

APPENDIX A

LONDON BOROUGH OF CROYDON PENSION FUND

Pension Board Annual Report 2023/24

Introduction

Local Pension Boards were established under the Public Service Pensions Act 2013. 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 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 2023/24 there continued to be an “Employer Representative” vacancy with the other posts held by:

Chair

Michael Ellsmore

Employer Representatives

Richard Elliott

Councillor Margaret Bird

Member Representatives

Teresa Fritz

Ava Payne (Union representative)

David Whickman (Union representative)

The Board is supported by the Corporate Director of Resources (Section 151 Officer), the Head of Pensions and Treasury and the Investment, Governance and Administration teams.

Activity during 2023/24

During the year we held three meetings and all members were able to attend each of them. We have an elected councillor on the Board as an employer representative, thereby helping to maintain the close relationship with the Council that we all seek. We are all very keen to see the vacant position filled and have urged officers to progress this as soon as possible. We have been informed that officers are currently undertaking preparatory work to take this forward.

Administration

At each of our meetings we received a report on the performance of the Administration Team. This is in accordance with our particular wish to oversee administration and resource allocation and to seek to ensure that services are being delivered to a high standard.

We were pleased to see that performance in relation to the key “retirements” and “deaths” indicators and the issue of Annual Benefits Statements and Pension Savings Statements remained at a very high level.

It was also interesting to hear from the Team when things were not going so well and where improvements needed to be made. We heard about leaver calculations falling below target and the actions being taken including changes to work allocations and the use of some of the fortnightly “blitz days.”

The team continue to work on data cleansing and updating service histories as part of the McCloud remedy. They also need to cope with an increase in the number of schools changing payroll providers requiring them to undertake mapping exercises and to update individual records.

The Board continued to take an interest in the development and promotion of the member self-service portal and were assured that both active and deferred members were increasingly being encouraged to use it. Although, unfortunately, the system upgrade was not installed during the year the Team were able to focus on easing the member registration process as this had been recognized as a barrier to some members accessing the portal. Take up of the online facility remains relatively low at 25%, and the Board would like to see this increased. They are also using the new Insights reporting tools to access at an employer level self-service uptake and tailor promotion by employer. The Team were pleased to take part in the Council’s staff podcast to answer a range of questions about the Pension Scheme, raise awareness of the benefits of being in it and to promote the portal.

During the year the Board were advised that the Team had received their quality data assessment scores for 2022/23 and had scored 97.7% on common data and 96.7% on scheme specific data, an improvement on the previous year. Work was continuing to clear the remaining errors and, whilst concerns were acknowledged, officers were confident that pension payments were accurate.

We were pleased to note that within the Administration Team there were no leavers or joiners during the year and that the Team had sufficient staff and budget to carry out their duties in a timely manner. Nevertheless we recognise that the development of the Pensions Dashboard and dealing with cases identified under the McCloud ruling will need careful resourcing.

Overall the Board are pleased to see the continued development of the Team and the consequent improvement in performance.

Governance

For some time the Board had expressed a strong view that the Committee adopt a whole Fund “Conflicts of Interest Policy” and, itself having considered a draft, was pleased to see the Committee approving the final version in September. Both members of the Board and of the Committee were subsequently invited to attend a training seminar on Conflicts of Interest commissioned from the Fund’s Governance Adviser, Aon.

Another major policy considered by the Board was the “Governance Policy” and it echoed the Committee’s concern that the Committee had no role to play in the appointment of the Fund’s Actuary or, indeed, any of its advisers. Officers explained that, legally, the Fund is not separate from the Council and it is the Council’s responsibility to make such appointments. Notwithstanding this, we believe that in the interest of good governance it is imperative that the Committee play a role in such appointments. It is important that the Committee has confidence in its advisers and involvement in the procurement process would ensure this.

At each of our meetings, we received a report on the Fund’s breaches of the law. We understand that The Pensions Regulator expects us to play a key oversight role but are also keen to emphasise the importance of the role of the Pension Committee as the key decision maker.

Whilst we are concerned about any breaches, we expressed particular concern over the continuing failure of the Fund to publish audited accounts for any of the years since 2018-19 due to problems in finalising the Council’s accounts. Whilst this remains unsatisfactory, at our January meeting, we were somewhat reassured to receive a report from the auditors advising that their “anticipated audit opinion [for 2019/20] will be unqualified.” Like many others, including the Scheme Advisory Board, we are concerned that, as the Fund is not a separate legal entity, its accounts cannot be finalised until the Council’s accounts are signed off. The backlog of outstanding audit opinions for local bodies stood at 771 on 31 December 2023, so a lack of resolution to this issue is concerning. Officers have assured the Board that the lack of audit certification of the various Fund accounts does not present a material risk to any members. Nonetheless, the Fund has not been able to satisfy the requirement to publish and therefore, at our request, the Head of Pensions and Treasury reported to The Pensions Regulator that we have three years of accounts outstanding and the Regulator asked to be kept informed of progress.

At alternate meetings we considered the Fund's risk register and particularly noted the comments on cyber security. Before our October meeting we received a cyber security training session run by the Fund's Governance Adviser.

In January 2024 we received a report providing a comprehensive update on progress in respect of all outstanding items from the Governance Review carried out by Aon over several years. We were impressed with the progress made and noted that only the following matters remained outstanding:

- Voting employer representative be appointed to the Committee
- To create a data improvement plan
- To create a record management policy
- That the Committee is provided with an evaluation against the new TPR Code requirements in due course and will address areas of partial compliance or noncompliance in a timely manner
- Audited Annual Report and Accounts from 2019/20 onwards

We were also pleased to hear that the Fund had implemented, so far as they apply, almost all the recommendations in the Scheme Advisory Board's Good Governance Review in advance of their being implemented by Government. This will ensure that the Fund is well placed to meet these requirements and will have existing policies and processes already embedded, when the recommendations go live.

One of the recommendations in the Good Governance Review is that the Fund should have a Representation Policy in place, detailing the rationale for the make up and voting rights of the Board and Committee. In July 2023 the Board received such a Policy which aims to identify the current membership profile and to highlight where better representation of the range of Fund membership is needed. This Policy will be reviewed annually.

The Board regards training as very important, allowing members to keep their knowledge and skills up-to-date in order to meet the CIPFA Knowledge and Skills Core Requirements. We have been offered opportunities to attend conferences and courses and to access on-line platforms and webinars. I am pleased to say that some members of the Board have completed the annual Hymans Aspire online programme. All members of the Board attended the cyber security training session and the Aon webinar on The Pensions Regulator's New General Code of Practice. Some have attended the PLSA / LGPS Conference and LGE Fundamentals. At our meeting in January we welcomed the Fund's Governance Advisers, Aon, to present their report and recommendations for a joint three-years' training plan for the Board and Committee. This was agreed by the Board and later by the Committee and was implemented immediately, starting with a presentation on Conflicts of Interest which took place prior to the meeting of the Committee on 19 March 2024 to be followed by a session on Equality, Diversity and Inclusion to be held prior to the Board's first meeting for 2024/25 on 11 April 2024.

Investments

In accordance with our terms of reference most of our time is spent on matters of effective and efficient governance and administration of the Local Government Pension Scheme rather than investments. However, during the last year we have received a report on our investments via the London Collective Investment Vehicle and the resultant savings and matters arising from the Chancellor's Mansion House speech of last autumn. We have noted the Government's intention to impose a number of requirements on the Fund's investment strategy as regards pooling and targeted investments. We were reassured to hear that the Fund will comply with the requirements so far as this will not conflict with its fiduciary duties and will be able to "explain" non-compliance if required.

Looking Ahead

We are pleased with the progress made in 2023/24 and are looking for next year to be just as busy and successful. Under the leadership of an effective team of senior officers working with the Section 151 officer, the Board feels that the Fund has made real progress over the past few years.

One area which continues to disappoint the Chair is the failure to pay the allowances for Board members which were approved by the Pensions Committee in December 2022. Board members are expected to devote considerable time on training and the Regulator will hold the Board to account for Breaches of Law. It is an onerous role for which a relatively small annual payment is more than deserved.

We are expecting to see developments of the Scheme at a national level to which we shall need to respond. Whilst there is no certainty as to initiatives of Government we are well prepared and have already made significant progress in implementing the recommendations of the Scheme Advisory Board Good Governance Project. We expect to be able to respond to those in respect of pooling and other directives for our investments as preparations are in place for those too.

During the year we are expecting the requirements of the Task Force on Climate-Related Financial Disclosures to come into force and we shall need to respond accordingly.

We shall be checking our compliance against the requirements of the new General Code of The Pensions Regulator, and, where necessary, taking steps to implement any areas where we are not already compliant.

At a more local level we know that pensions administration will continue to attract attention from The Pensions Regulator and the Board will be taking a particular interest in the service provided to both employers and members. We shall look for the further development of automated functions to improve administration processes, in particular bulk leaver calculations, and reporting functionality using "Insights." We shall continue to follow the implications of the McCloud remedy.

We are particularly looking forward to the full implementation of the Member Self-Service tool but, meantime, will support the Team in the work they are doing to encourage the use of existing tools.

Following on from the work done in the last few years the Board will seek to ensure that the last remaining recommendations from the Governance Review reach a satisfactory conclusion.

Depending on developments and priorities we are expecting to be advised of, and consulted on, the implementation of Dashboard requirements necessary for implementation in 2025 and plans and/or policies for Data Improvement, Equality, Diversity and Inclusion, Record Management and Cost Management.

Until we see the audited Fund accounts for the last four years we shall remain concerned and stand by our suggestion, and the views of many others, that they be produced and published independently of those of the Council. We are looking forward to hearing how the matter is progressing within the Government.

Keeping our knowledge and skills up-to-date through our structured training plan will remain very important to us and we shall also be looking to take advantage of other opportunities that become available.

Michael Ellsmore
Chair
July 2024