

LONDON BOROUGH OF CROYDON PENSION FUND

Pension Board Annual Report 2020/2021

Introduction

Local Pension Boards were established under the 2013 Pensions Act. Each Local Government Pension Scheme Administering Authority is required to establish a Board to assist with the effective and efficient governance and administration of the Local Government Pension Scheme. The Croydon Board is tasked with assisting the Pension Committee in ensuring compliance with legislative requirements and those of The Pensions Regulator. The Board has an oversight role, with the decision making body remaining the Committee.

The Board is now established as an important part of the governance structure of the Fund. Board members take their responsibilities seriously and have particularly highlighted their wish to be seen to be properly fulfilling their role in the eyes of The Pensions Regulator.

I would like to express my thanks to all members of the Board for their continued diligence.

Membership

The Board consists of 6 voting members, comprising 3 member representatives and 3 employer representatives, plus an independent chair, making 7 members in all.

During 2020/21 these posts were held by:

Chair

Michael Ellsmore

Employer Representatives

Richard Elliott

Councillor Andrew Pelling

Daniel Pyke (The Collegiate Trust)

Member Representatives

Teresa Fritz

Ava Payne (Union representative)

David Whickman (Union representative)

The Board is supported by the Director of Finance, Investment and Risk and s151 Officer, the Head of Pensions and Treasury and the pensions teams.

Activity during 2020/2021

It almost goes without saying that this year was like no other with the Covid-19 pandemic affecting all our lives and, certainly, the work of the Board. Our meetings in April and July were both cancelled and the three held in the second half of the year were all conducted remotely.

However, I was pleased that the non-Councillor membership of the Board remained intact and the involvement of Councillor Andrew Pelling, now Chair of the Pensions Committee, who has regularly attended Board meetings. The Councillor member on the Board regularly changes and this is not helpful, particularly given the skills and knowledge requirements of Board members..

At each of our meetings we received a report on the performance of the Administration Service and wished to be satisfied that the service was being delivered to a high standard. It has been a particularly challenging time for the service with a high turnover of staff, the pandemic and the Fund's most significant employer undergoing structural changes with a resultant increase in the number of issues relating to retirement and redundancy.

We were pleased to see that performance in relation to the key areas of payment of benefits and the issue of Annual Benefits Statements remained at a very high level. Two other legal deadlines are regularly missed. In addition, we were concerned about delays in the procurement of an external provider to assist with the clearance of the backlog of outstanding issues and of continuing difficulties in maintaining approved staffing levels. By the end of the year the "backlog" work had been handed over to an external provider and we are looking for considerable progress in the year going forward. As Chair of the Board, when invited to do so, I have raised queries over resources at meetings of the Committee. We do acknowledge the high level of commitment regularly displayed by the Administration team, and are grateful for this.

At our meeting in October we, again, reviewed the progress made in implementing the action plan arising from the Aon Hewitt Governance Review of the Fund. We were generally satisfied as to the progress and have commissioned an update of the review. As a Board we have expressed our concern over the delays in implementing the transfer of property from the Fund's major employer [the Council] to the Fund. At the time the decision was taken back in November 2018 we expressed a number of concerns, and many of those concerns remain valid. Given the time which has elapsed since the original decision and other pressures the officer team are facing, the Board holds the view that this transfer should no longer take place.

Other significant items considered formally by the Board during the year included:

- Developments in the "McCloud" Case - the Board expressed its wish to see a detailed project plan and allocation of sufficient staffing resources to address the issues;
- Reporting breaches of the law – for the first time the Board received reports on breaches of the law. The Board understand that The Pensions Regulator expects them to play a key oversight role but were also keen to emphasise the importance of the role of the Pension Committee as the key decision maker;

- Risk Register – Board members were particularly interested in Cyber Security and asked for a training session in the new year;
- Exit Payment Cap;
- Progress on investment “pooling” arrangements;
- Updates from the Local Government Pension Scheme Advisory Board and The Pensions Regulator;
- Reporting and monitoring contributions by employers to the Fund;
- Potential risk to the Fund of the transfer of housing assets;
- Board remuneration policy; and
- Training Plan.

Unfortunately, due to a number of issues there were delays in finalising the Council’s 2019/20 Accounts so it was not possible for the Board to receive the Fund’s Annual Report and Accounts during the year.

Looking Ahead

This Report has been written during the summer of 2021 and we are looking forward to less disruption to the Board’s work than occurred last year.

Training and keeping our knowledge and skills up-to-date will remain important to us and we shall be looking to take advantage of opportunities that become available. We have specifically asked for a more structured training plan and, specifically, for training on cyber security to take place as early as possible. Officers have procured an online training application which members can access at their convenience to supplement other training opportunities. The knowledge and training requirements falling on Board members are very onerous and to acknowledge this, as Chair, I would encourage the administering authority to pay a small annual allowance to Board members.

Following on from the work done in the last two years the Board will continue to take a keen interest in the implementation of the Action Plan arising from the Aon Hewitt Governance Report and will receive regular updates. We shall also be paying attention to the progress of the Local Government Pension Scheme Advisory Board’s final report on “Good Governance in the LGPS” and the action plan submitted to the Secretary of State for Housing, Communities and Local Government.

Pensions administration will continue to attract attention from The Pensions Regulator and the Board will be taking a particular interest in the administration of the Fund and the service provided to both employers and members. In particular we look forward to the clearance of outstanding issues currently being carried out by the Fund’s external provider. We are disappointed that the online facilities for members have only attracted a low take-up rate and have asked for a report as to what more could be done to engage Scheme members and promote the online service. We also expect to review the Fund’s Administration Strategy and the Governance and Best Practice Statement. The Administration Service will continue to be under pressure going forward. The Board will encourage the Administering Authority to look at all potential solutions in order to provide a robust service all employers, employees and members of the Fund.

We plan to review the Budget, compliance with pooling requirements and savings arising therefrom, staffing resources, training and succession planning.

We shall continue to take an interest in the proposed transfer of housing assets from the Council to the Fund and expect to see relevant reports.

The implications of the “McCloud” case for the LGPS are still being reviewed and we are keen to be involved in considering its effect on the Croydon Fund.

We are looking forward to receiving a more extensive Medium Term Business Plan than we have seen before and expect to have significant input. At each alternate meeting we shall consider the Risk Register, in particular the changes thereto.

In its last meeting of 2019/2020 the Board considered a consultation document on responsible investments and expect this to play an increasingly important part in the management of the Fund, although the Board accepts that the Fund’s Investment Strategy is largely a matter for the Pensions Committee..

Whilst recognising that every Fund in the Local Government Pension Scheme is, and should be, managed in accordance with its own strategies, policies and priorities we shall consider with interest the findings of the Government Actuary’s Department after their review of the 2019 triennial valuations of all the funds in the Scheme.

Finally, whilst the Board is expecting 2021/2022 to be another busy year for the Croydon Fund it may also see developments to the Scheme at a national level. We shall look at the implications of all the relevant reports and guidance issued by the Scheme Advisory Board and The Pensions Regulator.

Michael Ellsmore
Chair
October 2021