

CROYDON PENSION FUND

Medium Term Business Plan 2022-25

**Croydon Pension Fund
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**Approved by Pension Committee on DD Mon 2022 (to be reviewed in March
2023)**

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1. INTRODUCTION

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

2. PURPOSE OF THE BUSINESS PLAN

- 2.1 Although not specifically required under Scheme regulations, it is recommended in guidance and considered best practice to have a business plan setting out the future direction of the Fund.
- 2.2 The Business Plan sets out the aims and objectives of the Fund and provides an overview of its key activities, priorities and improvements to be implemented over the medium term. It includes a review of important developments during 2021/22, the work plan of the Committee, the Board and officers for 2022/23 – 2024/25 and the planned training activity as set out in the Fund training plan. It also includes the estimated financial position over the three years' up to 2024/25.
- 2.3 The Plan enables progress and performance to be monitored in relation to priorities and is reviewed and updated annually.

3. GOVERNANCE AND MANAGEMENT

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

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

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

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

- 3.3 The Pension Fund Team is managed by the Head of Pensions and Treasury who is supported by two sections. The Administration Section is headed by the Pensions Manager and is responsible for the day to day administration of pension benefits and the overall governance of the Fund. The Pension Investment Section is headed by the Pension Fund Investment Manager and is responsible for investment, accounting and governance matters including the production of the Annual Report and Accounts, the managing of the fund managers and overseeing the investments made through the London Collective Investment Vehicle (London CIV).
- 3.4 Since 2015 a Local Pension Board has been in place the purpose of which, as laid down in Regulations, is
-to assist the Administering Authority in its role as a scheme manager of the Scheme. In particular to assist the Administering Authority to:*
1. *secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme and;*
 2. *to ensure the effective and efficient governance and administration of the Scheme.*
- 3.5 Under the “pooling” regulations the Fund, along with all other London borough funds, is a member of the London CIV. Over the next few years it will continue to seek opportunities to transfer investments to the CIV in order to achieve reductions in investment management costs. It will continue to hold the CIV to account through its role as a shareholder.
- 3.6 At the request of the Pension Board, in 2015, the Fund commissioned a Governance Review from its independent Governance Adviser, Aon. During the spring and summer of 2016 the Board and Committee considered the Review and accepted the Adviser’s recommendations. The Board agreed an action plan to plot progress in their implementation. In 2019 Aon were invited to carry out a further Review to assess progress against their earlier recommendations. The Review and associated action plan was considered by the Board and Committee during late 2019 and the early part of 2020 and again in 2021. The implementation of the various recommendations plays a significant part in the work plan for 2022/23 and subsequent years.
- 3.7 Of the original Aon recommendations as agreed by the Committee, only a few remain outstanding as follows:
- Comply further with the CIPFA Guidance on the preparation of the Fund Annual Report;
 - Prepare a Data Improvement Plan;
 - Review of governance structure;;
 - Further develop Fund website; including information on Committee and Board membership;
 - Prepare an Internal Dispute Resolution Procedure; and

- Prepare a Record Management Policy.

Progress on all these matters will be made during 2022/23.

- 3.8 A further Governance Review was commissioned by the Board, carried out by Aon and reported in August 2021. This made various recommendations which were reported to the Board and Committee.

On 3 December 2021 the Committee agreed the following recommendations:

- To create a Head of the Pension Fund position, accountable directly to the Pension Committee and the S151 officer for all aspects of the Fund including governance, investment and pensions administration;
- To appoint non-Council employer representatives to the Pension Committee;
- To create an explicit policy on voting rights at the Committee that shall include enfranchising the second pensioner representative and trade union representative whilst seeking advice on the merits/demerits of increasing the number of Council members on the Committee so as to broaden experience of the Fund's activity across the Council;
- That the Committee be provided with external advice by March 2022 on creating an appropriate governance structure which distances the Fund from the Authority including consideration of the South Yorkshire Pension Fund model;
- That the Committee seeks an urgent external review of service delivery with respect to the pensions services team with suggestions of how to progress enhancement of service delivery to be enacted by March 2022;
- That the following recommendations from the Aon report be progressed with the following deadlines including:
 - Reports to Committee to be provided by March 2022 on the budget of the administration and management of the Fund and impact in changes of resources and the impact of increases in workload as well as considering succession planning;
 - That the Chair of the Pension Board write to the Chief Whips of current party groups to draw attention to the report's concerns about lack of continuity on the Committee and the Council representatives on the Board and that the outgoing Chair write in similar vein after the May 2022 municipal elections;
 - That the Committee recommends that the Council looks at appointing members to the Committee and the Board for a period of 4 years within the electoral cycle;
 - That any new Committee members will be given timely induction training to ensure they can constructively contribute to the management of the Fund as soon as possible, and that such induction training requirements, subject to Monitoring Officer advice on the legality of such obligations are clearly set out in the Fund's

policy and that this is explained and facilitated for all new members on joining the Committee or Board;

- Note that the Chair of the Committee shall be the representative on the LCIV Stakeholder Board and will now report back on a regular basis with information from the CIV;
 - The CIV relationship structures (in line with Aon's 2019 report) shall be proposed for inclusion in the Council's Constitution, a report being expected by the Committee on this matter by March 2022;
 - As proposed in the Aon report, an investigation be made for the reasons for late papers coming to the Committee and Board and a report to be made to Committee by March 2022 on the processes that lead to papers being produced, their efficacy and legality, including the role of pre-agenda meetings;
 - That an external provider in LGPS matters is procured to draft a Conflict of Interests Policy for the Committee and the Board to be agreed by the Committee by March 2022;
 - That the Committee will carry out a check on how the Fund complies with the recommendations of the Good Governance Review and where work will be required to ensure compliance by March 2023;
 - That the Committee is provided with an evaluation against the new TPR Code requirements in due course and will address areas of partial compliance and non-compliance in a timely manner;
 - That the Committee will require a report on the updated CIPFA Code of Practice and Framework for Officers, and Committee and action taken to address;
 - Breaches of the law policy to be updated by September 2022
 - That the Committee receive a report on compliance with the Aon report on publication of the Funds policies and documents by September 2023; and
 - That the Committee are concerned to learn that "officers are being required to address Council business which is impacting on their ability to address Fund activity"
- That the Committee ask that summons to meetings be made in a timely fashion and that hard copies of papers be provided in a convenient fashion to those who request them (accepting that the cost of this will be charged to the Fund)
 - Where services are provided by the Council, including the provision of payroll and meeting support services, to put in place service level agreements covering delivery times, volumes and price.
 - To compile a 3-year financial plan covering admin, fund management and other overhead costs;
 - To review the operation of procurement and recruitment for the Fund;
 - That the administering authority should proactively consider the use of third party suppliers to increase the resources available to the Fund;
 - That the Fund Annual Report and Accounts be reported to the Pension Committee prior to being reported to the General Purposes and Audit Committee;

- To include all negative and neutral rated items in the latest Aon report into an updated governance review action plan;
- That a small annual allowance should be paid to Pension Board members to reflect the increasingly onerous skills and training requirements; and.
- Consider the progress already achieved against the original governance review actions and the new governance review actions at every alternate meeting of the Committee.

3.9 The Good Governance Review carried out by Hymans Robertson for the LGPS Scheme Advisory Board recommends that each administering authority must undergo a biennial independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified.

4. AIMS AND OBJECTIVES

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

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

The aims of the Fund are to balance:

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

The purposes of the Fund are to:

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

The funding objectives are:

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

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

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

5. STATISTICS

5.1 Key statistics as at 31 March 2021 were as follows:

- Assets of the Fund were £1,538m predominantly invested in equities, bonds, property, infrastructure and private equity;
- The Fund was 88% funded (based on 31 March 2019 data);
- The Fund had approximately 100 contributing employers;
- 10,044 members were contributing to the Fund;
- 11,532 former employees had their benefits deferred;
- 8,523 members were in receipt of a pension;
- Benefit payments in the previous year totalled £57.2m;
- Contributions from members in the previous year were £14.8m; and
- Contributions from employers in the previous year totalled £54.3m.

5.2 As at 31 March 2022 the statistics are expected to be largely similar with small percentage increases in the value of the Fund and in the expenditure and income arising from benefit payments and contributions respectively.

6 REVIEW OF 2021/22

6.1 As reported in the Business Plan considered by the Committee in May 2021, once again, at the time of writing the overall impact of the Coronavirus crisis on the Fund is unclear and may never be fully understood. However, only one of the four meetings of the Committee scheduled for the year had to be cancelled and all four of the scheduled Board meetings have been held. The auditors have not yet completed their reviews of either the 2019/20 or the 2020/21 Statements of Accounts.

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

Specific projects included:

- Funding Strategy Statement update;
- Reconsideration of property transfer proposal;
- Government Actuary's Department Review of 2019 Actuarial Valuation;
- Environmental, Social and Governance Policy;
- Independent Governance Review;
- Employer Contribution Review;
- Governance Consulting Contract; and
- London CIV – Compliance with pooling requirements

7. WORK PROGRAMME

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

7.2 Routine duties

Governance

- Support the Pension Committee and Pension Board;
- Implement the Governance Action Plan;
- Prepare and publish the Fund's Annual Report and Accounts;
- Assist in the preparation of the Pension Board Annual Report;
- Monitor the Fund's revenue budget;
- Monitor achievement of the Fund's Business Plan;

- Carry out routine accountancy duties including cash flow and treasury management, monitoring of income and expenditure and preparing statutory and non-statutory returns;
- Implement various governance policies including Training Policy, Risk Management Policy, Breaches of the Law Policy and relevant codes of practice;
- Prepare reports for Committee and Board;
- Create and implement a training plan for the Committee and Board;
- Answer audit and Freedom of Information Act queries;
- Complete the annual “The Pensions Regulator” return;
- Make arrangements for bulk transfers, process academy conversions, and new scheduled and admitted bodies;
- Organise and facilitate Employers Forum, other communications and advice and other relevant relationships;
- Monitor and report on contributions; and
- Facilitate arrangements for the appointment of non-Councillor representatives on the Pension Committee and Pension Board.

Funding

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

Investments

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

Administration

- Provide information to Scheme members and their beneficiaries as they join, leave or change their status in the Fund;
- Calculate and notify entitlements to retirement, leaving and death benefits;
- Process individual transfers into and out of the Fund;

- Provide ad hoc information to members, their representatives or their beneficiaries;
- Maintain accurate scheme member records;
- Provide data for employers under FRS102;
- Administer pension increase;
- Issue Annual Benefit Statements;
- Develop information technology efficiencies;
- Maintain and operate auto-enrolment arrangements;
- Maintain and publicise members self-service facilities;
- Maintain the Fund's Internal Dispute Resolution Procedure; and
- Advise members on annual allowance.

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

	2022/23	2023/24	2024/25
Governance			
Review implementation of Governance Action Plan	Ongoing	Ongoing	Ongoing
Review Business Plan	March	March	March
Review Governance Policy and Compliance Statement	September		
Review Governance Best Practice Compliance Statement	March	March	March
Review Communications Policy	September		
Review Administration Strategy			March
Review Internal Disputes Resolution Procedure	January to March		
Review Conflicts of Interest Policy			March
Review Breaches of the Law Policy / Procedure	September		
Review Administering Authority Discretionary Policy			March
Review Risk Management Policy and Strategy	March		

Review Knowledge and Skills/ Training Policy	April		
Review budget including CIV costs	March	March	March
Review CIV relationship structures	July		
Review Fund Actuary contract		April to June	
Review Governance Consultancy contract			January to March
Monitor performance of Investment Adviser against agreed strategic objectives	Ongoing	Ongoing	Ongoing
Respond to legislative changes	As required	As required	As required
Scheme Advisory Board Good Governance Review	March		
Respond to reports of Scheme Advisory Board and The Pensions Regulator	Ongoing	Ongoing	Ongoing
Review staffing numbers and structure	Ongoing	Ongoing	Ongoing
Funding			
Triennial valuation consultations and calculations	May to December		
Consultations and calculations for employers rates arising from triennial valuation	November to December		
Triennial valuation certificate issued	March		
Prepare Funding Strategy Statement	November to March		
Interim valuation			As required
Investments			
Review Investment Strategy Statement	March		
Carry out asset allocation review and investigate new investment vehicles	Ongoing	Ongoing	Ongoing

Develop Environmental, Social and Governance investment policy	Ongoing	Ongoing	Ongoing
Comply with “pooling” requirements	Ongoing	Ongoing	Ongoing
Review savings achieved by CIV	July	July	July
Administration			
Triennial valuation – consultation with and results to employers	May to February		
Review Employer (admission/cessation/bulk transfer) Policy			December
Implement implications of McCloud judgement	As required	As required	As required
Review Record Management Policy	September		
Review Business Continuity Plan		April	
Review Committee administration	July		
Monitor Key Performance Indicators	Ongoing	Ongoing	Ongoing
Produce Data Improvement Plan	December		
Focus on information technology efficiencies	Ongoing	Ongoing	Ongoing
Review any service areas failing to meet agreed performance standards	As required	As required	As required
Review staffing structure to respond to increasing demands	As required	As required	As required
Recruitment and Retention Policy	July		
Roll-out of I-connect project	Ongoing		
Develop use of Employer Relationship Management software	Ongoing		

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

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

8. INVESTMENTS

- 8.1 As at the end of December 2021 the Fund had £1,748.6m assets under management by 15 different fund managers investing in equities, bonds, property, infrastructure and private equity.

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

Fund Manager	Managed by CIV	Value at 31 December 2021	Actual Allocation	Strategic Allocation
		£m	%	%
Equities				
LGIM	Counts towards allocation	721.7		
RBC	Yes	92.9		
Total		814.6	46.6	42.0
Fixed Interest				
Aberdeen		139.6		
Wellington		71.6		
PIMCO	Yes	94.5		
Total		305.7	17.5	23.0
Property				
Schroders		148.2		
M &G		63.3		
Total		211.5	12.1	16.0
Private Equity				
Pantheon		73.3		
Knightsbridge		65.3		
Access		22.8		
North Sea Capital		15.1		
Total		176.5	10.1	8.0
Infrastructure				
Equitix		75.2		
Temporis		57.8		
GIGM		22.1		
Access		29.7		

I Squared		23.7		
Total		208.5	11.9	10.0
Cash		31.8	1.8	1.0
TOTAL		1,748.6	100.0	100.0

9. CASHFLOW

9.1 The table below summarises the relatively predictable items of income and expenditure included in the Fund Annual Accounts. The figures in respect of “Contributions receivable” are based on current assumptions and are likely to change when the results of the latest triennial valuation are received.

	2020/21 Actual	2021/22 Forecast Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
	£'000	£'000	£'000	£'000	£'000
Contributions receivable	69,056	65,000	66,000	67,000	68,000
Benefits payable	-47,837	-51,000	-54,000	-56,000	-58,000
Management expenses*	-14,561	-17,230	-18,195	-18,970	-19,880
Investment income	7,309	8,000	8,500	9,000	9,500
Net income (-)	13,967	4,770	2,305	1,030	-380

*See table in paragraph 10.1 below

There are several items within the Fund Accounts which have a significant impact on the financial status of the Fund but which cannot be estimated with confidence. As an indication, these are detailed below for the years 2020/21 and 2021/22.

	2020/21 Actual	2021/22 Forecast Actual
	£'000	£'000
Individual transfers in from other funds	8,002	7,000
Bulk transfers in		18,500
Individual transfers out to other funds	-7,031	-10,000
Commutations, refunds and lump sum retirement and death benefits	-9,374	-10,000

10. RESOURCES

Finance

10.1 The following table provides actuals and estimates of the Fund Management Expenses over the five years from 2020/21. Apart from payroll all management services are carried out in-house by Council staff

	2020/21 Actual	2021/22 Forecast Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
	£'000	£'000	£'000	£'000	£'000
Administration					
System fees	391	410	430	450	475
Staff costs	724	740	780	830	880
Payroll administration	230	235	240	245	250
Other (net)	23	25	25	25	25
Total	1,368	1,410	1,475	1,550	1,630
Oversight and Governance					
Staff costs	501	510	530	560	590
Actuarial costs (net)	130	130	250	150	150
External audit fees	25	25	25	25	25
Memberships	8	10	10	10	10
Investment and governance advice	111	120	150	120	120
Legal advice	70	70	50	50	50
Rebate	-27				
Total	818	865	1,015	915	945
Investment Management					
Management fees	12,270	14,850	15,600	16,400	17,200
Custodian fees	105	105	105	105	105
Total	12,375	14,955	15,705	16,505	17,305
TOTAL	14,561	17,230	18,195	18,970	19,880

Staff

- 10.2 In 2022/23 the Fund has budget for the following staffing resource available to deliver the Plan

	FTE	Vacancies
Head of Treasury and Pensions	1	
Pensions Manager	1	
Investment and Accounting	3	2
Administration	14	2
Governance & Compliance	2	3
Technical Support	2	
TOTAL	23	7

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

- Implications of the McCloud judgement;
- Exit cap changes;
- Scheme Advisory Board Good Governance Review; and
- The Pensions Regulator's new Code of Practice.
- CIPFA Knowledge and Skilld Framework
- Goodwin Case
- Covid Impact
- Section 114 impact
- Severance / Redundancy exercises
- Service Level Agreements and/or external provision for services to the Fund (eg Democratic Services and Legal Services)

During the year both the staffing structure and numbers will be reviewed to ensure that the Fund is able to cope with the increasing demands being placed upon it.

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

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

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

11. TRAINING AND DEVELOPMENT

- 11.1 The CIPFA Knowledge and Skills Framework and a Knowledge and Skills / Training Policy have been adopted by Fund.
- 11.2 Members of both the Pension Committee and the Board and officers are given a range of opportunities to develop their skills in keeping with the Framework. These include on-line programmes provided by Hymans Robertson and events hosted by the Local Government Association
- 11.3 Training opportunities are provided at meetings of the Committee and Board.
- 11.4 The Fund is a member of the CIPFA Pensions Network which gives officers access to an extensive programme of events, training, weekly newsletters and documentation including briefing notes on the latest topical issues. Officers attend quarterly forum meetings with peers from other London boroughs which provide further access to opportunities for knowledge sharing and benchmarking data.
- 11.5 Officers also attend seminars arranged by fund managers and other third parties who specialise in public sector pensions. Any relevant sessions are shared with the Committee and Board members.

12. KEY POLICY DOCUMENTS

- 12.1 Key policy documents which support the Business Plan and, in turn, are supported by it which can be found on the Fund's website include:
- Administration Strategy
 - Annual Report and Accounts
 - Breaches of the Law Policy
 - Business Plan
 - Business Continuity Plan
 - Communications Policy Statement
 - Conflicts of Interest Policy
 - Data Improvement Plan
 - Discretions Policy
 - Employer (admission / cessation / bulk transfer Policy
 - Forward Plan
 - Funding Strategy Statement
 - Governance Policy and Compliance Statement
 - Internal Disputes Resolution Procedure
 - Investment Strategy Statement
 - Knowledge and Skills Policy
 - Record Management Policy
 - Risk Management Strategy
 - Triennial Valuation Report