|---|---|---|---|---|---|---|---|---|---|
| | | May 2023 | | June 2023 | | July 2023 | | | |
| **Calculate and notify (dependent(s) of amount of death benefits** | As soon as possible but in any event no more than two months from date of becoming aware of death or from date of request from a third party (e.g. personal representative) | 28 | 96.43% | 30 | 100% | 28 | 100%% | ⬆ | 1 case missed target in May 2023. A review of the case found the reply due indicator had not been set correctly by one of the team. Training has been provided. |
| **Provide all active and deferred members with annual benefit statements each year** | By 31st August | | | | | | | | |

# Team Performance Targets

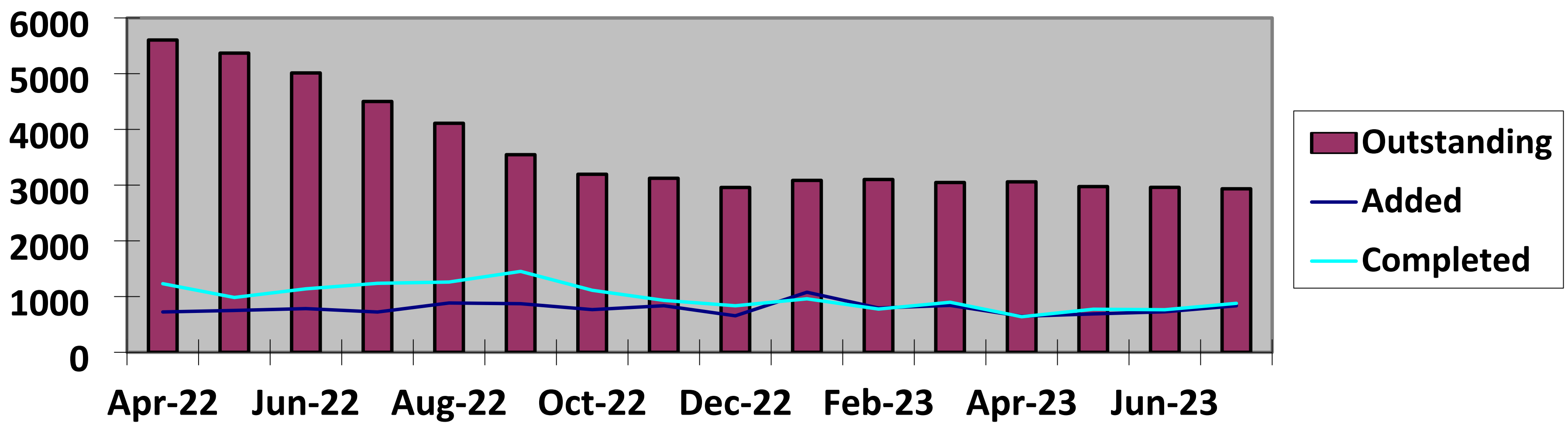
| Process | Team Target | Total Number Completed | % Achieved against target | Average days to process | Total Number Completed | % Achieved against target | Average days to process | Total Number Completed | % Achieved against target | Average days to process | Direction of Travel | Comments |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | May 2023 | | | June 2023 | | | July 2023 | | | | |
| **Send a notification of joining the LGPS to a scheme member** | 30 days from date of notification of joining member | 86 | 98.84% | 1 | 74 | 97.30% | 5 | 107 | 99.07% | 2 | | 1 case missed target in May,<br>2 cases missed target in June and<br>1 case missed target in July 2023.<br><br>We expect there to be a higher number of starter cases following completeion of the end of year processes. |
| **Inform a scheme member of their calculated benefits (refund or deferred)** | 40 working days from date of notification (from employer or scheme member) | 64 | 84.38% | 76 | 65 | 73.85% | 79 | 105 | 60% | 214 | | Many deferred benefit calculations were delayed due to outstanding interfund and aggregation cases. The team have been focusing on Blitz Days and a change in aggregation process to try and eliviate this issue.<br>Interfund transfers had been put on hold while we waited for new factors from GAD.<br>The testing and implimenation of the bulk leaver calculations |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | has also impacted on the KPIs for leavers. Annual leave during the summer has also had a impact as the team have been focusing on retirements and deaths as a priority over leaver calculations. |

| Process | Team Target | Total Number Completed | % Achieved against target | Average days to process | Total Number Completed | % Achieved against target | Average days to process | Total Number Completed | % Achieved against target | Average days to process | Direction of Travel | Comments |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | May 2023 | | | June 2023 | | | July 2023 | | | | |
| **To process and pay a refund** | 40 working days from the date of request | 13 | 100% | 1 | 13 | 100% | 2 | 14 | 100% | 1 | | |
| **Obtain transfer details for transfer in, calculate and provide quotation to member** | 40 working days from the date of request | 1 | 100% | 1 | 0 | N/A | N/A | 2 | 100% | 1 | | |
| **Notify the amount of retirement benefits** | 20 working days from date of retirement | 57 | 100% | 2 | 57 | 100% | 2 | 51 | 100% | 1 | | |
| **Provide a retirement quotation on request** | 15 working days from date of request | 77 | 97.40% | 7 | 68 | 98.53% | 3 | 70 | 100% | 2 | | |
| **Calculate and notify (dependent(s) of amount of death benefits** | 20 working days from receipt of all information | 28 | 96.43% | 7 | 30 | 96.67% | 4 | 28 | 92.86% | 9 | | 1 case missed target in May<br>1 case missed target in June<br>2 cases missed target in July.<br>The primary reason for these is the reply due/reply received |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | indicator on the task had not been set correctly. Where cases take a long time, for example we are trying to trace NOK or waiting for infomration, it is easy for these indictors to be missed. Training and guidance nnotes have been issued to the team again. |

## Case levels




Number of outstanding cases

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| | |
|---|---|
| **REPORT TO:** | **Pension Committee 19 September 2023** |
| **SUBJECT:** | **Review of Breaches Log** |
| **LEAD OFFICER:** | **Matthew Hallett - Acting Head of Pensions and Treasury** |
| **CORPORATE PRIORITY/POLICY CONTEXT:** Sound Financial Management: This report forms an important component of the governance arrangements for the stewardship of the Pension Fund. | |
| **FINANCIAL SUMMARY:** Financial risks relating to the Pension Fund are substantial and can impact on the General Fund of the Council. | |
| **FORWARD PLAN KEY DECISION REFERENCE NO.: N/A** | |

## 1. RECOMMENDATIONS

The Committee is asked to:

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

## 2. EXECUTIVE SUMMARY

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

## 3. DETAIL

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

70 Duty to report breaches of the law

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

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

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

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

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

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

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

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

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

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

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

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

In line with this legislation and the Pensions Regulator's Code of Practice a Breaches Log is maintained by the Fund. In their Governance Review Aon Hewitt recommended that the log was reviewed regularly by the Pension Committee. It was last reviewed on 20 June 2023. The current log is attached (Appendix A).

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

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

3.3 Since the Committee last reviewed the Log 6 entries have been amended and 1 entry has been added:

- Breach 5 concerning the minutes – at their meeting on 14 March 2023 the Committee agreed to change the rating to green. This wording has been added to the log
- Breach numbers 6, 7 and 8, concerning failure to publish audited accounts in respect of years 2019/20, 2020/21 and 2021/22 due to issues with the Council accounts not being signed off were reported in a letter sent on behalf of the Chairs of the Board and Committee and Officers, by the Head of Pensions & Treasury on 16 March 2023. TPR asked for a timetable of completion, which the Head of Pensions & Treasury has provided, and to be updated on progress against the timetable. This wording has been added to the log.
- Breaches 9 and 11 in respect of failure to pay refunds within the specified period as required under the Local Government Pension Scheme Regulations 2013 (as amended). The admin Team have been told that as soon as they receive a refund claim form for a frozen refund they must act immediately. This wording has been added to the log
- Breach 12 concerning failure of the Council to produce a mandatory discretions policy has been added to the log.

3.4 The Committee requested that a definition of the colour ratings be included in the log. A table has been added to the final page of the log detailing this.

3.5 The Committee is asked to consider the contents of the Breaches Log and to comment.

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

## 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 significant direct financial implications arising from this report.

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

## 6. LEGAL CONSIDERATIONS

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

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

6.3 The duty is to report the matter to TPR 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 TPR

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 TPR 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. It should be noted that TPR is expected to publish a new code, the General Code, shortly and the Committee should have regard to the requirements of the General Code when this is published and in force.

## 7. HUMAN RESOURCES IMPACT

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

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

**Approved by:** Gillian Bevan, Head of HR, Resources and Assistant Chief Executives directorates on behalf of Dean Shoesmith, Chief People Officer. Date: 5.9.23

## 8. EQUALITIES IMPACT

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

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

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

**Approved by**: Naseer Ahmad **for** Equality Programme Manager, (08/09/2023)

## 9. OTHER IMPLICATIONS

9.1 None.

**Approved by:** Allister Bannin 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

**APPENDIX:**

Appendix A: Breaches Log

**BACKGROUND DOCUMENTS:**

None.

# Breaches Log 19 September 2023
# Pension Committee Meeting

| | |
|---|---|
| Number | **1** |
| Date | **Aug-20** |
| Category | **Administration - ABS** |
| Description and cause | Failure to produce 100% of Annual Benefit Statement notifications |
| Possible effect and wider implications | Members and former members do not have up to date information on the value of their LGPS benefits affecting their ability to make informed decisions around pension provision. Noncompliance with LGPS regulations timescales. Member has been unable to check personal data is complete and accurate or that the correct contributions have been credited. |
| Reaction | 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. |
| Reported / Not reported | 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 |
| Colour rating | |
| Outcome of report / investigation | 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 |
| Outstanding actions | |
| Comments | |

| | |
|---|---|
| Number | **2** |
| Date | **Aug 21** |
| Category | **Administration - ABS** |
| Description and cause | Failure to produce 100% of Annual Benefit Statement notifications |
| Possible effect and wider implications | Members and former members do not have up to date information on the value of their LGPS benefits affecting their ability to make informed decisions around pension provision. Noncompliance with LGPS regulations timescales. Member has been unable to check personal data is complete and accurate or that the correct contributions have been credited. |
| Reaction | The team managed to issue 99.94% of annual benefit statements. |
| Reported / Not reported | 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 |
| Colour rating | |
| Outcome of report / investigation | 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. |
| Outstanding actions | |
| Comments | |

| | |
|---|---|
| Number | **3** |
| Date | **Aug 22** |
| Category | **Administration - ABS** |
| Description and cause | Failure to produce 100% of Annual Benefit Statement notifications |
| Possible effect and wider implications | Members and former members do not have up to date information on the value of their LGPS benefits affecting their ability to make informed decisions around pension provision. Noncompliance with LGPS regulations timescales. Member has been unable to check personal data is complete and accurate or that the correct contributions have been credited. |
| Reaction | The technical team have issued 92.30% of the statements due. The majority of the deferred ABSs not issued were a result of outstanding leaver calculations which were identified as part of the backlog project contracted to a third party. The remainder relate to leavers 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 leaver information from employers. These cases are included in BAU work and handled by the Pension Admin Team as part of their daily process. Members will be contacted once the calculations have been completed. |
| Reported / Not reported | 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 |
| Colour rating | |

| | |
|---|---|
| Outcome of report / investigation | Not reported. 100% for active members were issued. While 86.19% for deferred members were issued, the rest were not produced due to ongoing benefit calculations or transfer calculations where we were awaiting information. These cases are included in BAU work and handled by the Pension Admin Team on a daily process. |
| Outstanding actions | |
| Comments | |

| | |
|---|---|
| Number | **4** |
| Date | **Jan 21** |
| Category | **Administration - Backlog** |
| Description and cause | Failure to inform 100% of scheme members of their calculated benefits (refund or deferred) – backlog cases. The original number of backlog cases was 2665. The backlog cases allocated to Hymans have now been completed. |
| Possible effect and wider implications | 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 unable to check personal data is complete and accurate or that the correct contributions have been credited. |
| Reaction | Historical backlog is impacting performance. Hymans Robertson were engaged to provide administration services to clear this backlog |
| Reported / Not reported | The issue was 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 |
| Colour rating | |
| Outcome of report / investigation | Not reported to The Pensions Regulator |
| Outstanding actions | |
| Comments | |

| | |
|---|---|
| Number | **5** |
| Date | **Oct 21** |
| Category | **Administration - Minutes** |
| Description and cause | Failure to publish Committee and Board meeting Minutes. |
| Possible effect and wider implications | 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 |
| Reaction | The matter was discussed at the meeting on 14 September 2021. Democratic Services have been experiencing resourcing issues and backlogs of all Council Committee meeting minutes have arisen. The team are now fully resourced and will be trying to catch up on the backlog and produce future minutes in a more timely fashion moving forward. Members requested that officers look into sourcing external minuting provision in respect of Pension Meetings to safeguard Fund business. |
| Reported / Not reported | Officers had 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 was done by the Chairs of the Board and Committee. The Committee decided in their meeting of 14 March 2023 to change the designation to green. |
| Colour rating | |

| | |
|---|---|
| Outcome of report / investigation | Democratic Services are now adequately resourced and are producing the minutes themselves. All outstanding draft Committee minutes have been published and agreed. The three outstanding draft Board minutes have been published and approved by the Board |
| Outstanding actions | |
| Comments | Feedback has been received following referral of the matter to the TPR. They expect processes to be put into place to produce minutes in a timely manner and for them to be reviewed and approved promptly. These matters have been addressed There is a named clerk who produces and circulates draft minutes shortly after each meeting. These are then entered onto the |
| | agenda for the next meeting. The Governance Team have created a log to record when each set of minutes has been approved. At their meeting on 14 March the Committee agreed to change the rating of this Breach to Green. |

| | |
|---|---|
| Number | **6** |
| Date | **Sep 21** |
| Category | **Finance - Accounts** |
| Description and cause | Failure of the Fund to publish audited Fund Accounts for year 2019/20 by 30 September 2020 |
| Possible effect and wider implications | Lack of accurate data available on which to base funding requirements. This could result in insufficient funds to pay all benefit liabilities. |
| Reaction | The Fund report and accounts were prepared but had not been signed off by the Auditors. The Fund accounts form part of the Council accounts. External auditors would not sign off on the Council accounts as there was an issue around the accounting treatment involving Croydon Affordable Homes LLP. However, this has now been resolved and agreed and we are awaiting sign off to be completed. The draft Annual Report and Accounts were presented to Pension Committee on 3 December 2021. |

| | |
|---|---|
| Reported / Not reported | The matter had not initially been reported to the Pension Regulator. Progress had initially been delayed due to the issuing of the Section 114 notice applicable to Croydon and, more widely, to the impact of the Covid 19 pandemic. Many other LGPS Funds had been unable to finalise their accounts due to the impact of the pandemic. The continued delay in signing the accounts was as a result of the issues caused with Council's accounts around the accounting treatment of Croydon Affordable Homes LLP. The failure to sign off the accounts does not relate to a failure on the part of the Fund. The audit of the accounts is substantially complete and it is expected that the paperwork will be in place shortly to allow sign off to be finalised. The draft Annual Report and Accounts were published on the website. **Update March 2023:** Due to the passage of time and the fact that 3 years of accounts are still outstanding, the Chairs of the Board and Committee and Officers have issued a joint report to The Pensions Regulator. |
| Colour rating | |
| Outcome of report / investigation | |
| Outstanding actions | The Fund Accounts form part of the Council Accounts and cannot be signed off separately. The Head of Pensions will continue to liaise with Audit on progress on signing off the Council accounts. A joint Report has been submitted to the TPR by the Chairs of the Board, Committee and Head of Pensions. The Pension Regulator asked for a timetable for completion which the Head of Pension & Treasury has provided and agreed to keep the Regulator informed of progress. |
| Comments | |

| | |
|---|---|
| Number | **7** |
| Date | **Sep 22** |
| Category | **Finance - Accounts** |
| Description and cause | Failure to publish the audited Fund Accounts for year 20/21 by 30 September 2021 |
| Possible effect and wider implications | Lack of accurate data available on which to base funding requirements. This could result in insufficient funds to pay all benefit liabilities. |
| Reaction | The report and accounts were prepared but the accounts had not been signed off by the auditors due to issues with the Council's accounts for 2019/20 around the accounting treatment of Croydon Affordable Homes LLP. The accounts cannot be signed off until the 2019/20 account have been completed. The draft Annual Report and Accounts were presented to Pension Committee on 3 December 2021 |
| Reported / Not reported | The matter had not been initially 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.<br>**Update March 2023:** Due to the passage of time and the fact that 3 years of accounts are still outstanding, the Chairs of the Board and Committee and Officers have issued a joint report to The Pensions Regulator |
| Colour rating | |
| Outcome of report / investigation | |

| | |
|---|---|
| Outstanding actions | The Fund Accounts form part of the Council Accounts and cannot be signed off separately. The Head of Pensions will continue to liaise with Audit on progress on signing off the Council accounts. A joint Report has been submitted to the TPR by the Chairs of the Board, Committee and Head of Pensions.<br>The Pension Regulator asked for a timetable for completion which the Head of Pension & Treasury has provided and agreed to keep the Regulator informed of progress. |
| Comments | |

| | |
|---|---|
| Number | **8** |
| Date | **Sep 22** |
| Category | **Finance - Accounts** |
| Description and cause | Failure to publish the audited Fund Accounts for year 21/22 by 30 September 2022 |
| Possible effect and wider implications | Lack of accurate data available on which to base funding requirements. This could result in insufficient funds to pay all benefit liabilities. |
| Reaction | The report and accounts are being prepared. The audit of the accounts cannot be started until completion of the 19/20 and 20/21 accounts. |
| Reported / Not reported | The matter had not been initially reported to the Regulator. The cause of the breach was due to the failure of the Council rather than failure in the administration of the scheme. The Actuary has confirmed that the valuation can still be completed, so the scheme can still comply with its legal requirements on funding. The breach has not resulted in any detrimental effects to members benefits.<br>**Update March 2023:** Due to the passage of time and the fact that 3 years of accounts are still outstanding, the Chairs of the Board and Committee and Officers have issued a joint report to The Pensions Regulator. |
| Colour rating | |
| Outcome of report / investigation | |
| Outstanding actions | The Fund Accounts form part of the Council Accounts and cannot be signed off separately. A joint Report has been submitted to the TPR by the Chairs of the Board, Committee and Head of Pensions.<br>The Pension Regulator asked for a timetable for completion which the Head of Pension & Treasury has provided and agreed to keep the Regulator informed of progress. |
| Comments | |

| | |
|---|---|
| Number | **9** |
| Date | **Mar 23** |
| Category | **Administration - Refunds** |
| Description and cause | A refund to which a member was entitled was paid after the deadline stated in the LGPS Regulations 2013 (as amended).<br>Under Regulation 18 (1) of the LGPS Regulations 2013 (as amended) when a member with less than 2 years qualifying service ceases active membership of the Fund they are entitled to receive a refund of contributions. Under 18(5) the administering authority must make the refund when the person requests payment or on the expiry of 5 years from the date active membership ceased if no request for payment has been received. |
| Possible effect and wider implications | Member does not receive monies they are entitled to. Possibly causing financial hardship however the amounts due are relatively small.<br>The impact to the Fund is insignificant. |
| Reaction | Under Regulation 18 (1) of the LGPS Regulations 2013 (as amended) when a member with less than 2 years qualifying service ceases active membership of the Fund they are entitled to receive a refund of contributions. Under 18(5) the administering authority must make the refund when the person requests payment or on the expiry of 5 years from the date active membership ceased if no request for payment has been received. |
| Reported / Not reported | Not Reported. Letters explaining the member's rights to refunds were sent out on 21.8.2018 with reminders being sent on 17.1.2019. No response was received from the member until 2.3.2023 when completed claim forms were sent in. At this point the refund calculations were finalised and requests for ad hoc payments to be made were signed off on 8.3.2023. |
| Colour rating | |

| | |
|---|---|
| Outcome of report / investigation | The cause is the difficulty in tracing members. An amendment to the regulations is planned which will take away the requirement to make payment within 5 years of active membership in the Fund ceasing. Pension Dashboard requirements may assist members in keeping check on their pension entitlements. The admin Team have been told that as soon as they receive a refund claim form for a frozen refund they must act immediately. |
| Outstanding actions | |
| Comments | This is an issue across all LGPS funds. The LGA are pushing for the regulations to be changed to eliminate the 5 year payment deadline. It is difficult to trace members if they do not provide us with up to date address information. It would take considerable resources to try to trace address details and issue more reminders for outstanding cases . LGA advice is to wait for the regulatory change to be put into place. |

| | |
|---|---|
| Number | **10** |
| Date | **Mar 23** |
| Category | **Administration - Refunds** |
| Description and cause | A refund to which a member was entitled was paid after the deadline stated in the LGPS Regulations 2013 (as amended).<br>Under Regulation 18 (1) of the LGPS Regulations 2013 (as amended) when a member with less than 2 years qualifying service ceases active membership of the Fund they are entitled to receive a refund of contributions. Under 18(5) the administering authority must make the refund when the person requests payment or on the expiry of 5 years from the date active membership ceased if no request for payment has been received. |
| Possible effect and wider implications | Member does not receive monies they are entitled to. Possibly causing financial hardship however the amounts due are relatively small.<br>The impact to the Fund is insignificant. |
| Reaction | Under Regulation 18 (1) of the LGPS Regulations 2013 (as amended) when a member with less than 2 years qualifying service ceases active membership of the Fund they are entitled to receive a refund of contributions. Under 18(5) the administering authority must make the refund when the person requests payment or on the expiry of 5 years from the date active membership ceased if no request for payment has been received. |
| Reported / Not reported | Not Reported. A letter explaining the member's rights to a refund was sent out on 31.3.2017. No response was received from the member until 13.3.2023 when the completed claim form was sent in. A check needed to be done to ensure that the member was not active before payment could be made due to possible tax implications. Once this had been verified the refund calculations were finalised and the request for ad hoc payment to be made was signed off on 31.3.2023. |

| | |
|---|---|
| Colour rating | |
| Outcome of report / investigation | The cause is the difficulty in tracing members. An amendment to the regulations is planned which will take away the requirement to make payment within 5 years of active membership in the Fund ceasing. Pension Dashboard |
| | requirements may assist members in keeping check on their pension entitlements. The admin Team have been told that as soon as they receive a refund claim form for a frozen refund they must act immediately. |
| Outstanding actions | |
| Comments | This is an issue across all LGPS funds. The LGA are pushing for the regulations to be changed to eliminate the 5 year payment deadline. It is difficult to trace members if they do not provide us with up to date address information. It would take considerable resources to try to trace address details and issue more reminders for outstanding cases . LGA advice is to wait for the regulatory change to be put into place. |

| | |
|---|---|
| Number | **11** |
| Date | **Apr 23** |
| Category | **Administration - Refunds** |
| Description and cause | A refund to which a member was entitled was paid after the deadline stated in the LGPS Regulations 2013 (as amended).<br>Under Regulation 18 (1) of the LGPS Regulations 2013 (as amended) when a member with less than 2 years qualifying service ceases active membership of the Fund they are entitled to receive a refund of contributions. Under 18(5) the administering authority must make the refund when the person requests payment or on the expiry of 5 years from the date active membership ceased if no request for payment has been received. |
| Possible effect and wider implications | Member does not receive monies they are entitled to. Possibly causing financial hardship however the amounts due are relatively small.<br>The impact to the Fund is insignificant. |
| Reaction | Under Regulation 18 (1) of the LGPS Regulations 2013 (as amended) when a member with less than 2 years qualifying service ceases active membership of the Fund they are entitled to receive a refund of contributions. Under 18(5) the administering authority must make the refund when the person requests payment or on the expiry of 5 years from the date active membership ceased if no request for payment has been received. |
| Reported / Not reported | Not Reported. A letter explaining the member's rights to a refund was sent out on 16.5.2017. No response was received from the member until 8.6.2017 when the member requested a transfer quote which was provided on 15.6.2017. The member decided not to proceed with the transfer. No further correspondence was received from the member until 3.3.2023 when another transfer request was received which they were no longer entitled to. A refund form was then issued as that was the only option available to the member. |
| Colour rating | |

| | |
|---|---|
| Outcome of report / investigation | The cause is the difficulty in tracing members. An amendment to the regulations is planned which will take away the requirement to make payment within 5 years of active membership in the Fund ceasing. Pension Dashboard requirements may assist members in keeping check on their pension entitlements. The admin Team have been told that as soon as they receive a refund claim form for a frozen refund they must act immediately. |
| Outstanding actions | |
| Comments | This is an issue across all LGPS funds. The LGA are pushing for the regulations to be changed to eliminate the 5 year payment deadline. It is difficult to trace members if they do not provide us with up to date address information. It would take considerable resources to try to trace address details and issue more reminders for outstanding cases . LGA advice is to wait for the regulatory change to be put into place. |

| | |
|---|---|
| Number | **12** |
| Date | **Aug 23** |
| Category | **Governance – Employer Discretions** |
| Description and cause | The Council in their capacity as a Scheme Employer has failed to prepare a statement of its policy in respect of the mandatory discretions as required under regulation 60 of the regulations.<br>A policy in respect of the administering authority mandatory discretions was agreed by the committee on 8 July 2014. It appears that there may have mistakenly been an assumption that this satisfied the requirements of the Council as employer. |
| Possible effect and wider implications | Failure to satisfy the requirements of the regulations constitutes a breach of the law. If the situation is not rectified then the matter may need to be reported to the regulator who has the power to impose a fine.<br>Any decisions made in relation to discretionary items could be open to challenge as the Council as employer has no policy to inform decision making therefore no consistency of approach and justification for application of discretions. This could lead to legal challenge and possible financial costs, both legal fees and in terms of benefit amounts payable.<br>This could result in detriment to the Council's reputation and delays and distress to members when their benefits are put into payment, possibly resulting in financial hardship. |
| Reaction | The Pensions Team have been in contact with the HR Team to assist them in producing an employer discretions policy. A template has been provided and officers have provided advice to HR.<br>The Head of Pensions has told the Chief People Officer and Corporate Director of Sustainable Communities, Regeneration and Economic Recovery to provide the Council Employer Policy within 2 months. |

| | |
|---|---|
| Reported / Not reported | Not Reported. The Head of Pensions has concluded that the breach is not of material significance to The Pension Regulator as long as the Council produces an employer discretions policy within 2 months. |
| Colour rating | |
| Outcome of report / investigation | |
| Outstanding actions | Officers to check that the policy is produced with the 2 month timeframe |
| Comments | |

## Breaches Log Ratings Categorisation Table

| Rating | Description | Breach Occurred | | Breach Identified | | Action Taken | Decision |
|---|---|---|---|---|---|---|---|
| | Cause, effect, reaction and wider implications considered together **ARE LIKELY** to be of material significance | Error has occurred | **PLUS** | Errors not recognised | **PLUS** | No action taken to rectify and tackle the cause | **MUST** report to TPR |
| | Cause, effect, reaction and wider implications considered together **MAY** be of material significance | Error has occurred | **PLUS** | Error rectified | **PLUS** | Systemic cause not addressed so issue may arise again | **MAY** report to TPR – consider the evidence and make a decision |
| | Cause, effect, reaction and wider implications considered together **ARE NOT LIKELY** to be of material significance | Error has occurred | **PLUS** | Error rectified | **PLUS** | Systemic causes addressed to mitigate against issue arising again | **DO NOT** report to TPR |

| | |
|---|---|
| **REPORT TO:** | **Pension Committee**<br>**19 September 2023** |
| **SUBJECT:** | **Review of Committee Training** |
| **LEAD OFFICER:** | **Matthew Hallett, Acting Head of Pensions and Treasury** |

**CORPORATE PRIORITY/POLICY CONTEXT:**

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

**FINANCIAL SUMMARY:**

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

## 1. RECOMMENDATION

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

1.2 The Committee is asked to note the mandatory training items.

## 2. EXECUTIVE SUMMARY

2.1 This report advises the Committee of training undertaken by the Pension Committee members in Year 2023/24 to 31 August 2023 and asks them note the contents of the Log attached to this report as Appendix A, the Hymans online training Log to 31 August 2023 attached to this report as Appendix B and the mandatory training items required to be completed attached to this report as Appendix C.

## 3 DETAIL

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

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

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

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

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

3.5 This report provides the Committee with a summary of the training undertaken by the Pension Committee in Year 2023/24 to 31 August 2023 and asks them note the contents of the Log attached to this report as Appendix A, the Hymans online training Log to 31 August 2023 attached to this report as Appendix B and the mandatory training items required to be completed attached to this report as Appendix C.

3.6 In line with the SAB Good Governance Review recommendations, the training log will now show training hours completed and the knowledge area covered by the training.

3.7 There have been 3 training events offered to the Committee in the current year to 31 August, Mercers ESG session, SAB Code of Transparency and the PLSA LGPS Conference.

The first two of these sessions were offered to all committee and reserve committee members and were concerned with investments. A total of 19 hours (45%) were attended by committee members and 2 hours (6%) were attended by reserve committee members.

The third event was offered to two members of the committee only and covered a variety of knowledge areas. We have classified this as ‘mixed’ knowledge. A total of 28 hours (100%) were completed.

3.8 The latest report on the Hymans on-line training uptake shows that no Committee members or Reserve Committee members have completed or started any of the modules. Login details were resent by Hymans and reminder emails were sent by officers to all members encouraging them to engage with the learning platform.

The platform is accessible at any time that is convenient and for as little or as long as required. Progress will be saved so that whole modules do not have to be completed at once. Hymans have provided details of the time each module takes to be completed as follows:

| |
|---|
| Introduction module – 2 mins |
| Current issues – 1 hr and 11 mins (total) |
| Module 1 – 27mins (total) |
| Module 2 – 50 mins (total) |
| Module 3 – 51 mins (total) |
| Module 4 – 11 mins (total) |
| Module 5 – 11 mins (total |
| Module 6 – 50 mins (total) |
| Module 7 – 31 mins (total) |
| Module 8 – 53 mins (total) |

3.9 Details of the mandatory training members are expected to complete is attached as Appendix C.

The Hymans modules should be completed annually as they will be updated regularly.

The LGE Fundamentals training should be completed once every 3 to 4 years.

3.10 Officers are currently working with AON to develop a training plan for the remainder of the year and working towards creating a 3 year rolling plan. Members will be advised of any upcoming training opportunities by email,

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

## 4. CONSULTATION

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

## 5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

5.1 There are no financial considerations arising from this report.

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

## 6. LEGAL CONSIDERATIONS

6.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that the Pension Committee's Terms of Reference (London Borough of Croydon's Constitution Part 4.N) Paragraph 7. **Knowledge and Understanding** provides that: *Members of the Committee are expected to continually demonstrate their own personal commitment to training and to ensure that governance objectives are met. To assist in achieving these objectives training sessions will be organised to ensure Committee members are familiar with the rules of the Fund with relevant legislation.*

6.2 In addition, similar training and knowledge obligations are placed on the Local Pension Board members ("LPB Members") both under the Public Service Pensions Act 2013 Schedule 4 Clause 19 amendment of the Pensions Act 2004 and as detailed in Part 4 M of the Constitution which provides, among other matters, that both Employer and Employee representatives participate in training as and when required. In addition, section 12 of Part 4M specifically deals with training requirements and provides as follows:
"12.1. Employer and Member Representatives (including substitutes) of the LPB must be conversant with – a. The legislation, Scheme Regulations and associated

guidance of the LGPS; b. Any document recording policy about the administration of the LGPS (which is for the time being adopted by the Fund).

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

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

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

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

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

## 7. HUMAN RESOURCES IMPACT

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

**Approved by:** Gillian Bevan, Head of HR, Resources and Assistant Chief Executives directorates on behalf of the Chief People Officer. Date:6.9.23

## 8. EQUALITIES IMPACT

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

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

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

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

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

**Approved by:** Naseer Ahmad for Equality Programme Manager, (08/09/2023)

## 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:** Allister Bannin on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

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

**BACKGROUND DOCUMENTS:**

None

**APPENDICES:**
Appendix A: Training Log
Appendix B: Hymans On-line Training Log
Appendix C: Mandatory Training

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**Committee and Reserve Committee Training Record 2023 / 24 to 31/08/2023**

| | Date | 25/04/2023 | 21/06/2023 | 26-28/06/2023 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Training Hrs | 2.00 | 1.50 | 14.00 | | | | | | | | | | | | |
| | Category | Investment | Investment | Mixed | Total Sessions Comp | | | Total Hrs Comp | | | Possible Sessions | | | % of Possible Comp | | |
| Body | Name | Mercers ESG | SAB Code of Transpareny | PLSA LGPS Conference | Total Investment Sessions | Total Mixed Sessions | Total Sessions | Total Investment Hours | Total Mixed Hours | Total Training Hours | Investment | Mixed | Total | Investment | Mixed | Total |
| Committee | Cllr Simon Brew | 1 | 0 | 0 | 1 | 0 | 1 | 2 | 0 | 2 | 2 | 0 | 2 | 50 | #DIV/0! | 50 |
| Committee | Gilli Driver | 1 | 0 | 0 | 1 | 0 | 1 | 2 | 0 | 2 | 2 | 0 | 2 | 50 | #DIV/0! | 50 |
| Committee | Cllr Clive Fraser | 1 | 0 | 0 | 1 | 0 | 1 | 2 | 0 | 2 | 2 | 0 | 2 | 50 | #DIV/0! | 50 |
| Committee | Cllr Patricia Hay-Justice | 0 | 1 | 1 | 1 | 1 | 2 | 1.5 | 14 | 15.5 | 2 | 1 | 3 | 50 | 100 | 67 |
| Committee | Cllr Yvette Hopley | 1 | 0 | 0 | 1 | 0 | 1 | 2 | 0 | 2 | 2 | 0 | 2 | 50 | #DIV/0! | 50 |
| Committee | Peter Howard | 1 | 0 | 0 | 1 | 0 | 1 | 2 | 0 | 2 | 2 | 0 | 2 | 50 | #DIV/0! | 50 |
| Committee | Cllr Karen Jewitt | 0 | 1 | 1 | 1 | 1 | 2 | 1.5 | 14 | 15.5 | 2 | 1 | 3 | 50 | 100 | 67 |
| Committee | Cllr Endri Llabuti | 1 | 0 | 0 | 1 | 0 | 1 | 2 | 0 | 2 | 2 | 0 | 2 | 50 | #DIV/0! | 50 |
| Committee | Charles Quaye | 1 | 0 | 0 | 1 | 0 | 1 | 2 | 0 | 2 | 2 | 0 | 2 | 50 | #DIV/0! | 50 |
| Committee | Cllr Alasdair Stewart | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 2 | 0 | #DIV/0! | 0 |
| Committee | Cllr Callton Young | 1 | 0 | 0 | 1 | 0 | 1 | 2 | 0 | 2 | 2 | 0 | 2 | 50 | #DIV/0! | 50 |
| C Reserve | Cllr Richard Chatterjee | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 2 | 0 | #DIV/0! | 0 |
| C Reserve | Cllr Stuart Collins | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 2 | 0 | #DIV/0! | 0 |
| C Reserve | Clle Alisa Flemming | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 2 | 0 | #DIV/0! | 0 |
| C Reserve | Cllr Simon Fox | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 2 | 0 | #DIV/0! | 0 |
| C Reserve | Cllr Stella Nabukeera | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 2 | 0 | #DIV/0! | 0 |
| C Reserve | Cllr Nikhil Sherine Thampi | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 2 | 0 | #DIV/0! | 0 |
| C Reserve | Cllr Appu Srinivasan | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 2 | 0 | #DIV/0! | 0 |
| C Reserve | Cllr Rober Ward | 1 | 0 | 0 | 1 | 0 | 1 | 2 | 0 | 2 | 2 | 0 | 2 | 50 | #DIV/0! | 50 |

| Sessions Completed | | | | Total I | Total M |
|---|---|---|---|---|---|
| Total Cttee | 8 | 2 | 2 | 10 | 2 |
| Total R Cttee | 1 | 0 | 0 | 1 | 0 |
| Total Completed | 9 | 2 | 2 | 11 | 2 |

| Hours Completed | | | | Total I | Total M |
|---|---|---|---|---|---|
| Total Cttee | 16 | 3 | 28 | 19 | 28 |
| Total R Cttee | 2 | 0 | 0 | 2 | 0 |
| Total Completed | 18 | 3 | 28 | 21 | 28 |

| Possible Attendance | | | | Total I | Total M |
|---|---|---|---|---|---|
| Total Cttee | 11 | 11 | 2 | 22 | 2 |
| Total R Cttee | 8 | 8 | 0 | 16 | 0 |
| Total Completed | 19 | 19 | 2 | 38 | 2 |

| % of Possible Completed | | | | Total I | Total M |
|---|---|---|---|---|---|
| Total Cttee | 73 | 18 | 100 | 45 | 100 |
| Total R Cttee | 13 | 0 | #DIV/0! | 6 | #DIV/0! |
| Total Completed | 47 | 11 | 100 | 29 | 100 |

**Hymans On-line Training Modules Progress for Committee and Reserve Committee 2023/24 to 31/08/2023**

**Modules Not started**

| LGPS Role | Fullname | Course Name | Course Enrolment Status |
|---|---|---|---|
| Pension Committee | Alasdair Stewart | Module 1 - Committee Role and Pensions Legislation | Subscribed |
| Pension Committee | Alasdair Stewart | Module 2 - Pensions Governance | Subscribed |
| Pension Committee | Alasdair Stewart | Module 3 - Pensions Administration | Subscribed |
| Pension Committee | Alasdair Stewart | Module 4 - Pensions Accounting and Audit Standards | Subscribed |
| Pension Committee | Alasdair Stewart | Module 5 - Procurement and Relationship Management | Subscribed |
| Pension Committee | Alasdair Stewart | Module 6 - Investment  Performance and Risk Management | Subscribed |
| Pension Committee | Alasdair Stewart | Module 7 - Financial Markets and Product Knowledge | Subscribed |
| Pension Committee | Alasdair Stewart | Module 8 - Actuarial methods, Standards and Practices | Subscribed |
| Pension Committee | Calton Young | Module 1 - Committee Role and Pensions Legislation | Subscribed |
| Pension Committee | Calton Young | Module 2 - Pensions Governance | Subscribed |
| Pension Committee | Calton Young | Module 3 - Pensions Administration | Subscribed |
| Pension Committee | Calton Young | Module 4 - Pensions Accounting and Audit Standards | Subscribed |
| Pension Committee | Calton Young | Module 5 - Procurement and Relationship Management | Subscribed |
| Pension Committee | Calton Young | Module 6 - Investment  Performance and Risk Management | Subscribed |
| Pension Committee | Calton Young | Module 7 - Financial Markets and Product Knowledge | Subscribed |
| Pension Committee | Calton Young | Module 8 - Actuarial methods, Standards and Practices | Subscribed |
| Pension Committee | Charles Quaye | Module 1 - Committee Role and Pensions Legislation | Subscribed |
| Pension Committee | Charles Quaye | Module 2 - Pensions Governance | Subscribed |
| Pension Committee | Charles Quaye | Module 3 - Pensions Administration | Subscribed |
| Pension Committee | Charles Quaye | Module 4 - Pensions Accounting and Audit Standards | Subscribed |
| Pension Committee | Charles Quaye | Module 5 - Procurement and Relationship Management | Subscribed |
| Pension Committee | Charles Quaye | Module 6 - Investment  Performance and Risk Management | Subscribed |
| Pension Committee | Charles Quaye | Module 7 - Financial Markets and Product Knowledge | Subscribed |
| Pension Committee | Charles Quaye | Module 8 - Actuarial methods, Standards and Practices | Subscribed |

| | | | |
|---|---|---|---|
| Pension Committee | Clive Fraser | Module 1 - Committee Role and Pensions Legislation | Subscribed |
| Pension Committee | Clive Fraser | Module 2 - Pensions Governance | Subscribed |
| Pension Committee | Clive Fraser | Module 3 - Pensions Administration | Subscribed |
| Pension Committee | Clive Fraser | Module 4 - Pensions Accounting and Audit Standards | Subscribed |
| Pension Committee | Clive Fraser | Module 5 - Procurement and Relationship Management | Subscribed |
| Pension Committee | Clive Fraser | Module 6 - Investment Performance and Risk Management | Subscribed |
| Pension Committee | Clive Fraser | Module 7 - Financial Markets and Product Knowledge | Subscribed |
| Pension Committee | Clive Fraser | Module 8 - Actuarial methods, Standards and Practices | Subscribed |
| Pension Committee | Endri Llabuti | Module 1 - Committee Role and Pensions Legislation | Subscribed |
| Pension Committee | Endri Llabuti | Module 2 - Pensions Governance | Subscribed |
| Pension Committee | Endri Llabuti | Module 3 - Pensions Administration | Subscribed |
| Pension Committee | Endri Llabuti | Module 4 - Pensions Accounting and Audit Standards | Subscribed |
| Pension Committee | Endri Llabuti | Module 5 - Procurement and Relationship Management | Subscribed |
| Pension Committee | Endri Llabuti | Module 6 - Investment Performance and Risk Management | Subscribed |
| Pension Committee | Endri Llabuti | Module 7 - Financial Markets and Product Knowledge | Subscribed |
| Pension Committee | Endri Llabuti | Module 8 - Actuarial methods, Standards and Practices | Subscribed |
| Pension Committee | Gilli Driver | Module 1 - Committee Role and Pensions Legislation | Subscribed |
| Pension Committee | Gilli Driver | Module 2 - Pensions Governance | Subscribed |
| Pension Committee | Gilli Driver | Module 3 - Pensions Administration | Subscribed |
| Pension Committee | Gilli Driver | Module 4 - Pensions Accounting and Audit Standards | Subscribed |
| Pension Committee | Gilli Driver | Module 5 - Procurement and Relationship Management | Subscribed |
| Pension Committee | Gilli Driver | Module 6 - Investment Performance and Risk Management | Subscribed |
| Pension Committee | Gilli Driver | Module 7 - Financial Markets and Product Knowledge | Subscribed |
| Pension Committee | Gilli Driver | Module 8 - Actuarial methods, Standards and Practices | Subscribed |

| | | | |
|---|---|---|---|
| Pension Committee | Karen Jewitt | Module 1 - Committee Role and Pensions Legislation | Subscribed |
| Pension Committee | Karen Jewitt | Module 2 - Pensions Governance | Subscribed |
| Pension Committee | Karen Jewitt | Module 3 - Pensions Administration | Subscribed |
| Pension Committee | Karen Jewitt | Module 4 - Pensions Accounting and Audit Standards | Subscribed |
| Pension Committee | Karen Jewitt | Module 5 - Procurement and Relationship Management | Subscribed |
| Pension Committee | Karen Jewitt | Module 6 - Investment  Performance and Risk Management | Subscribed |
| Pension Committee | Karen Jewitt | Module 7 - Financial Markets and Product Knowledge | Subscribed |
| Pension Committee | Karen Jewitt | Module 8 - Actuarial methods, Standards and Practices | Subscribed |
| Pension Committee | Patricia Hay-Justice | Module 1 - Committee Role and Pensions Legislation | Subscribed |
| Pension Committee | Patricia Hay-Justice | Module 2 - Pensions Governance | Subscribed |
| Pension Committee | Patricia Hay-Justice | Module 3 - Pensions Administration | Subscribed |
| Pension Committee | Patricia Hay-Justice | Module 4 - Pensions Accounting and Audit Standards | Subscribed |
| Pension Committee | Patricia Hay-Justice | Module 5 - Procurement and Relationship Management | Subscribed |
| Pension Committee | Patricia Hay-Justice | Module 6 - Investment  Performance and Risk Management | Subscribed |
| Pension Committee | Patricia Hay-Justice | Module 7 - Financial Markets and Product Knowledge | Subscribed |
| Pension Committee | Patricia Hay-Justice | Module 8 - Actuarial methods, Standards and Practices | Subscribed |
| Pension Committee | Peter Howard | Module 1 - Committee Role and Pensions Legislation | Subscribed |
| Pension Committee | Peter Howard | Module 2 - Pensions Governance | Subscribed |
| Pension Committee | Peter Howard | Module 3 - Pensions Administration | Subscribed |
| Pension Committee | Peter Howard | Module 4 - Pensions Accounting and Audit Standards | Subscribed |
| Pension Committee | Peter Howard | Module 5 - Procurement and Relationship Management | Subscribed |
| Pension Committee | Peter Howard | Module 6 - Investment  Performance and Risk Management | Subscribed |
| Pension Committee | Peter Howard | Module 7 - Financial Markets and Product Knowledge | Subscribed |
| Pension Committee | Peter Howard | Module 8 - Actuarial methods, Standards and Practices | Subscribed |

| | | | |
|---|---|---|---|
| Pension Committee | Simon Brew | Module 1 - Committee Role and Pensions Legislation | Subscribed |
| Pension Committee | Simon Brew | Module 2 - Pensions Governance | Subscribed |
| Pension Committee | Simon Brew | Module 3 - Pensions Administration | Subscribed |
| Pension Committee | Simon Brew | Module 4 - Pensions Accounting and Audit Standards | Subscribed |
| Pension Committee | Simon Brew | Module 5 - Procurement and Relationship Management | Subscribed |
| Pension Committee | Simon Brew | Module 6 - Investment  Performance and Risk Management | Subscribed |
| Pension Committee | Simon Brew | Module 7 - Financial Markets and Product Knowledge | Subscribed |
| Pension Committee | Simon Brew | Module 8 - Actuarial methods, Standards and Practices | Subscribed |
| Pension Committee | Simon Fox | Module 1 - Committee Role and Pensions Legislation | Subscribed |
| Pension Committee | Simon Fox | Module 2 - Pensions Governance | Subscribed |
| Pension Committee | Simon Fox | Module 3 - Pensions Administration | Subscribed |
| Pension Committee | Simon Fox | Module 4 - Pensions Accounting and Audit Standards | Subscribed |
| Pension Committee | Simon Fox | Module 5 - Procurement and Relationship Management | Subscribed |
| Pension Committee | Simon Fox | Module 6 - Investment  Performance and Risk Management | Subscribed |
| Pension Committee | Simon Fox | Module 7 - Financial Markets and Product Knowledge | Subscribed |
| Pension Committee | Simon Fox | Module 8 - Actuarial methods, Standards and Practices | Subscribed |
| Pension Committee | Yvette Hopley | Module 1 - Committee Role and Pensions Legislation | Subscribed |
| Pension Committee | Yvette Hopley | Module 2 - Pensions Governance | Subscribed |
| Pension Committee | Yvette Hopley | Module 3 - Pensions Administration | Subscribed |
| Pension Committee | Yvette Hopley | Module 4 - Pensions Accounting and Audit Standards | Subscribed |
| Pension Committee | Yvette Hopley | Module 5 - Procurement and Relationship Management | Subscribed |
| Pension Committee | Yvette Hopley | Module 6 - Investment  Performance and Risk Management | Subscribed |
| Pension Committee | Yvette Hopley | Module 7 - Financial Markets and Product Knowledge | Subscribed |
| Pension Committee | Yvette Hopley | Module 8 - Actuarial methods, Standards and Practices | Subscribed |

| | | | |
|---|---|---|---|
| Reserve Committee | Alisa Flemming | Module 1 - Committee Role and Pensions Legislation | Subscribed |
| Reserve Committee | Alisa Flemming | Module 2 - Pensions Governance | Subscribed |
| Reserve Committee | Alisa Flemming | Module 3 - Pensions Administration | Subscribed |
| Reserve Committee | Alisa Flemming | Module 4 - Pensions Accounting and Audit Standards | Subscribed |
| Reserve Committee | Alisa Flemming | Module 5 - Procurement and Relationship Management | Subscribed |
| Reserve Committee | Alisa Flemming | Module 6 - Investment  Performance and Risk Management | Subscribed |
| Reserve Committee | Alisa Flemming | Module 7 - Financial Markets and Product Knowledge | Subscribed |
| Reserve Committee | Alisa Flemming | Module 8 - Actuarial methods, Standards and Practices | Subscribed |
| Reserve Committee | Appu Srinivasan | Module 1 - Committee Role and Pensions Legislation | Subscribed |
| Reserve Committee | Appu Srinivasan | Module 2 - Pensions Governance | Subscribed |
| Reserve Committee | Appu Srinivasan | Module 3 - Pensions Administration | Subscribed |
| Reserve Committee | Appu Srinivasan | Module 4 - Pensions Accounting and Audit Standards | Subscribed |
| Reserve Committee | Appu Srinivasan | Module 5 - Procurement and Relationship Management | Subscribed |
| Reserve Committee | Appu Srinivasan | Module 6 - Investment  Performance and Risk Management | Subscribed |
| Reserve Committee | Appu Srinivasan | Module 7 - Financial Markets and Product Knowledge | Subscribed |
| Reserve Committee | Appu Srinivasan | Module 8 - Actuarial methods, Standards and Practices | Subscribed |
| Reserve Committee | Nikhil Sherine Thampi | Module 1 - Committee Role and Pensions Legislation | Subscribed |
| Reserve Committee | Nikhil Sherine Thampi | Module 2 - Pensions Governance | Subscribed |
| Reserve Committee | Nikhil Sherine Thampi | Module 3 - Pensions Administration | Subscribed |
| Reserve Committee | Nikhil Sherine Thampi | Module 4 - Pensions Accounting and Audit Standards | Subscribed |
| Reserve Committee | Nikhil Sherine Thampi | Module 5 - Procurement and Relationship Management | Subscribed |
| Reserve Committee | Nikhil Sherine Thampi | Module 6 - Investment  Performance and Risk Management | Subscribed |
| Reserve Committee | Nikhil Sherine Thampi | Module 7 - Financial Markets and Product Knowledge | Subscribed |
| Reserve Committee | Nikhil Sherine Thampi | Module 8 - Actuarial methods, Standards and Practices | Subscribed |

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| Reserve Committee | Richard Chatterjee | Module 1 - Committee Role and Pensions Legislation | Subscribed |
| Reserve Committee | Richard Chatterjee | Module 2 - Pensions Governance | Subscribed |
| Reserve Committee | Richard Chatterjee | Module 3 - Pensions Administration | Subscribed |
| Reserve Committee | Richard Chatterjee | Module 4 - Pensions Accounting and Audit Standards | Subscribed |
| Reserve Committee | Richard Chatterjee | Module 5 - Procurement and Relationship Management | Subscribed |
| Reserve Committee | Richard Chatterjee | Module 6 - Investment  Performance and Risk Management | Subscribed |
| Reserve Committee | Richard Chatterjee | Module 7 - Financial Markets and Product Knowledge | Subscribed |
| Reserve Committee | Richard Chatterjee | Module 8 - Actuarial methods, Standards and Practices | Subscribed |
| Reserve Committee | Robert Ward | Module 1 - Committee Role and Pensions Legislation | Subscribed |
| Reserve Committee | Robert Ward | Module 2 - Pensions Governance | Subscribed |
| Reserve Committee | Robert Ward | Module 3 - Pensions Administration | Subscribed |
| Reserve Committee | Robert Ward | Module 4 - Pensions Accounting and Audit Standards | Subscribed |
| Reserve Committee | Robert Ward | Module 5 - Procurement and Relationship Management | Subscribed |
| Reserve Committee | Robert Ward | Module 6 - Investment  Performance and Risk Management | Subscribed |
| Reserve Committee | Robert Ward | Module 7 - Financial Markets and Product Knowledge | Subscribed |
| Reserve Committee | Robert Ward | Module 8 - Actuarial methods, Standards and Practices | Subscribed |
| Reserve Committee | Stella Nabukeera | Module 1 - Committee Role and Pensions Legislation | Subscribed |
| Reserve Committee | Stella Nabukeera | Module 2 - Pensions Governance | Subscribed |
| Reserve Committee | Stella Nabukeera | Module 3 - Pensions Administration | Subscribed |
| Reserve Committee | Stella Nabukeera | Module 4 - Pensions Accounting and Audit Standards | Subscribed |
| Reserve Committee | Stella Nabukeera | Module 5 - Procurement and Relationship Management | Subscribed |
| Reserve Committee | Stella Nabukeera | Module 6 - Investment  Performance and Risk Management | Subscribed |
| Reserve Committee | Stella Nabukeera | Module 7 - Financial Markets and Product Knowledge | Subscribed |
| Reserve Committee | Stella Nabukeera | Module 8 - Actuarial methods, Standards and Practices | Subscribed |

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|---|---|---|---|
| Reserve Committee | Stuart Collins | Module 1 - Committee Role and Pensions Legislation | Subscribed |
| Reserve Committee | Stuart Collins | Module 2 - Pensions Governance | Subscribed |
| Reserve Committee | Stuart Collins | Module 3 - Pensions Administration | Subscribed |
| Reserve Committee | Stuart Collins | Module 4 - Pensions Accounting and Audit Standards | Subscribed |
| Reserve Committee | Stuart Collins | Module 5 - Procurement and Relationship Management | Subscribed |
| Reserve Committee | Stuart Collins | Module 6 - Investment  Performance and Risk Management | Subscribed |
| Reserve Committee | Stuart Collins | Module 7 - Financial Markets and Product Knowledge | Subscribed |
| Reserve Committee | Stuart Collins | Module 8 - Actuarial methods, Standards and Practices | Subscribed |

**Modules Not started Totals**

| Course Enrolment Status | Fullname | LGPS Role | Total Not started | % Not Started |
|---|---|---|---|---|
| Subscribed | Alasdair Stewart | Pension Committee | 8 | 100 |
| Subscribed | Calton Young | Pension Committee | 8 | 100 |
| Subscribed | Charles Quaye | Pension Committee | 8 | 100 |
| Subscribed | Clive Fraser | Pension Committee | 8 | 100 |
| Subscribed | Endri Llabuti | Pension Committee | 8 | 100 |
| Subscribed | Gilli Driver | Pension Committee | 8 | 100 |
| Subscribed | Karen Jewitt | Pension Committee | 8 | 100 |
| Subscribed | Patricia Hay-Justice | Pension Committee | 8 | 100 |
| Subscribed | Peter Howard | Pension Committee | 8 | 100 |
| Subscribed | Simon Brew | Pension Committee | 8 | 100 |
| Subscribed | Simon Fox | Pension Committee | 8 | 100 |
| Subscribed | Yvette Hopley | Pension Committee | 8 | 100 |
| Subscribed | Alisa Flemming | Reserve Committee | 8 | 100 |
| Subscribed | Appu Srinivasan | Reserve Committee | 8 | 100 |
| Subscribed | Nikhil Sherine Thampi | Reserve Committee | 8 | 100 |
| Subscribed | Richard Chatterjee | Reserve Committee | 8 | 100 |
| Subscribed | Robert Ward | Reserve Committee | 8 | 100 |
| Subscribed | Stella Nabukeera | Reserve Committee | 8 | 100 |
| Subscribed | Stuart Collins | Reserve Committee | 8 | 100 |

# Mandatory Training Events Committee 2023/24

| | Facility | Module | Details | Date | Offered To | Form | | |
|---|---|---|---|---|---|---|---|---|
| | Hymans on-line | Module 1 | Committee Role and Pensions Legislation | As required | All Board, Committee and Reserves | On-line | | |
| | Hymans on-line | Module 2 | Pensions Governance | As required | All Board, Committee and Reserves | On-line | | |
| | Hymans on-line | Module 3 | Pensions Administration | As required | All Board, Committee and Reserves | On-line | | |
| | Hymans on-line | Module 5 | Pensions Accounting and Audit Standards | As required | All Board, Committee and Reserves | On-line | | |
| | Hymans on-line | Module 6 | Procurement and Relationship Management | As required | All Board, Committee and Reserves | On-line | | |
| | Hymans on-line | Module 7 | Investment Performance and Risk Management | As required | All Board, Committee and Reserves | On-line | | |
| | Hymans on-line | Module 8 | Actuarial Methods, Standards and Practices | As required | All Board, Committee and Reserves | On-line | | |

| Facility | Module | Details | Either Full Day in person Sessions | Dates | OR Remote 2 Half Day Sessions | Dates | Offered To |
|---|---|---|---|---|---|---|---|

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|---|---|---|---|---|---|---|---|---|
| | LGE Fundamentals | Day 1 | Responsibilities of Committee and Board<br>Benefit Structure<br>The Legal Landscape<br>Good Governance | In Person - Westminster | 12/10/2023 | On-line | 19/10/2023 and 26/10/2023 | All Board, Committee and Reserves |
| | LGE Fundamentals | Day 2 | Investment Classes<br>Investment Risk and Return<br>Investment Sustainability<br>Responsible Investment<br>Growth Opportunities and Risks in the Medium and Long Term | In Person - Westminster | 02/11/2023 | On-line | 16/11/2023 and 23/11/2023 | All Board, Committee and Reserves |
| | LGE Fundamentals | Day 3 | Responsible Asset Ownership<br>Stewardship<br>Cost Transparency<br>Board / Pension Manager relationship in Administration<br>Role of the Responsible Government Department<br>Issues on thr Radar<br>Valuations<br>Funding | In Person - Westminster | 05/12/2023 | On-line | 11/12/2023 and 19/12/2023 | All Board, Committee and Reserves |
| | Induction Training | | In House as Required | As required | All Board, Committee and Reserves | | | |
| | | | | | | | | |

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|---|---|---|---|---|---|---|---|---|
| | Annual Knowledge Assessment | | Questionnaire | Annually | All Board, Committee and Reserves | Email | | |

# Croydon Council

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| **REPORT TO:** | **Pension Committee**<br>**19 September 2023** |
| **SUBJECT:** | **The Collective Investment Vehicle for London Local Authorities Pension Funds: Compliance with pooling requirements, review of savings and governance structure.** |
| **LEAD OFFICER:** | **Matthew Hallett – Acting Head of Pensions and Treasury** |

## 1. RECOMMENDATION

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

**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.

The decision sought will support the Council priority of OUTCOME 1 “Balances the books, listens to residents and delivers good, sustainable services.”

**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 2022/23 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 and current for 2021/22, 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 2023 the Fund had investments of £159.8m (9.6% of its investments) invested in sub-funds managed by the LCIV and a further £670.9m (40.1%) 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 (49.7%) 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 2023 is as follows:

| INVESTMENT | £m | % |
|---|---|---|
| **LCIV related** | | |
| Legal and General Equities | 670.863 | 40.1 |
| RBC Equities | 77.964 | 4.7 |
| PIMCO Fixed interest bonds | 81.804 | 4.9 |
| LCIV | 0.150 | |
| **LCIV related total** | 830.781 | 49.7 |
| **Non LCIV related total** | 843.373 | 50.3 |
| **TOTAL** | 1,674.154 | 100.0 |

3.8 Estimated savings made against assumptions of standard fees and costs incurred from the pool investments during 2022/23 were as follows:

| | Assets under management at 31 March 2023 | Estimated gross fees savings | Management fees and development funding charge | Estimated net fees savings |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| **Legal and General Equities** | 670,863 | 384 | 32 | 352 |
| **RBC Global Asset Management (UK)** | 77,964 | 119 | 19 | 100 |
| **PIMCO Fixed interest** | 81,804 | 226 | 4 | 222 |
| **LCIV** | 150 | | | |
| **Development funding charge'*** | | | 110 | (110) |
| **TOTAL** | 830,781 | 729 | 165 | 564 |

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

3.9 The Committee is invited to note this report

## 4. CONSULTATION

4.1 Officers have consulted with the Fund's advisers in preparing this report.

## 5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

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

**Approved by**: Allister Bannin 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 immediate workforce impacts arising from the content of this report. Should any arise, these will be managed under Council policies and procedures.

**Approved by:** Gillian Bevan, Head of HR, Resources and Assistant Chief Executives directorates on behalf of Dean Shoesmith, Chief People Officer.
Date: 5.9.23

## 8. EQUALITIES IMPACT

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

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

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

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

8.2 There are no equality implications arising from this report

**Approved by**: Naseer Ahmad for Equality Programme Manager, (08/09/2023)

## 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:** Allister Bannin on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

## CONTACT OFFICER:

Matthew Hallett – Acting Head of Pensions and Treasury.

## BACKGROUND DOCUMENTS:

None.

## APPENDICES:

None.

# Croydon Council

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|---|---|
| **REPORT TO:** | **Pension Committee**<br>**19 September 2023** |
| **SUBJECT:** | **Local Government Pension Scheme Advisory Board / The Pensions Regulator Update** |
| **LEAD OFFICER:** | **Matthew Hallett – Acting Head of Pensions and Treasury** |

## 1. RECOMMENDATION

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

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

The decision supports the Council priority of OUTCOME 1 “Balances the books, listens to residents and delivers good, sustainable services.”

**FINANCIAL SUMMARY:**

The are no direct financial implications associated with this Report. However, several of the matters discussed have financial implications which will be addressed as appropriate and which may have an effect on the General Fund of the Council.

## 2. EXECUTIVE SUMMARY

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

## 3 DETAIL

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

**Publication of the 2022 Scheme Valuation Report**

On 10 August 2023 the Scheme Advisory Board published a detailed report that pulls together data from all of the 2022 local fund valuation reports. The Report aims to provide a rich source of information about a range of vital issues for Scheme members, employers and other stakeholders. It shows that:

- The average funding level has improved from 98% in 2019 to 107% at 2022 (on local funding bases), with all Funds reporting an improvement in their position since 2019
- Average contribution rates to meet future service costs rose from 18.6% of payroll at 2019 to 19.8% of payroll at 2022
- Overall, contribution rates fell – reflecting lower deficit contributions – to 21.1% of payroll at 2022 from 22.9% of payroll at 2019
- Employee contributions increased marginally from 6.5% of pay to 6.6%

The report also examines the main assumptions used by funds in their 2022 valuations, looking at trends around setting of the discount rate, life expectancy and future expectations for inflation and salary increases.

**Compliance and Reporting Committee's Annual Report working group - Review of 2019 CIPFA 'Preparing the Annual Report' guidance**

On 27 July 2023 the Board reported that the Annual Report working group had been reviewing the 2019 CIPFA 'Preparing the Annual Report' guidance and had identified several areas within the current guidance which now require updating and clarification. A priority has been to streamline the guidance and reduce duplication with other reporting obligations wherever possible.

Another key area of improvement identified was how funds should report and categorise the allocation of assets. This area is covered in DLUHC's recent consultation on LGPS investments, which proposes a requirement for 'a single standard set of data on investments across annual reports and LGPS statistics'. The new guidance will suggest funds follow a 'worked example' template provided by the SAB which aims to improve consistency and better scheme-level reporting of asset allocation in the SAB annual report. Using standard data to report asset classes also aims to make the annual report process simpler for funds and more consistent for readers to directly compare data. The 'worked example' template for the categorisation of assets will shortly be shared by the SAB secretariat team and should be incorporated into reporting as soon as possible whilst the new guidance is being prepared.

From an administrative perspective, the Key Performance Indicators are being reviewed, with various fund officers and software providers invited to provide comment on the current guidance. The aim is better to define them and allow for standardised reporting so that funds can properly benchmark themselves against others. The new guidance aims to be in place ready for the 2023/24 reporting period but there are reporting changes which the Board hope can be implemented on a voluntary basis for 2022/23 annual reports.

**Update on LGPS Gender Pensions Gap Report (27 July 2023)**

The earlier Gender Pensions Gap report for LGPS identified a substantial difference between the average level of LGPS pension benefits accrued by male and female scheme members. The difference between men and women as to their accrued benefits in the Local Government Pension Scheme is 34.7% for benefits in the reformed CARE scheme and 46.4% for benefits in the legacy final salary scheme. For benefits in payment the difference was even greater (49%).

While this potentially indicates some progress towards equality, the Board asked the Government Actuary's Department (GAD) to explore these gender gaps in more depth, focussing on:

- Career patterns – in particular, evidence of recent and past part-time working
- Differences relating to employers or categories of employers
- Comparing our analysis with the LGA's 2019 gender pay gap report

This further report sets out GAD's findings. Essentially there is no simple answer and there seems to be a complex interaction between the types of work women do, their career patterns (in terms of part-time working and gaps in service) and their ability to progress their careers after having taken on childcare or other caring responsibilities. The report shows, for example, that:

- Part-time working patterns are closely related to gender pension (and pay) gaps for LGPS members. Controlling for differences between men and women in terms of both current and historic part-time working patterns reduces, but does not eliminate, these gender gaps. Possible explanatory factors include length of service and employer differences.
- Pay and pension gender gaps can be attributed to both differences for males and females working for the same employer ('within employer') and differences in the proportions of males and females working at higher or lower paying employers ('between employer') as well as between different categories of employers.

There is as yet no settled approach to data and methodological issues that would allow detailed comparisons to be drawn between gender gaps with different public sector pension schemes. The Board has therefore proposed that GAD put in place a common reporting framework for all of the public sector schemes, potentially working this into the quadrennial scheme valuation process. Similarly, we believe that the relationship between gender pay and pension gaps reporting needs to be addressed to allow for greater transparency and understanding.

The Board has decided to set up a small working group to consider next steps. For example:

- Are there any in-scheme changes that would help address the levels of inequality (e.g. around the ability to buy back service)
- Can we direct employers to best practice in managing the career paths of those who take time off for caring responsibilities
- How do we communicate with members to ensure they are informed about the potential pension implications of the career choices they make
- How can we mainstream this kind of analysis so we can properly evaluate "what works" and how much is left to do.

If you are interested in taking part in the working group, then please contact the SAB Secretariat directly.

**Next Steps for Investments in the LGPS in England & Wales**

On 11 July 2023 DLUHC issued a consultation on a number of investment-related proposals for the LGPS. These include imposing a deadline of 31 March 2025 for the transition of listed assets from funds to pools; proposals around increasing LGPS investments in private equity and projects that meet the government's levelling up agenda; details around the implementation of the Competition and Markets Authority Order relating to investment consultants, and a technical change to the 2016 investment regulations. The consultation will run for twelve weeks and closes on 2 October 2023. You can view the consultation on the gov.uk website. DLUHC is asking that respondents use the online consultation link to respond. The Scheme Advisory Board will be responding to the consultation and will publish information about its discussions, as well as a draft response, in due course.

On 9 December 2022, the Chancellor of the Exchequer announced a set of reforms (known as the "Edinburg Reforms") to drive growth and competitiveness in the financial services sector. It has been confirmed that the Government will be consulting in early 2023 on issuing new guidance on Local Government Pension Scheme asset pooling. The government will also consult on requiring LGPS funds to ensure they are considering investment opportunities in illiquid assets such as venture and growth capital, as part of a diversified investment strategy.

**Second reading of the Economic Activity of Public Bodies (Overseas Matters) in the House of Commons**

On 3 July 2023 The Economic Activity of Public Bodies (Overseas Matters) Bill, also known as the Boycotts, Divestments and Sanctions Bill had its second reading in the House of Commons. The Bill seeks to ban LGPS administering authorities from making investment decisions influenced by political and moral disapproval of foreign state conduct, except where this is required by formal Government legal sanctions, embargoes, and restrictions. In the course of the debate, significant concerns were expressed about the Bill. These centred around its rationale, its practicability and also whether it constituted a significant over-reach of Ministerial authority. The LGA has published a technical brief on the Bill which includes a section on the Bill's effect on pensions as well as the LGA view on this. The SAB will be providing written evidence on the Bill to the Public Bill Committee which will scrutinise the draft Bill. As far as the Board is aware, there is no evidence that any LGPS fund has instituted inappropriate politically motivated boycott or divestment policies.

**Publication of the tenth Scheme Annual Report**

On 26 June 2023 the Board published the tenth Scheme Annual Report. The aim of this Report is to provide a single source of information about the status of the LGPS for its members, employers, and other stakeholders. Continually improving key information about the Scheme as a whole is one of the top priorities of the Board. This report aggregates information supplied in the 86 fund annual reports, as of 31 March 2022.

**Climate risk reporting**

On 15 June 2023 DLUHC confirmed that implementation of climate reporting obligations would be delayed at least until next year. Presuming regulations are forthcoming in time for 1st April 2024, reports covering the period 1 April 2024 - 31 March 2025 would need to be produced by December 2025.

On 23 May 2023 the Board advised that TPR have published a review of climate-related disclosures by occupational pension schemes. The paper sets out TPR's preliminary observations and feedback to industry, based on their review of a selection of climate-related disclosures published by occupational pension schemes. The review relates to private pension schemes but contains observations which may be useful for LGPS funds ahead of the implementation of climate risk (TCFD) reporting in the LGPS – which is now expected to commence from 1 April 2024, with first reports due in late 2025.

On 22 February 2023 SAB published the results of their survey to guage the preparedness of pension funds for the changes being considered by Government as follows:

*We received a total of 51 responses to this survey. Approximately 30% of respondents indicated their fund does not have adequate resources to produce a risk report. From those without the adequate resources, 45% indicated they do not have a sufficient project plan in place to deliver a report by the anticipated deadline of December 2024. 25% of respondents do not believe that they have access to sufficient data to populate a risk report and a further 27% of respondents are unsure if they have access to the necessary data. Scope 3 carbon emissions data and carbon emissions data for alternatives and private markets were regularly cited as being extremely difficult to obtain. Although 56% responded that they have a plan in place to produce the data required to an acceptable standard, many funds cited they were dependent on the ability of third parties such as pools and fund managers to source the data and conduct the climate risk analysis.*

*35% of respondents indicated they had conducted a full assessment on what expertise was required for risk analysis. 27% have not and 35% of funds had undertaken some sort of assessment. 69% of respondents indicated they had a plan to source the resources required for the production of the report. While many funds indicated they were awaiting more certainty before carrying out assessments of what was required for the report, some were pressing ahead with plans as soon as possible.*

*The Board is working closely with the Department and administering authorities to better understand the challenge and support them through it. We intend to repeat this survey after the Government Response to last year's consultation is published, and the precise requirements are clearer.*

*Interestingly, the survey also found that 25 funds reported a date of 2050 or sooner for reaching net zero in their asset portfolio, however a substantial number of respondents indicated that risk reporting will not change or will have a limited impact on their asset allocation or choice of investments. Rather they considered it as a means to "show progress" against targets set. Some stated that it provided a focus for engagement both with their asset managers and the underlying companies in order to effect real world change, rather than simply "greening" the portfolio.*

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

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

**'McCloud' remedy in the LGPS – supplementary issues and scheme regulations consultation**

On 30 May 2023 DLUHC launched a consultation that seeks views on changes to the Local Government Pension Scheme in England and Wales (LGPS). This follows a previous consultation that DLUHC undertook in 2020 on proposals to address discrimination found by the courts in the 'McCloud' case. The Court of Appeal ruled in 2018 that younger members of the judicial and firefighters' pension schemes had been unlawfully discriminated against – known as the McCloud judgement. The Department published the government response in April 2023 confirming the steps it will be taking to resolve the McCloud age gap discrimination in respect of the LGPS in England and Wales.

DLUHC are now seeking views on issues relating to the McCloud remedy. This will cover reconsulting on some areas, and consulting on issues not covered in the first consultation. The department are also seeking views on draft scheme regulations (see annex A) which would implement the remedy. The consultation closed on 30 June 2023.

On 3 March 2023 SAB has published guidance to assist administering authorities with McCloud data issues. The guidance sets out what options administering authorities may consider if they are unable to collect the data needed to implement the McCloud remedy. It covers both missing data and data that may be inaccurate. The guidance should be read in conjunction with the legal advice provided by Eversheds on McCloud data issues which is referenced within the guidance document.

**2021/22 Annual Reports and Audit issues within the LGPS**

On 30 May 2023 SAB issued the following statement in respect of the impact of completed triennial valuations on the delayed 2021/22 accounts

> *Councils may be aware that the delay in finalising accounts for 2021/22 has meant that information from the March 2022 triennial valuations of pension funds has become available before the audit of many accounts has been signed-off. This has led some auditors to request that the accounts are re-done using this more up to date information.*
>
> *Following discussions between stakeholders, last week the National Audit Office (NAO) issued supplementary guidance to auditors (guidance note SGN 3) and CIPFA issued supplementary guidance to accounts preparers (CIPFA Bulletin 14 Supplement). Taken together these make it clear that there is no need for the accounts to be re-stated using the triennial valuations, unless the original valuation in the accounts contained material omissions such as not taking account of an existing large-scale restructuring/redundancy programme. Hopefully, this will now prevent the issue of pension valuations adding further to the delays in finalising accounts.*

On 15 February 2023 the Minister for Local Government responded to the letter written to him in August 2022 by SAB on delays in the external audit of local authority accounts, including pension fund accounts. He welcomed the Board's advice and recommendation to consider the separation of main authority accounts and the pension fund accounts and has asked his officials to consider the scope for developing this further.

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

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

**DLUHC consultation on changes to the SAB's cost management process (Scheme Cost Assessment – SCA)**

On 23 May 2023 the Board issued the following statement:

> *DLUHC has issued the final regulations and published its response to the consultation on reforming the SAB's own parallel process for reviewing scheme cost. This is the process set out in Regulation 116 of the 2013 Regulations, which runs during the HM Treasury-led quadrennial scheme valuation process. The changes take into account SAB's response to the consultation and better align the SCA with HMT's reformed cost control mechanism (CCM).*
>
> *It helpfully re-iterates that the SAB process operates prior to the HMT CCM and gives the SAB greater flexibility in the making of recommendations to the Secretary of State where there is a breach. However, it leaves open for further discussion the link with the new "economic check" in the CCM.*

On 6 March 2023 SAB submitted its response to DLUHC's consultation. The SAB scheme cost assessment is the part of the cost management process which operates independently of, and prior to, the HM Treasury directed cost management process. The response is generally supportive of the Department's approach as they have taken on board many of the points made by the Board on how best to re-align the SAB process with the HM Treasury process, which was reformed last year. SAB hope that an opportunity will be found to make the necessary amendments to the 2013 LGPS Regulations ahead of the 2020 scheme valuation process being undertaken. The full response can be found here.

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

**SAB statement on Freedom of Information Act requests on climate advice and data (30th March 2023)**

"Some funds have raised with the Board the increasing prevalence of requests for information about the responsible investment policies of administering authorities. These may come from interested scheme members or activist groups and can be "round robin" requests that are made to all LGPS funds with a view to collating information across the scheme (and making comparisons between funds' responses).

"As public authorities, there are duties on all administering authorities to be open and transparent about their policies and actions. However, the resources available to deal with requests are not unlimited and there will be occasions where cost, commercial sensitivity or other considerations will outweigh the public interest in releasing information. Further guidance on this is available from the Information Commissioner's Office. Support in how to respond to these requests, especially if they become onerous or vexatious, should be sought from the authority's legal and FOI advisers.

"If the new climate reporting duties had been brought in by the Government, as consulted on last year, from 1st April 2023 then that may have helped authorities currently considering the request from Carbon Tracker by putting, or at least having a plan to put, a large amount of information into the public domain which may have helped address some of the requests for information that are being received. Despite the delays in DLUHC concluding that consultation, the Board would recommend that all funds consider having a proactive publication scheme in place for climate data, and their stewardship activities, to minimise the volume of ad hoc requests that they have to field."

**Changes to pensions taxation**

On 15 March 2023 the Chancellor announced some changes to pensions taxation in the Spring Budget. The Annual Allowance (which is the maximum amount of pensions savings an individual can make each year before incurring a tax charge) will increase from £40,000 to £60,000 from 6 April 2023, with individuals continuing to be able to carry forward unused Annual Allowances from the three previous tax years. Changes were also made to the Lifetime Allowance, the charge for which will be reduced to zero from 6 April 2023, before being fully abolished in a future Finance Bill. Other changes were made to the Money Purchase Annual Allowance and Tapered Annual Allowance. More detail can be found in the Budget document and the Pension Tax Limits policy paper.

**DLUHC consultation on changing the revaluation date**

On 10 February 2023 DLUHC issued a consultation on changing the Scheme revaluation date from 1 to 6 April, with effect from 1 April 2023. The proposed change would remove the impact of high inflation on the annual allowance and reduce the number of members incurring a tax charge. The consultation ran for two weeks and closed on 24 February 2023. The consultation can be viewed on the Scheme consultations page.

SAB appear not to have responded to the consultation but the Council has been advised by the LGA of their response as follows:

*We have published our response to DLUHC's consultation on changing the annual revaluation date in the LGPS. The consultation documents and our response can be viewed on the scheme consultations page of www.lgpsregs.org.*

PC 19092023

On 9 March 2023 DLUHC responded to the consultation on changing the revaluation date. The response confirms that it will be proceeding with the change. Regulations have been published which took effect on 31 March 2023.

## 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 statements of interest to the LGPS:

### Equality, Diversity and Inclusion

On 28 March 2023 TPR published equality, diversity and inclusion (EDI) **guidance for pension scheme governing bodies** and **employers**.

TPR hopes the guidance, developed with an industry working group, will be used by pension scheme governing bodies and sponsoring employers to improve the EDI of their scheme's board.

The guidance suggests that pension schemes have an EDI policy, which covers an agreed definition of EDI, the EDI aims of the governing body and an EDI training plan. Assessments of the governing body's performance should include how well EDI has been, and continues to be, embedded into processes, according to scheme objectives.

### Pensions Dashboards compliance and enforcement policy

On 2 March 2023 the Council received the following email from the Local Government Association:

*"DWP have today issued a written ministerial statement announcing delays to the delivery of pensions dashboards. A full version of the statement can be seen here.*

- *In the statement, the government announced its intention to legislate to amend schemes' connection deadlines, to give PDP the time it needs to meet the significant challenges in developing the necessary digital architecture.*
- *While this announcement will come as a disappointment to many, we have to recognise that this is a hugely complex project. We owe it to savers to get this right, even if it means taking longer to deliver.*
- *DWP, PDP, TPR and FCA remain committed to the delivery of pensions dashboards. We are in continuous discussion with PDP, FCA and DWP on the progress of the project and the impact of any issues or delays which arise.*
- *We will continue to work with industry to make dashboards happen – to maintain an open dialogue and work collaboratively to meet any challenges which arise.*
- *TPR will not be taking regulatory action if schemes are unable to meet their deadlines because the technological system is not in place.*

- *We recognise the importance of supporting schemes through this process, and we will continue to provide education to support trustees in meeting their duties. We expect industry to continue preparing for dashboards, in particular by getting to grips with members' data.*
- *We will shortly be updating our guidance in light of the recent announcement, and to provide further clarity on the steps schemes should be taking to continue to prepare.*

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

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

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

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

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

## 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**: Allister Bannin on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

PC 19092023

## 6. LEGAL CONSIDERATIONS

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

## 7. HUMAN RESOURCES IMPACT

7.1 There are no immediate workforce implications arising from the content of this report. The Council is supportive of action addressing the relationship between gender pay and pension gaps reporting

**Approved by:** Gillian Bevan, Head of HR, Resources and Assistant Chief Executives directorates on behalf of the Chief People Officer. Date: 5.9.23

## 8. EQUALITIES IMPACT

8.1 The Council has a statutory duty to comply with the provisions set out in Sec 149 of the Equality Act 2010. The Council must therefore have due regard to: (a)eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act. (b)advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it. (c)foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

8.2 Any risks arising from pension payments in relation to the scheme would be likely to have an adverse impact on older workers along with women who make up the majority of the workforce. This may have an intersectional impact on older women.

**Approved by:** Naseer Ahmad for Equality Programme Manager, (08/09/2023)

## 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:** Allister Bannin on behalf of Jane West, Corporate Director of Resources (Section 151 Officer

**CONTACT OFFICER:**

Matthew Hallett – Acting Head of Pensions and Treasury.

**BACKGROUND DOCUMENTS:**

None.

**APPENDICES:**

None.

# Croydon Council

| | |
|---|---|
| **REPORT TO:** | **Pension Committee**<br>**19 September 2023** |
| **SUBJECT:** | **Investment Strategy Statement** |
| **LEAD OFFICER:** | **Matthew Hallett – Acting Head of Pensions and Treasury** |

1. **RECOMMENDATION**

1.1 The Committee are asked to review and agree the draft Investment Strategy Statement attached as Appendix A.

**CORPORATE PRIORITY / POLICY CONTEXT**

Sound Financial Management: This report asks the Committee to consider a draft Investment Strategy Statement required for the proper administration of the Pension Fund.

The decision supports the Council priority of OUTCOME 1 “Balances the books, listens to residents and delivers good, sustainable services.”

**FINANCIAL SUMMARY:**

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

## 2. EXECUTIVE SUMMARY

2.1 This report presents a draft Investment Strategy Statement for the Pension Fund for consideration by the Committee.

## 3. DETAIL

3.1 Regulation 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 requires that:

*(1) An authority must, after taking proper advice, formulate an investment strategy which must be in accordance with guidance issued from time to time by the Secretary of State.*

*(2) The authority's investment strategy must include—*

- *(a) a requirement to invest fund money in a wide variety of investments;*
- *(b) the authority's assessment of the suitability of particular investments and types of investments;*
- *(c) the authority's approach to risk, including the ways in which risks are to be assessed and managed;*
- *(d) the authority's approach to pooling investments, including the use of collective investment vehicles and shared services;*
- *(e) the authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and*
- *(f) the authority's policy on the exercise of the rights (including voting rights) attaching to investments.*

*(3) The authority's investment strategy must set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment.*

3.2 In the context of the recently completed Actuarial Valuation and Funding Strategy Statement, at their meetings on 6 December 2022 and 20 June 2023, the Committee carried out a review of the Fund's investment strategy with advice provided by the Fund's Investment Adviser, Mercer and Actuary, Hymans Robertson..

3.3 As the Committee will see elsewhere on the agenda it is proposed to no longer include the Fund's Responsible Investment Policy (Environmental, Social and Governance Policy) in the Investment Strategy Statement but to establish it as a Policy in its own right.

3.4 Attached as Appendix A is a Policy proposed for the Fund as drafted by Mercer, the Fund's Investment Adviser. The Committee are invited to consider and agree this Policy.

## 4. CONSULTATION

4.1 The draft Investment Policy has been prepared by Mercer, the Fund's Investment Adviser in consultation with Council officers and the Fund Actuary.

## 5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

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

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

## 6. LEGAL CONSIDERATIONS

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

## 7. HUMAN RESOURCES IMPACT

7.1 There are no immediate workforce impacts arising from the content of this report.

**Approved by:** Gillian Bevan, Head of HR, Resources and Assistant Chief Executives directorates on behalf of Dean Shoesmith, Chief People Officer. Date: 5.9.23

## 8. EQUALITIES IMPACT

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

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

8.2 Having due regard means to consider the three aims of the Equality Duty as part of the process of decision-making. This means that decision makers must be able to evidence that they have taken into account any impact of the proposals under consideration on people who share the protected characteristics before decisions are taken.

**Approved by:** Naseer Ahmad for Equality Programme Manager. (08/09/2023)

## 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:** Allister Bannin 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.

**APPENDIX:**

Appendix A: Investment Strategy Statement

**London Borough of Croydon Pension Fund**
**Investment Strategy Statement (effective 22~~14~~ September 2023~~1~~)**

The Investment Strategy Statement was updated as agreed at the Pension Committee ~~14~~ 22 September 202~~1~~3 ~~A34/21~~.

## 1 Introduction

1.1 The elected members of Croydon Council, acting through the Pension Committee, have drawn up this Investment Strategy Statement (ISS) as required by Regulation 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, brought into force on 1st November 2016. This statement is compliant with the government guidance issued on 15th September 2016 and 12th July 2017.

1.2 As set out in these Regulations, the Committee will review the ISS from time to time and at least every three years. In the event of any material change to any matter contained within the ISS, changes will be reflected within six months of the change occurring.

1.3 The Regulations require all Administering Authorities take ‘proper advice’ when formulating investment strategy. The Council has consulted suitably qualified persons and has obtained advice from its investment consultant, Mercer and consulted Hymans Robertson, the Scheme Actuary.

~~1.3~~1.4 Croydon Council’s investment principles for investing Fund monies have been designed in accordance with and comply with the statutory guidance for Investment Decision Making and Disclosure in the Local Government Pension Scheme: Application of Myners Principles.

## 2 Investment Objectives

2.1 The Fund’s goal is to ensure there are sufficient assets to meet all liabilities as they fall due. In order to achieve this goal the Pensions Committee has adopted the following objectives:

- Achieve a return on investments which at least meets the assumed return (the discount rate) used by the Actuary when setting the triennial valuation.
- Keep risk within acceptable levels.
- Maintain liquidity requirements to pay liabilities when they fall due.

2.2 The investment objectives align with the Funding Strategy Statement. This statement sets out the four key measures that the Actuary has developed which capture the essence of the Fund’s strategies, both the funding and this investment strategy. These include how much each employer can afford; and the question of stability, that is to say employers should not see significant moves in their contribution rates from one year to the next, to help provide a more stable budgeting environment. These objectives are often in conflict. In setting the Funding Strategy the Council has adopted a stabilisation approach that meets the need for stability of contributions without jeopardising the aim of prudent stewardship of the Fund.

## 3 Asset Allocation

3.1 In order to meet the Investment Objectives the Pensions Committee, in consultation with its Investment Adviser, has determined a suitable asset mix. The Pension Committee's interpretation of a suitable asset mix, is one which includes a variety of assets which are well understood, are less than perfectly correlated and which together are expected to meet the long term return objectives of the Fund. An asset mix which meets this criteria will be well diversified and improve the overall risk and return profile of the Fund increasing the likelihood of meeting the Investment Objectives. A properly diversified portfolio of assets should include a range of asset classes to help reduce overall portfolio risk. If a single investment class is not performing well, performance should be balanced by other investments which are doing better at that time. A diversified portfolio also helps to reduce volatility.

3.2 The Pensions Committee has identified four broad asset groups with the alternatives being split into four further classes. Cash is held as working capital and invested in Money Market Funds for short periods but is not considered as an investment asset, although fund managers may hold cash as part of their investment strategy. Desired targets and ranges have been assigned to each asset class. The holding in an asset class ought not to breach the upper end of the range. Table 1, below, sets out the maximum percentage of the total value of all investments of fund money that will be invested in each investments or class of investment. This replaces Schedule 1 to the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 ("the 2009 Regulations").

**Table 1 Asset Allocation**

| Asset Class | Target (%) | Operational Range (%) | Regulation Maximums (%) |
|---|---|---|---|
| **Global Equities** | **42** | **37 - 47** | **60** |
| **Fixed Interest** | **23** | **15 - 28** | **28** |
| **Alternatives:** | **34** | **29 - 39** | **40** |
| *~~Traditional~~ Property (Core & Private Rental Sector)* | *~~10~~12.0* | *~~5-15~~7-17.0* | *17~~15~~* |
| *~~Private Rental Sector Property~~* | *~~6~~* | *~~2 - 8~~* | *~~8~~* |
| *Private Equity* | *~~8~~10.0* | *5 - 15~~3~~* | *15~~3~~* |
| *Infrastructure* | *12.0~~0~~* | *7~~5~~ - 17~~5~~* | *17~~5~~* |

| | | | |
|---|---|---|---|
| **Cash** | **1** | **0-10** | Not applicable |
| **Total Fund** | **100** | | |

Note that the Regulations require that this investment strategy must set out the maximum percentage of the total value of all investments of fund money that will be invested in particular investments or classes of investment. The Target Allocations set out above are aspirational and for guidance only because of the inevitable fluctuations caused by market volatility. The operational range reflects experience and current forecasts.

3.3 As a general principle Croydon Council will actively seek to identify how the Pension Scheme could contribute to and invest in the Borough.

**Global Equities**

3.4 The Pensions Committee has selected a passive global equity mandate managed by Legal and General Investment Management (LGIM) and an active mandate managed by RBC Global Asset Management (UK) Limited via the London CIV.

The objective of the mandate managed by LGIM is to match the FTSE World Developed (Ex Tobacco) Index Fund. It is 50% hedged back to GBP. The reason for investing in this mandate is because it achieves equity exposure, is well diversified, has a low management fee and is considered as fulfilling the criteria for the requirement to pool assets.

The mandate managed by RBC excludes investments in adult entertainment, alcohol, fossil fuels, gambling, tobacco and weapons manufacturing. The mandate's objective is to achieve capital growth by outperforming the MSCI World Index Net (Total Return) by 2% per annum net of fees annualised over rolling three year period. The Fund is highly concentrated investing in 25-45 stocks, so forms about 5% of the Fund's 42% target allocation to equities.

All the Fund's equity holdings are now considered part of the London CIV for pooling purposes (see section below for more details of the Fund's strategy on asset pooling).

**Fixed Interest**

3.5 The Pensions Committee has appointed Aberdeen Standard Life, Wellington and PIMCO via the London CIV to manage its Fixed Interest allocation.

Investments with Aberdeen Standard Life are in the Corporate Bond fund measuring performance against the Markit iBoxx Sterling Non-Gilts Index ~~and the Absolute Return fund measuring performance against SONIA~~.

Performance of the Wellington bond fund is measured against the Merrill Lynch Sterling Broad Market Index.

Performance of the LCIV Global Bond Fund managed by PIMCO is measured against the Bloomberg Global Aggregate Credit Index- GBP Hedged.

The Fund is in the process of selecting a Multi Asset Credit manager, to manage the new strategic exposure that was agreed as part of the 2023 investment strategy review.

**~~Traditional~~ Property**

3.6 The Pensions Committee has appointed Schroders to manage its ~~traditional~~ core property portfolio, investing mainly in UK commercial real estate, with an objective to outperform the MSCI All Balanced Property Funds Index.

3.7 The Pensions Committee has appointed M&G to manage its Private Rental Sector property portfolio, with an objective to achieve a return of 6-8%.

**~~Private Rental Sector Property~~**

~~3.41.1 The Pensions Committee has appointed M&G to manage its Private Rental Sector property portfolio, with an objective to achieve a return of 6-8%.~~

**Private Equity**

~~3.5~~3.8 Four Private Equity managers have been selected enabling the Fund to benefit from increased diversification through investments in a variety of companies in different markets. These managers are: Pantheon, providing access to funds of funds in Europe, US and Asia; Knightsbridge, investing in Venture Capital predominantly in the US; Access Capital Partners, a European coinvestment fund; and North Sea Capital, providing exposure to markets in northern Europe and Scandinavia. The objective of this part of the portfolio is to generate returns in excess of the Consumer Prices Index (CPI) plus 5%.

**Infrastructure**

~~3.6~~3.9 This asset class is represented by four asset managers that have been selected in order to gain cost effective, diversified exposure to global infrastructure assets. These managers comprise: Equitix that focus on UK PFI / PPP / PF2 contracts; Temporis and the Green Investment Group that allow the Fund to access different types of renewables; and I Squared Capital, that provides opportunities across global infrastructure funds and projects. The investments seek to generate satisfactory risk adjusted return and provide a hedge against inflation. Some of the investments aim to be more growth seeking and some aim to be income generating. The overall return objective for this part of the portfolio is to generate returns in excess of the Consumer Prices Index (CPI) plus 5%.

**Cash**

~~3.7~~3.10 The objective is to maintain capital and hold enough cash to meet ongoing benefit payments.

**Assets' Features**

~~3.8~~3.11 Each of these asset classes possess features that, in combination, address the strategic goals for the Croydon Scheme. The authority's assessment of the suitability of particular investments and types of investments can be summarised thus:

| | |
|---|---|
| Equities | Over the log-run will deliver sufficient growth to address funding gap.<br>Allows investment in wide range of sectors and geographic regions.<br>Should beat inflation in the long run. |
| Fixed Interest | Matches liabilities of the Fund.<br>Demonstrates, in normal scenarios, negative correlation to equities.<br>~~Absolute return portfolio should provide downside protection and is not dependent on direction of interest rates.~~Multi Asset Credit portfolio should provide income and growth across a broad opportunity set, primarily focused on sub-investment grade credit, with low sensitivity to interest rates.<br>Government and blue chip corporate debt is relatively low risk and provides protection against falling interest rates. |
| Property | Does not correlate to equity or fixed interest.<br>Provides steady cash flows.<br>Provides some protection against inflation.<br>Private Rented Sector offers diversification from traditional property |
| Private Equity | Similar benefits to equity but at different points on the cycle.<br>Regional diversification.<br>Access to otherwise closed markets. |
| Infrastructure | Diversification.<br>Good spread of regions.<br>Elements of regulated income.<br>Mixture of growth and income generating assets.<br>Income generating assets have an inflation link. |

## 4 Risk Management

4.1 There are various risks to which any pension fund is exposed. The Pension Committee has considered a number of risks such as:

- The risk arising through a mismatch between the Fund's assets and its liabilities.

- The risk of deterioration in the Fund's ongoing funding level.

- The risk that the day-to-day management of the assets will not achieve the rate of investment return required to meet accrued and future liabilities as quantified by the Fund's Actuary.

- The risk that volatility resulting from various geopolitical factors will have an adverse effect on the long-term viability of the Fund. This risk is increased by having a majority of the fund under passive management.

- Exchange rate risk arises from investing in unhedged overseas assets with all liabilities due to be paid in sterling. As a long-term investor such volatility can be tolerated. The extent to which the Fund is diversified across asset classes, geography and approach to investments works to mitigate this risk.

- The risk of insufficient liquidity from the Fund's assets.

4.2 In order to mitigate the risks identified the Pensions Committee formulated the asset allocation having taken proper advice from its investment adviser. Various scenarios were tested and the probability of achieving full funding over a specified period of time was calculated in order to identify an asset mix which should fulfil the objectives. The main way to mitigate risk of the investment portfolio not achieving its objectives is through diversification of assets. This should provide protection in periods of market turmoil as some assets will preserve capital better than others and in rising markets some assets will perform better than others.

4.3 Risks specifically relating to the Pension Fund are included in a risk register that is regularly reviewed by both the Pension Committee (which considers the most significant risks) and the Croydon Pension Board (which looks at all the risks). The most immediate and significant risks are also included in the corporate risk register. Steps to mitigate risks in the short and longer-term are included in the register.

4.4 The Pension Fund's appetite for risk, in so far as generating returns is concerned, should be only that much as is sufficient to meet the return target set by the Funding Strategy Statement. Other risks should be mitigated as far as is possible.

4.5 The Pensions Committee constantly monitors the performance of managers to ensure the Fund's objectives are met.

## 5 Pooling of Assets

5.1 The Fund participates in the London Collective Investment Vehicle (CIV) as part of the Government's pooling agenda. Croydon is a shareholder, contributes regulatory capital and a subscription fee. The London CIV was launched in December 2015. It has launched a number of sub-funds comprising: UK, Global and Emerging Market equities; Multi-Asset and Fixed Interest Funds.

5.2 The Fund is monitoring developments and the opening of investment strategy fund openings on the London CIV platform. At present there are options for participating in pooling: including transitioning liquid assets across to the London CIV as soon as there are suitable sub-funds available to meet the Fund's investment strategy requirements; investing in sub-funds that meet the requirements of the Fund's investment strategy; and investing in assets that have been deemed part of the pooling strategy but which are assets that are not suitable for pooling in an ACS structure.

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%, depending on valuations. At year-end ~~2020/21~~2022/23 50~~2~~% of the Pension Fund should be considered pooled. The Fund has also formally agreed to transfer a further c.4% of assets to the pool.

5.5 In establishing the framework for asset pooling the government recognised that investing in illiquid assets like infrastructure, direct holdings in property and locally targeted investments might more appropriately sit outside the pooling arrangements. The alternative asset classes listed above, property, private equity and infrastructure, are included in this group.

## 6 Environmental, Social and Corporate Governance (ESG)

6.1 The Fund has developed a detailed Responsible Investment ('RI') Policy which can be found on the Fund's website. A summary of the key points are below.

~~6.1~~6.2 The Fund is committed to being a long term steward of the assets in which it invests and expects this approach to protect and enhance the value of the Fund in the long term. In making investment decisions, the Fund seeks and receives proper advice from internal and external advisers with the requisite knowledge and skills. In addition the Pensions Committee undertakes training on a regular basis and this will include training and information sessions on matters of social, environmental and corporate governance.

~~6.2~~6.3 The Fund requires its investment managers to integrate all material financial factors, including corporate governance, environmental, social, and ethical considerations, into the decision-making process for all fund investments. It expects its managers to follow good practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed.

~~6.3~~6.4 The Fund will only invest in investments with a strong environmental, social and governance policy that includes no ~~tobacco~~ investments in tobacco manufacturers over time. It is recognised that the application of the restrictions may be limited in certain circumstances, for example investments in “pooled assets”. These types of funds are held collectively with other investors, normally in order to reduce costs or ensure a wider range of investment opportunities. Furthermore, where this is consistent with the agreed investment strategy, the Fund will invest in assets that positively address these same environmental, social and governance policy issues. Examples of this approach include investing in renewable energy projects, screening out regional markets where there might be issues with modern slavery, and looking to explore opportunities to contribute to and invest in the Borough.

~~6.4~~6.5 The Fund expects its external investment managers (and specifically the London CIV through which the Fund will increasingly invest) to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long-term performance of the fund such as corporate governance and environmental factors. The Fund expects its fund managers to integrate material ESG factors within its investment analysis and decision making.

~~6.5~~6.6 Effective monitoring and identification of these issues can enable engagement with boards and management of investee companies to seek resolution of potential problems at an early stage. Where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed, the Fund expects its investment managers to participate in joint action with other institutional investors as permitted by relevant legal and regulatory codes.

6.7 The Fund monitors this activity on an ongoing basis with the aim of maximising its impact and effectiveness.

6.8 The Fund believes that climate change presents financial risks to the Fund over the short, medium and long-term and that the Fund should better understand and mitigate where possible.

~~6.6~~

~~6.7~~6.9 The Fund will invest on the basis of financial risk and return having considered a full range of factors contributing to the financial risk including social, environment and governance factors to the extent these directly or indirectly impact on financial risk and return.

~~6.8~~6.10 The Fund in preparing and reviewing its Investment Strategy Statement will consult with interested stakeholders including, but not limited to Fund employers, investment managers, Local Pension Board, advisers to the Fund and other parties that it deems appropriate to consult with.

## 7 Voting

7.1 The Fund recognises the importance of its role as stewards of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Fund recognises that ultimately this protects the financial interests of the Fund and its ultimate beneficiaries. The Fund has a commitment to actively exercising the ownership rights attached to its investments reflecting the Fund's conviction that responsible asset owners should maintain oversight of the companies in which it ultimately invests recognising that the companies' activities impact upon not only their customers and clients, but more widely upon their employees and other stakeholders and also wider society.

7.2 The Fund has delegated responsibility for voting rights to the Fund's external investment manager, currently LGIM, and expects them to vote in accordance with the Fund's voting policy.

7.3 The Fund will incorporate a report of voting activity as part of its Pension Fund Annual report which is published on the Pension Fund website.

7.4 The Fund has not issued a separate Statement of Compliance with the Stewardship Code, but fully endorses the principles embedded in the seven Principles of the Stewardship Code.

7.5 The Fund expects its external investment managers to be signatories of the Stewardship Code and reach Tier One level of compliance or to be seeking to achieve a Tier One status within a reasonable timeframe. Where this is not feasible the Fund expects a detailed explanation as to why it will not be able to achieve this level.

7.6 In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.

7.7 The Fund through its participation in the London CIV will work closely with other LGPS Funds in London to enhance the level of engagement both with external managers and the underlying companies in which invests.

7.8 In addition the Fund:

- Is a member of the Local Authority Pension Fund Forum (LAPFF) and in this way joins with other LGPS Funds to magnify its voice and maximise the influence of investors as asset owners;

- Is a member of the Pension and Lifetime Savings Association (PLSA) and in this way joins other investors to magnify its voice and maximise the influence of investors as asset owners;

- Joins wider lobbying activities where appropriate opportunities arise.

## Appendix 1
## Statement of Compliance with the Myners Principles

| | Description of Principle | The Fund's position | Future actions |
|---|---|---|---|
| 1. | **Effective Decision Making**<br><br>Administering Authorities should ensure that:<br><br>Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation:<br><br>and<br><br>Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest. | The Committee is responsible for the approval and review of the investment strategy of the Fund.<br><br>The day to day running of the Fund has been delegated to the section 151 Officer, the Corporate Director of Resources, supported by other Fund officers.<br><br>Appointments to the Committee reflect skills, experience and continuity. An ongoing programme of training is in place for members of the Committee.<br><br>Fund officers hold relevant qualifications and maintain appropriate professional development (CPD).<br><br>The Fund procures training from CIPFA and other relevant bodies. Members and officers also attend training courses run by investment managers and the Fund's actuary.<br><br>The structure and composition of the Committee is agreed at the time of the elections to the Council. Allowances paid to elected members are published. | Ongoing member and Fund officer training. |
| 2 | **Clear Objectives**<br><br>An overall investment objective(s) should be set out for the Fund that takes account of the Fund's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisors and investment managers. | The Funding Strategy Statement (FSS) and Investment Strategy Statement (ISS) set out the Fund's primary funding objectives and investment strategies.<br><br>The Fund recognises the impact of employer contribution rates on Council tax and the desirability of rates that are as stable as possible.<br><br>The Fund manages employers' liabilities effectively taking account of the strength of their covenant. | Continual monitoring, review, and communication of objectives. |

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| | | Specific investment objectives are in place for each mandate in the portfolio and these are regularly monitored by the Committee. These objectives take account of the risk and return of different asset classes.<br><br>Investment advice to the Committee and Fund officers is commissioned from Mercer. | |
| **3.** | **Risk and Liabilities**<br><br>In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities.<br><br>These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk. | The Funding Strategy Statement is reviewed at each triennial actuarial valuation taking account of the recommendations of the Fund actuary in relation to the liabilities of the Fund.<br><br>The Fund agrees employer contribution rates that take account of the ability of employers to pay and the strength of covenant of participating employers.<br><br>The admission of new employers to the Fund is not granted unless appropriate guarantees are put in place.<br><br>The Investment Strategy Statement will be reviewed at least annually. It takes into account the Fund's attitude to investment risk. It also includes the Fund risk register which covers all the Fund's investment activities.<br><br>Whilst it is accepted that investment underperformance due to certain market conditions can occur, the Committee measures the Fund's active managers against longer term benchmark outperformance targets.<br><br>The Committee uses internal and external audit reports to assess the effectiveness of governance arrangements. | |
| **4.** | **Performance Assessment**<br><br>Arrangements should be in place for the formal measurement of performance of the investments, | The Committee reviews the performance of its investment managers at its regular meetings and all the fund managers are held | |

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| | investment managers and advisors.<br><br>Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members. | to account either through attendance at meetings with the Committee and / or with the Fund's officers and advisors.<br><br>Performance data is provided by a specialist provider, independent of the fund managers.<br><br>The Fund's contract with its actuary is market tested when appropriate.<br><br>Committee member attendance at meetings and training undertaken is monitored. | |
| **5.** | **Responsible Ownership**<br><br>Administering authorities should:<br><br>Adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of principles on the responsibilities of shareholders and agents.<br><br>Include a statement of their policy on responsible ownership in the statement of investment principles.<br><br>Report periodically to scheme members on the discharge of such responsibilities. | The Institutional Shareholders' Committee Statement of Principles has been superseded by the Financial Reporting Council's (FRC) UK Stewardship Code and it is now the standard for the investment management industry.<br><br>The Fund's Responsible Investment Policy t describes its policy on responsible ownership and the expectation that its investment managers will adhere to the UK Stewardship Code.<br><br>Quarterly reports received from Investment Managers and circulated to Committee members include details of voting records.<br><br>The Fund's annual report also includes a summary of the managers' voting activity. | |
| **6.** | **Transparency and Reporting**<br><br>Administering authorities should:<br><br>Act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives.<br><br>Provide regular communication to scheme | Agenda papers for all Committee and Pension Board meeting are available at: www.democracy.croydon.gov.uk<br><br>The Fund's website at www.croydonpensionscheme.org includes the:<br>• Funding Strategy Statement;<br>• Investment Strategy Statement;<br>• Governance Compliance Statement; and<br>• Communications Policy. | |

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| | members in the form they consider most appropriate. | Individual scheme members receive newsletter updates throughout the year in addition to annual benefit statements. | |

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# Croydon Council

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| **REPORT TO:** | **Pension Committee**<br>**19 September 2023** |
| **SUBJECT:** | **Responsible Investment Policy** |
| **LEAD OFFICER:** | **Matthew Hallett – Acting Head of Pensions and Treasury** |

1. **RECOMMENDATION**

1.1 The Committee are asked to review and agree the draft Responsible Investment Policy attached as Appendix A.

**CORPORATE PRIORITY / POLICY CONTEXT**

Sound Financial Management: This report asks the Committee to consider a draft Responsible Investment Policy required for the proper administration of the Pension Fund.

The decision supports the Council priority of OUTCOME 1 "Balances the books, listens to residents and delivers good, sustainable services."

**FINANCIAL SUMMARY:**

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

## 2. EXECUTIVE SUMMARY

2.1 This report presents a draft Responsible Investment Policy for the Pension Fund for consideration by the Committee.

## 3 DETAIL

3.1 Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, inter alia, places the following requirements on the Administering Authority in relation to the Investment Strategy:

*(1) An authority must, after taking proper advice, formulate an investment strategy which must be in accordance with guidance issued from time to time by the Secretary of State*

*(2) The authority's investment strategy must include—*

*(e) the authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and*

*(f) the authority's policy on the exercise of the rights (including voting rights) attaching to investments.*

3.2 To date, the Fund's Responsible Investment Policy (Environmental, Social and Governance Policy) has been included as Paragraph 6 of the Investment Strategy Statement but it is now considered appropriate to produce a Policy in its own right.

3.3 Attached as Appendix A is a Policy proposed for the Fund as drafted by Mercer, the Fund's Investment Adviser. To define "Responsible Investment" and summarise the contents of the Policy Mercer state as follows:

*Responsible Investment ("RI") has been defined as encompassing both financial and non-financial factors, bringing together ESG factors and broader systemic issues, e.g. climate change and sustainable development, along with active ownership (stewardship and voting) as these can have a material impact on financial performance.*

3.4 The Committee are asked to comment on and agree the Responsible Investment Policy attached as Appendix A.

## 4. CONSULTATION

4.1 The draft Investment Policy has been prepared by Mercer, the Fund's Investment Adviser in consultation with Council officers.

## 5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

5.1 There are no financial or risk assessment considerations arising from this report. **Approved by**: Allister Bannin on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

## 6. LEGAL CONSIDERATIONS

6.1. Burgess Salmon LLP (a legal advisor appointed to the Pension Fund) comments that there is growing scrutiny of ESG considerations in the operation (including investments) of LGPS funds together with anticipated additional obligations on reporting (expected next year)

## 7. HUMAN RESOURCES IMPACT

7.1 There are no immediate workforce impacts arising from the content of this report.

**Approved by:** Gillian Bevan, Head of HR, Resources and Assistant Chief Executives directorates on behalf of Dean Shoesmith, Chief People Officer. Date 5.9.23

## 8. EQUALITIES IMPACT

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

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

8.2 Having due regard means to consider the three aims of the Equality Duty as part of the process of decision-making. This means that decision makers must be able to evidence that they have taken into account any impact of the proposals under consideration on people who share the protected characteristics before decisions are taken.

**Approved by:** Naseer Ahmad for Equality Programme Manager. (08/09/2023)

## 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:** Allister Bannin on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

**CONTACT OFFICER:**

Matthew Hallett – Acting Head of Pensions and Treasury.

**BACKGROUND DOCUMENTS:**

None.

**APPENDIX:**

Appendix A: Responsible Investment Policy

# London Borough of Croydon Pension Fund ("the Fund")

## RESPONSIBLE INVESTMENT POLICY

### 1. INTRODUCTION

The London Borough of Croydon Pension Fund's Pension Committee ("the Committee") has a fiduciary duty to act in the best interests of members. To do this effectively, the Committee recognises the importance of managing Environmental, Social and Governance ("ESG") issues, including Climate Change, that are financially material to the Fund, both in terms of opportunities and risks. This policy sets out how the Fund manages those ESG risks and opportunities. It outlines the key principles that have been established, and our approach to considering sustainability risk and other ESG factors.

Responsible Investment ("RI") has been defined as encompassing both financial and non-financial factors, bringing together ESG factors and broader systemic issues, e.g. climate change and sustainable development, along with active ownership (stewardship and voting) as these can have a material impact on financial performance.

This is the first standalone Responsible Investment Policy ("RI Policy") that has been published. Prior the publication of this RI Policy, the approach to managing ESG risks and opportunities was outlined in the Investment Strategy Statement. The Committee will continue to make progress on evolving the policy, to ensure the Fund continues to reflect good practice on Responsible Investment. The Fund is required by the Regulations to include in the Investment Strategy Statement (ISS):

- the policy on how ESG considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
- the policy on the exercise of the rights (including voting rights) attaching to investments.

The Committee recognises pooling across the Local Government Pension Scheme. The Fund participates in the London Collective Investment Vehicle (CIV) as part of the Government's pooling agenda. Croydon is a shareholder, contributes regulatory capital and a subscription fee. The London CIV was launched in December 2015. The Committee recognises the importance of working collaboratively with the London CIV ("LCIV") and other LCIV partner funds to make the Fund's ESG approach effective.

The Committee is responsible for the Fund's investment strategy and in which asset classes (known as the strategic asset allocation). The Committee also retains the duty of setting their Responsible Investment policy, taking into consideration the Fund's key stakeholders. The Fund does not directly manage its investments and the investment managers (including the London CIV) have discretion to buy and sell investments within the various portfolios, within the guidelines of their mandates. These guidelines may include ESG considerations.

The RI Policy that follows has been approved by the Pension Committee ("the Committee") following a series of training and information events presented by the Fund's advisers. RI issues have many facets for which authoritative and consistent sources of data are in their infancy. Seemingly simple investment changes may have unintended consequences for the operation of free markets, local communities and the environment as well as the value of the Fund's investments. The Fund needs to take a holistic approach that takes into account how its policies will impact all citizens and communities as well as direct stakeholders of the Fund whilst adhering to the principles of fiduciary duty.

## 2. RESPONSIBLE INVESTING

Croydon Council (the "Council") is the Administering Authority of the Pension Fund and administers the Fund on behalf of the participating employers and members.

The Local Authority (Functions & Responsibilities) (England) Regulations 2000 (as amended), state that functions relating to the Fund are the responsibility of the full Council. The Council has delegated these functions to the Pensions Committee and to the Council's Head of Pensions and Treasury.

The Administering Authority has established a Pension Board in accordance with Section 5 of the Public Service Pensions Act 2013. The Board assists the Pension Fund in securing compliance with the Fund regulations and other legal and regulatory requirements.

Members of the Committee have a fiduciary duty to act in the best interests of members and other stakeholders in all financial and non-financial decisions. With respect to the Fund's investments, to do this effectively there is recognition of the importance of generating sustainable long-term returns. This involves more than an appraisal of financial factors but also takes into account non-financial factors such as ESG issues, including climate change, which may be financially material to the Fund's investments. The Fund also has an exclusions policy on exposure to tobacco across the investments (further detail can be found below under exclusions & divestment).

There is a growing urgency and continual regulatory development with regard to long-term sustainability issues, such as The Climate Change Act 2008 that legally binds the UK to bring all greenhouse gas emission to net-zero by 2050, and the comprehensive 'apply and explain' requirements for asset owners set out in the UK Stewardship Code 2020. Therefore, it is imperative that ESG and stewardship (or active ownership) considerations are integrated throughout investment processes and that they are taken into account as part of funding and investment strategy setting.

## 3. RI BELIEFS

The Fund is committed to embedding RI into all aspects of the investment decision-making process and has adopted a set of Responsible Investment Beliefs as set out in the table below. These beliefs have informed the policy set out in section 4, below.

| Belief | Explanation |
|---|---|
| **Summary** | ESG issues, including climate change, create material risks and opportunities which will influence long term investment performance and the ability of the Fund to achieve its investment and funding objectives. Therefore, robust ESG and stewardship practices should be integrated throughout the investment process of the Fund. The Fund recognises that the responsible management of RI issues by the Fund's investment managers, including the London CIV is a reputationally important issue. |
| **ESG integration and broad risk management** | Effective management of ESG issues is a key determinant of long-term shareholder value and good risk management. Their consideration is part of the Fund's fiduciary duty to beneficiaries. The Fund therefore recognises the importance of its investment managers integrating all material financial and non-financial factors, including ESG considerations, into the decision-making process for fund investments and the ongoing monitoring of these same issues. |
| **Stewardship** | Good stewardship can protect and enhance value for companies and markets as a whole. The Fund is committed to being a long-term steward of the assets in which it |

| Belief | Explanation |
|---|---|
| | invests. It believes in the importance of investment managers acting as active asset owners through proactive voting and engagement with companies. |
| **Climate change risk** | The Fund believes that climate change presents financial risks to the Fund over the short, medium and long-term and that the Fund should better understand and mitigate where possible. |
| **Pooling** | The Fund is a participating Fund in the London CIV Pool. The Fund believes that it should work collaboratively with the London CIV to set clear expectations of its investment managers and advisers on how ESG considerations are incorporated into investment activities. The London CIV should offer funds to investors that integrate ESG considerations into their investment process and develop a consistent policy approach to stewardship and climate change.<br>The Committee will ensure that appropriate reporting is available for Pool aligned assets in order that progress can be monitored against the RI Policy. |
| **Ongoing commitment** | Responsible investment is a rapidly developing area and the Fund should commit to staying informed, developing its approach and increasing its ambition with regard to these issues. |



## 4. RI POLICY

This section sets out the RI Policy based upon the Responsible Investment Beliefs set out in section 3, above. The Fund has responsibility for setting its investment strategy and its ambitions on RI.

### ESG integration and broad risk management

The Fund will invest on the basis of financial risk and return having considered a full range of factors contributing to the financial risk including social, environment and governance factors to the extent these directly or indirectly impact on financial risk and return.

The Fund requires its investment managers to integrate all material financial factors, including corporate governance, environmental, social, and ethical considerations, into the decision-making process for all fund investments.

The Fund expects its external investment managers (and specifically the London CIV) to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long-term performance of the fund such as corporate governance and environmental factors.  The Fund expects its fund managers to integrate material ESG factors within its investment analysis and decision making.

The Fund recognises the importance of ensuring that Pool level engagement between the London CIV and its chosen investment managers provides appropriate assurance with regard to the Funds' policy commitments in this area.

In addition the Pensions Committee undertakes training on a regular basis and this will include training and information sessions on matters of social, environmental and corporate governance.

## Stewardship

The Fund is committed to being a long term steward of the assets in which it invests and expects this approach to protect and enhance the value of the Fund in the long term.  In making investment decisions, the Fund seeks and receives proper advice from internal and external advisers with the requisite knowledge and skills.

The Fund recognises the importance of its role as stewards of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside.  The Fund recognises that ultimately this protects the financial interests of the Fund and its ultimate beneficiaries.

### Engagement

It expects its managers to follow good practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed. The Fund's investment managers should exercise their rights as owners of investments to actively participate in company level decisions tabled as shareholder votes at General Meetings.

In addition to proactive voting, the Fund's investment managers should act as active asset owners through engagement with companies where there are concerns over ESG issues. Effective monitoring and identification of these issues can enable engagement with boards and management of investee companies to seek resolution of potential problems at an early stage.  Where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed, the Fund expects its investment managers to participate in joint action with other institutional investors as permitted by relevant legal and regulatory codes.

The Fund through its participation in the London CIV will work closely with other LGPS Funds in London to enhance the level of engagement both with external managers and the underlying companies in which invests.

The Fund is a member of both the Local Authority Pension Fund Forum (LAPFF) and the Pension and Lifetime Savings Association (PLSA) and in this way joins with other LGPS Funds to magnify its voice and maximise the influence of investors as asset owners

In order to enable effective engagement the following topics have been identified as specific RI priorities for the Fund:

- Climate Change
- Energy efficiency
- Waste & Pollution
- Labour standards

### Voting

The Fund has a commitment to actively exercising the ownership rights attached to its investments reflecting the Fund's conviction that responsible asset owners should maintain oversight of the companies in which it ultimately invests recognising that the companies' activities impact upon not only their customers and clients, but more widely upon their employees and other stakeholders and also wider society.

The Fund has delegated responsibility for voting rights to the Fund's managers, and expects them to vote in accordance with the Fund's voting policy. The Fund will incorporate a report of voting activity as part of its Pension Fund Annual report which is published on the Pension Fund website.

### Climate Change

The Fund recognises the systemic risk associated with climate change as well as the Council's targets in this regard and the views and aspirations of other scheme employers and scheme members.

The Committee supports the objectives of the Paris Agreement and believes that keeping global temperature rises well below 2°C relative to pre-industrial levels is entirely consistent with the Fiduciary duty of the Fund.

The Committee intend to undertake further work to identify and manage climate related risks. The Fund will be undertaking further training on Fund specific net zero objectives and how they can be achieved. The Fund will consider the appropriateness of climate change scenario analysis in order to understand the climate impact on return at the total Fund and asset class level across different warming scenarios and help the Fund to further its decision-making.

The Fund is working with advisers to understand what would be required with regards to the Department for Levelling Up, Housing and Communities' (DLUHC) reporting of Climate Risk recommendations that are expected to become mandatory for LGPS Funds in the coming years

### Exclusions & Divestment

The Fund will only invest in investments with a strong environmental, social and governance policy that includes no investments in tobacco manufacturers over time. It is recognised that the application of the restrictions may be limited in certain circumstances, for example investments in "pooled assets". These types of funds are held collectively with other investors, normally in order to reduce costs or ensure a wider range of investment opportunities.

Furthermore, where this is consistent with the agreed investment strategy, the Fund will invest in assets that positively address these same environmental, social and governance policy issues. Examples of this approach include investing in renewable energy projects, and looking to explore opportunities to contribute to and invest in the Borough.

### Pooling

The Fund and 32 other LGPS funds have formed the LCIV Pool, and are committed to collaboratively working together to meet the Government's criteria for asset pooling.

More information on this initiative can be found on the London CIV website (https://londonciv.org.uk/).

## 5. IMPLEMENTATION

### ESG integration and broad risk management

The Fund reviews the investment process and ESG practices of all prospective managers at the investment/manager selection stage.

Assurance will be sought through engagement with investment managers and as part of ongoing reporting and presentations that the investment managers are appropriately integrating ESG into their investment processes and decision making. If managers are lagging behind their peers and the essence of this Policy, they will be engaged and encouraged to improve.

## Stewardship - voting rights and engagement

The Fund has delegated the exercise of voting rights to all investment managers, on the basis that voting power will be exercised by them with the objective of preserving and enhancing long-term shareholder value.

The Fund's investment managers are expected to produce written guidelines and policies outlining their own stewardship process and practices (including voting and engagement). These managers are encouraged to vote in line with their respective guidelines, in respect of all resolutions, at annual and extraordinary general meetings of companies. As part of its manager selection and monitoring process, the Fund reviews such guidelines and policies and ensures that the practices adopted are aligned with the Fund's own Responsible Investment Beliefs.

The Fund supports the 12 principles of the Financial Reporting Council's UK Stewardship Code 2020 (the Code). The Fund has not issued a separate Statement of Compliance with the Stewardship Code, but fully endorses the principles embedded in the seven Principles of the Stewardship Code.

The Fund expects its external investment managers to be signatories of the Stewardship Code and reach Tier One level of compliance or to be seeking to achieve a Tier One status within a reasonable timeframe. Where this is not feasible the Fund expects a detailed explanation as to why it will not be able to achieve this level.

When it comes to engagement, investment managers are expected to engage in constructive dialogue on behalf of the Fund and to use their influence to encourage companies to adopt best practice in key areas. If the Fund cannot reach agreement with the investment manager on a stewardship issue, it may be appropriate to divest from the manager.

## Climate change

The Fund is assessing the implications of reporting in line with the Financial Stability Board's Task Force on Climate-related Financial Disclosures ("TCFD") framework across the four pillars of Governance, Strategy, Risk Management, Metrics and Targets.

The Fund will be undertaking further training on Fund specific net zero objectives and how they can be achieved.

The London CIV has committed to become a net zero entity by 2040 in line with the Paris Agreement objectives to limit global temperature rise below 1.5°C. It will also become a net zero company across operational and supply chain emissions as early as 2025. More information on this initiative can be found on the London CIV website (https://londonciv.org.uk/)..

## Pooling

It is expected that the Fund's ability to carry out this Responsible Investment Policy will be enhanced through the London CIV, due to the inherent benefits of scale and improved governance and stewardship practices that will result from the collaboration.

## 6. MONITORING AND REPORTING PROGRESS

### ESG integration and broad risk management

Ongoing ESG developments will be monitored through performance reporting. Where managers are lagging behind their peers (or the expectations of this Policy) engagement will be undertaken with the manager to encourage them to improve.

### Stewardship - voting rights and engagement

All equity investment managers are expected to report on their voting activity on a regular basis.

The Fund will look to publish summaries of the voting undertaken on the Fund's behalf and provides member communications as and when appropriate.

Where managers are lagging behind their peers (or expectations of this policy) on voting and engagement activity, engagement will be undertaken with the manager to explain their performance and encourage them to improve.

In addition, the Fund is a member of the LAPFF which aims to protect the long-term investment interests of LGPS beneficiaries by promoting the highest standards of corporate governance and corporate responsibility amongst investee companies through active engagement with management. Further details can be found on the LAPFF website.

The Fund receives regular email updates and a quarterly report from LAPFF on engagement activity including the nature and outcomes from those engagement activities.

### Climate change

The Fund is committed to developing its reporting in this area, including with regards to carbon-foot-printing (for example, carbon intensity, fossil fuel reserves and potential emissions) and scenario analysis, where appropriate.

The Fund is working with advisers to understand what would be required with regards to the Department for Levelling Up, Housing and Communities' (DLUHC) reporting of Climate Risk recommendations that are expected to become mandatory for LGPS Funds in the coming years. The reporting of carbon exposures in investment portfolios is a relatively new development and as such not all investment managers provide data on a comparable basis.

The Fund will consider the appropriateness of climate change scenario analysis in order to understand the climate impact on return at the total Fund and asset class level across different warming scenarios and help the Fund to further its decision-making.

### Pooling

The Fund is committed to working with LCIV pool partner funds to further develop pool level reporting and to facilitate the Fund's RI reporting on its total assets including those not held in the pool.

**For and on behalf of the London Borough of Croydon Pension Fund Committee**

# Croydon Council

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| **REPORT TO:** | **PENSION COMMITTEE**<br>**19 September 2023** |
| **AGENDA ITEM:** | |
| **SUBJECT:** | **Part A -Progress Report for Quarter Ended 30 June 2023** |
| **LEAD OFFICER:** | **Matthew Hallett**<br>**Head of Pensions and Treasury** |
| **CORPORATE PRIORITY/POLICY CONTEXT:**<br>**Sound Financial Management**: Reviewing and ensuring that the performance of the Council's Pension Fund (the Fund) investments are in line with their benchmark and in line with the assumptions made by the Actuary. | |
| **FINANCIAL SUMMARY:**<br>This report shows that the market value of the Fund investments as at 30 June 2023 was £1,701.7m compared to £1,674.2m at 31 March 2023, an increase of £27.5m and a return of 1.75% over the quarter. The performance figures, independent information and analysis on the fund managers and markets have been provided by the Fund's independent investment advisor Mercer and are included in the part B report. | |
| **FORWARD PLAN KEY DECISION REFERENCE NO.: N/A** | |

## 1 RECOMMENDATIONS

1.1 The Committee is asked to note the performance of the Fund for the quarter ended 30 June 2023.

## 2 EXECUTIVE SUMMARY

2.1 This report provides an update on the Fund's performance for the quarter to 30 June 2023. 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 2022 Triennial Actuarial Valuation funding position for the Fund was 97% 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 4.2% p.a. was used and the likelihood of achieving this investment return was deemed to be 73%. 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 At the 2019 valuation date the Fund was 88% funded with assets totalling £1,258m. From the 2019 valuation to the 2022 valuation the funding position improved to 97%. The main reason for this improvement was due to investment returns being 23.9% (or £299m) higher than expected. The assets at the valuation date of 31 March 2022 were £1,731m.

3.3 Since the valuation date the assets have returned -0.73% compared to the investment return assumption of 5.0%. In isolation the investment returns have had a negative impact on the funding level. However it should be noted that this would be outweighed by a positive impact due to a decrease in liabilities under current market conditions.

### Section 2: Asset Allocation Strategy

3.4 Following the results of the triennial valuation at 31 March 2022, the Fund's investment advisers have carried out an asset allocation review and a revised asset allocation was agreed at the Pension Committee held on 20 June 2023. The Pension Committee also agreed that an allocation to Private Debt maybe added at a later date after further training on this asset class has been undertaken. The revised asset allocation will be incorporated into the Investment Strategy Statement. The revised allocation agreed was as follows:

| Asset Class | Previous Strategic Asset Allocation | Actual Allocation 31 March 2023 | New Allocation without Private Debt Strategy 1 |
|---|---|---|---|
| **Developed Equity** | **42.0%** | **44.7%** | **42.0%** |
| **Fixed Income** | **23.0%** | **15.7%** | **23.0%** |
| *Corporate Bonds* | *15.3%* | *11.9%* | *17.0%* |
| *Absolute Return* | *7.7%* | *3.8%* | *-* |
| *Multi-Asset Credit* | *-* | *-* | *6.0%* |
| **Alternatives** | **34.0%** | **36.8%** | **34.0%** |
| *Infrastructure* | *10.0%* | *14.8%* | *12.0%* |
| *Private Equity* | *8.0%* | *10.0%* | *10.0%* |
| *Private Debt* | *-* | *-* | *-* |
| *Property (Core & Residential)* | *16.0%* | *12.0%* | *12.0%* |
| **Cash** | **1.0%** | **2.8%** | **1%** |
| **Total** | **100.0%** | **100.0%** | **100.0%** |

3.5 In moving to the revised asset allocation Officers will first look at the London CIV's multi asset credit fund to see if it meets our requirements. The process of moving to the revised asset allocation will take place over the next year.

**Monitoring of asset allocation**

3.6.1 **Global Equity –** Global equities rose over the quarter, led by the technology sector, amid optimism that US inflation may continue to fall without a significant rise in unemployment. US and Japanese equities performed strongly over the quarter and European equities were positive. UK equities were negative due to the bias towards commodity companies. Sterling rose against the major currencies due to higher for longer interest rate expectations in the UK. This all led to a positive return of 5.55% for the LGIM Developed World (ex-Tobacco) Equity fund which follows that of the major indices. The currency hedged part contributed 7.18% while the unhedged part contributed 3.98% due to the strengthening of Sterling. The LCIV RBC fund again suffered due to its stock selection and returned -0.06% for the quarter. The LCIV RBC fund has performed slightly below its benchmark (11.68% compared to 14.77%) since its inception on 16/04/2020.
Global equities are now at 46.2% compared to the target allocation of 42%.

3.6.2 **Fixed Interest** – During the quarter fixed interest investments suffered due to sticky inflation increasing the expectations of interest rates staying higher for longer. The fixed interest portfolio returned a negative return of -2.1%, with Aberdeen Standard -1.72%, Wellington -6.17% and the LCIV Global Bond 0.09%. The Wellington portfolio suffered in particular because of its overweight to US duration position.

The overall allocation was 15.1% of the portfolio, remaining outside the target allocation of 23% allowing for a 5% tolerance. This is largely due to the poor performance of bonds when compared to the other asset classes. Given the continued uncertainty Officers have continued in not rebalancing the Fund with the view to waiting for the outcome of the strategic asset allocation.

3.6.3 **Infrastructure** – Due to the nature of these assets, performance of Infrastructure investments and indeed Private Equity, discussed in more detail below, is better measured over a period of time, rather than quarter by quarter. All the Fund's Infrastructure investments continue to perform well largely due to their link to inflation. The allocation currently stands at 14.1% compared to the revised target of 12%.

3.6.4 **Private Equity** – Our Private Equity managers continue to perform extremely well and have been the main contributor to positive returns over the last few years. During the last quarter the valuations have come down mainly due to the currency effect. All the private equity assets are valued in currencies other than Sterling, so valuations suffer when Sterling appreciates. The performance of the underlying companies remains strong and so there is currently no cause for concern. Over the quarter the allocation moved from 10.0% to 9.5%. This is slightly below the target allocation of 10%.

3.6.5 **Property** – During the quarter the Schroders property portfolio returned 1.26% and the M&G UK Residential Property Fund returned 1.3%. Despite the positive returns for the quarter the outlook for 2023 for the property sector will remain challenging due to the continued higher interest rate expectations. The Fund's property portfolio is positioned defensively being underweight to retail and office sectors. The allocation to property is 12.0% which is in line with the new target asset allocation of 12.0%.

3.6.6 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 2023**

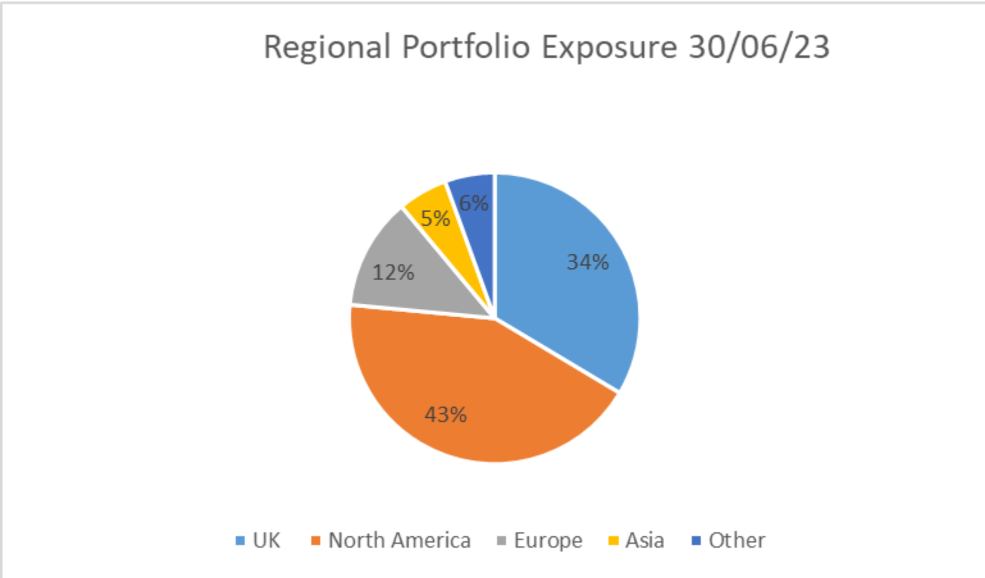
| | Valuation at 31/03/23 £'000 | Net cashflow £'000 | Gain/Loss £'000 | Valuation at 30/06/2023 £'000 | Asset allocation Fund percentage | Asset allocation target percentage |
|---|---|---|---|---|---|---|
| **Equities** | | | | | 46.2% | 42% |
| Legal & General FTSE World (Ex Tobacco) | 670,863 | - | 37,245 | 708,107 | | |
| LCIV RBC | 77,964 | - | - 49 | 77,915 | | |
| LCIV | 150 | | | 150 | | |
| **Fixed Interest** | | | | | 15.1% | 23% |
| Standard Life | 123,066 | - | - 2,122 | 120,944 | | |
| Wellington | 57,336 | - | - 3,539 | 53,798 | | |
| LCIV Global Bond | 81,804 | - | 72 | 81,876 | | |
| **Infrastructure** | | | | | 14.1% | 12% |
| Access | 36,566 | 1,001 | 169 | 37,736 | | |
| Temporis | 78,622 | 1,386 | 120 | 80,128 | | |
| Equitix | 78,630 | - 5,558 | - 302 | 72,769 | | |
| Macquarie GIG Renewable Energy | 23,268 | - 742 | - 1,238 | 21,288 | | |
| I Squared | 30,312 | - 1,263 | - 275 | 28,774 | | |
| **Private Equity** | | | | | 9.5% | 10% |
| Knightsbridge | 60,676 | 102 | - 1,603 | 59,176 | | |
| Pantheon | 70,767 | - 1,836 | - 1,452 | 67,479 | | |
| Access | 14,864 | - | 441 | 15,305 | | |
| North Sea | 20,465 | - | - 688 | 19,777 | | |
| **Property** | | | | | 12.0% | 12% |
| Schroders | 137,845 | - | 1,741 | 139,586 | | |
| M&G | 63,576 | - 324 | 823 | 64,075 | | |
| **Cash** | | | | | 3.1% | 1% |
| Legal & General FTSE4Good Cash | 955 | - | - 9 | 946 | | |
| Cash | 46,424 | 5,477 | - | 51,901 | | |
| **Fund Total** | 1,674,154 | - 1,757 | 29,335 | 1,701,733 | 100% | 100% |

*Valuations are based on the bid price as reported by the Fund Managers. The valuations of the Infrastructure and Private Equity funds are the latest available and can be lagged by 3 months.*

## 3.7 Regional Exposure

3.7.1 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.**




3.7.2 The descriptor Asia includes Japan, Korea and Australia. The descriptor Other includes the continent of Africa and Latin America.

3.8.3 It should be noted that of the 34% invested in the UK 12.0% is allocated to Property and 10.4% to Infrastructure. The majority of the Private Equity and Global Equity investments are in the US and Canada.

**3.8 Section 3: Risk Management**

3.8.1 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.

3.8.2 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.

3.8.3 Mercer, the Fund's investment adviser, have drafted a Fund Monitoring Report, for the 3 months to 30 June 2023. These reports are included in Part B of this Committee agenda.

**3.9 Section 4: Investment Manager Visits**

3.9.1 No meetings with managers were held over 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 provides an update on the investment of the Council's Pension Fund, including the value of investments to fund future liabilities and the allocations between different asset classes to diversify risk, maximise return and ensure necessary liquidity. The report notes that at the 2022 Triennial Actuarial Valuation, the funding position for the Pension Fund was 97% using a future investment return assumption (otherwise described as the discount rate) of 4.0% p.a.

**Approved by**: Allister Bannin 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 Pension Fund beneficiaries and taxpayers within the investment strategy framework.

## 7. HUMAN RESOURCES IMPACT

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

**Approved by:** Gillian Bevan**,** Head of HR, Resources and Assistant Chief Executives directorates on behalf of the Chief People Officer Date: 5.9.23

## 8. EQUALITIES IMPACT

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

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

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

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

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

**Approved by:** Naseer Ahmad **for** Equality Programme Manager, (08/09/2023)

## 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.

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

**CONTACT OFFICER:**

Matthew Hallett, Acting Head of Pensions and Treasury,

**BACKGROUND DOCUMENTS:**

Included in Part B of the agenda.
Quarterly reports from each fund manager (circulated under separate cover to the Committee Members.) Exempt pursuant to Schedule 12A paragraph 3 of the Local Government Act 1972 as amended.

**Appendices**:

There are no part A appendices.

**Part B appendices**:

Exempt pursuant to Schedule 12A paragraph 3: Information relating to the financial or business affairs of any particular person (including the authority holding that information), the following appendices are considered to be precluded from publication:

Appendix A: London Borough of Croydon Returns to 30 June 2023, Mercer

Appendix B:  Market Background and Market View Q2 2023, Mercer

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