

Croydon Pension Scheme

Annual Report 2018/2019



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Foreword by Chair of Pension Committee



Once again, as the Chair of the Pension Committee, I am delighted to be able to present to you this Annual Report of the Croydon Pension Fund.

The Fund has over 100 employers, 28,000 members and assets of £1.26bn, up by an encouraging 10.4% over the year. Over the last five years the Fund has grown on average by over 10% per year with its assets now worth over £500m more than they were then.

Much of this growth has been due to the lengthy rally in global equity markets. Asset price inflation has been underpinned by central banks' relaxed monetary stances expressed through quantitative easing, a policy still much in evidence in many markets.

This year, the Committee has locked in some of these equities' gains by reducing modestly the Fund's exposure to these markets. In accordance with our Investment Strategy, during the year, we have reduced our holdings in global equities from 50.8% of the Fund to 42%. Additionally, we have switched approximately 5% from equity investments in the developed world to a new emerging markets fund via a London Collective Investment Vehicle (London CIV) sub fund managed by Janus Henderson.

The funds released by the equities reduction have been transferred to a new Global Bonds mandate also managed as a London CIV sub fund by PIMCO.

Further draw downs were made by our Private Rental Sector manager, M & G, to increase the allocation from 2% to 5%.

Pooling of assets in the London CIV is well underway with over half of the Croydon Fund now within its scope.

We are satisfied that the proportions of our investments allocated to each asset class now fully reflect our current Allocation Strategy.

The next financial year 2019/2020 will see the results of the next actuarial valuation and this will show, through the estimate of the value of liabilities, whether the overall funding position has improved.

During the year Mercer was appointed by the Executive to replace Aon Hewitt as the Fund's Investment Adviser and the Asset Allocation Strategy takes into account their views and good quality of advice received.

At our meeting in June the Committee thanked Aon Hewitt for their contribution to the Fund's success over recent years and noted that they have been retained as our Governance Adviser.

During the year the Committee agreed to receive into the Fund in forty years' time a substantial number of housing properties previously owned by the Council providing a useful close to home boost to our long term rental property exposure. In return for this gifting the Scheme Actuary agreed to a reduction in the Council's annual contribution to the Fund. At our last meeting of the year we considered the options, risks, costs and value of currency hedging in a Brexit environment that has seen a depreciated Pound that has, in turn, underpinned equity values on London listed stocks with non-Sterling overseas income flows..

The Committee takes its responsibility to discharge its fiduciary role in the best interest of the Fund seriously.

Careful monitoring and reviews of developments, diversification across assets, regions and investment styles, and sound governance arrangements have all contributed to a steadily improving outlook for the Fund. In addition to discharging its fiduciary responsibility to stakeholders the Committee is committed to ensuring that sound Environmental, Social and Governance practices are embedded in the investment strategy, specifically in respect of tobacco and a desire to move towards carbon neutrality.

The Committee also ensures that the Fund operates in accordance with the Local Government Pensions Scheme Regulations and relevant Guidance and adopts sound policies and procedures for the administration of the Fund.

The Committee has been taking a particular interest in the service provided to members of the Fund, especially when they or their dependants need advice and support in connection with retirement and death benefits. It is also keen to see a reduction in the backlog of cases relating mainly to deferred members.

I would like to acknowledge the very helpful contribution in assisting the Committee made by the Pension Board and, particularly, by its Chair, Mike Ellsmore. Mr Ellsmore regularly attends our Committee and I do likewise with the Board. We are both made welcome and invited to speak on matters of mutual interest.

Especial thanks are in order for my Vice-Chair, Councillor Simon Hall, for his support and substantive role in the Committee's affairs as the Cabinet Member for Finance and Resources.

I will conclude by also offering my thanks to the many professional officers and advisers listed within the pages of this Report who have contributed to ensuring the continued success of our Fund. Croydon is most fortunate to have such professional and experienced officers in its Pensions team.

I hope you find our Report an interesting read.

Andrew Pelling, Chair, London Borough of Croydon Pension Committee

A OVERALL FUND MANAGEMENT

1 Scheme Management and Advisers

Introduction

Under the Local Government Pension Scheme Regulations 2013 (“the Regulations”) the London Borough of Croydon (“the Council”) is specified as an Administering Authority for the Scheme. As such, the Council is required to maintain a pension fund (“the Fund”). The Council acts as Scheme manager with responsibility for managing the Fund’s assets, collecting employer and employee contributions, paying pension benefits as they fall due and various other aspects of administration.

Pension Committee

The Council discharges its duties through the Pension Committee. The role of the Committee is to ensure that the Fund is operated in accordance with the Regulations, all other relevant legislation and best practice as advised by the Pensions Regulator, Local Government Pension Scheme Advisory Board and various professional bodies. The responsibilities cover the governance and administration of the Fund, the investment of Fund monies and the management of solvency levels. Specifically, the duties of the Committee are:

- To set the investment strategy and review the performance of the Fund’s investment managers, pooling arrangements, Scheme administration and external advisers;
- To make arrangements for the triennial actuarial valuation;
- To determine the Fund’s Administration Strategy;
- To approve and monitor compliance of statutory statements and policies required under the Regulations;
- To approve the Fund’s Statement of Accounts and Annual Report;
- To ensure that the Council discharges its obligations as Administering Authority to other Scheme employers; and
- To make representations to Government as appropriate concerning any proposed changes to the Scheme.

The Committee comprises eight voting Members of the Council, one voting Pensioner Representative and two non-voting members being a Pensioner Representative and a Union Representative.

The members of the Committee for the 2018/19 Municipal Year were:

Councillors:

Chair:	Andrew Pelling
Vice-Chair:	Simon Hall
	Simon Brew
	Robert Canning
	Luke Clancy
	Clive Fraser
	Patricia Hay-Justice
	Yvette Hopley

Reserves Jamie Audsley, Sherwan Chowdhury, Pat Clouder,
Patsy Cummings, Steve Hollands, Vidhi Mohan
Robert Ward

Other members:

Pensioners' Representatives: Gilli Driver (Voting)
Peter Howard (Non-voting)
Union Representative: Charles Quaye (Non-voting)

The Committee is supported by officers and independent external advisers.

Pension Board

As Administering Authority, the Council is required to establish a Local Pensions Board to assist them with:

- Securing compliance with the Regulations and any other legislation relating to the governance and administration of the Scheme, and requirements imposed in relation to the Scheme by the Pensions Regulator;
- Ensuring the effective and efficient governance and administration of the Pension Fund.

During 2018/19 the members of the Board were:

Independent Chair: Michael Ellsmore
Employers' Representatives: Richard Elliott
Cllr Maggie Mansell / Cllr Jerry Fitzpatrick
Scheme Members' Representatives: Teresa Fritz
Ava Payne / Watt
Daniel Whickman

Board members, (excluding the Chair), have individual voting rights but it is expected they will, as far as possible, reach a consensus.

The Committee and Board are supported by officers and independent external advisers.

Administering Authority

London Borough of Croydon
Treasury and Pensions Management, Resources Department,
5A Bernard Weatherill House
8 Mint Walk,
Croydon CR0 1EA

Lisa Taylor - Director of Investment, Finance & Risk, Interim S151 Officer

Lisa.Taylor@Croydon.gov.uk

Nigel Cook – Head of Pensions and Treasury Nigel.Cook@Croydon.gov.uk

Matthew Hallett – Pension Fund Investment Manager Matthew.Hallett@Croydon.gov.uk

Asset Pool Operator

London CIV
Fourth Floor
22 Lavington Street
London SE1 0NZ

Investment Advisers

Mercer Ltd
1 Tower Place West
Tower Place
London EC3R 5BU:

Peter Gent – Senior Investment Consultant

Governance Advisers

Aon Hewitt: Ltd
The Aon Centre
The Leadenhall Building
122 Leadenhall Street
London EC3V 4AN

Karen McWilliam – Partner & Head of Public Sector Benefits & Governance Consultancy

Actuary

Hymans Robertson LLP
20 Waterloo Street
Glasgow G2 6DB

Richard Warden – Partner and Actuary

Custodian of Assets

Bank of New York Mellon
160 Queen Victoria Street
London EC4V 4LA

Auditor - external

Grant Thornton UK LLP
110 Bishopsgate
London EC2N 4AY

Sarah Ironmonger – Director

Auditor - internal

Mazars
Tower Bridge House
St Katherine's Way
London E1W 1DD

Bankers

Royal Bank of Scotland
250 Bishopsgate
London EC2M 4AA

Legal Advisers

The Fund opts to procure legal advice on a case by case basis from the Croydon Council Legal Framework.

National LGPS Framework

The Fund is a founder member of the National LGPS Framework.

AVC Provider

Prudential
Laurence Pountney Hill
London EC4R 0HH

2 Fund Managers

FUND MANAGER	INVESTMENT MANDATE
Legal & General 1 Coleman Street London EC2R 5AA	Developed World (Ex-tobacco) Equities: pooled
London CIV – Janus Henderson Fourth Floor 22 Lavington Street London SE1 0NZ	Emerging Markets Equities: pooled
London CIV Fourth Floor 22 Lavington Street London SE1 0NZ	Global Equities: segregated
Aberdeen Standard 30 St Mary Axe London EC3A 8BF	UK Corporate Bonds and Absolute Return Bonds: pooled
London CIV – PIMCO Fourth Floor 22 Lavington Street London SE1 0NZ	Global Bonds: pooled
Wellington 80 Victoria Street London SW1E 5JL	Sterling Bonds: pooled
Pantheon 10 Finsbury Square London EC2A 1AD	Private Equity - investments in unquoted companies (US dollar and Euro): pooled fund of funds
Knightsbridge 28 Old Brompton Road London SW7 3SS	Private Equity - venture capital (US dollar): pooled fund of funds
Access Capital Central Court 25 Southampton Buildings London WC2A 1AL	Private Equity - co-investment small European buyouts (Euro)

<p>North Sea Capital Ny Vestergade 13.3 1471 Copenhagen K Denmark</p>	<p>Private Equity - investments in unquoted companies (Euro): pooled fund of funds</p>
<p>Equitix Welken House 10-11 Charterhouse Square London EC1M 6EH</p>	<p>Infrastructure - PFI projects: pooled</p>
<p>Temporis Capital Limited Berger House 36-38 Berkeley Square Mayfair London W1J 5AE</p>	<p>Infrastructure – onshore wind farms</p>
<p>Green Investment Bank 28 Ropemaker Street London EC2Y 9HD</p>	<p>Infrastructure – offshore wind farms</p>
<p>Access Capital Central Court 25 Southampton Buildings London WC2A 1AL</p>	<p>Infrastructure – European projects</p>
<p>I-Squared Capital 600 Brickell Penthouse Miami Florida 33131 USA</p>	<p>Infrastructure</p>
<p>M & G 10 Fenchurch Avenue London EC3M 5AG</p>	<p>Private Rental Sector UK</p>
<p>Schroders plc 1 London Wall Place London EC2Y 5AU</p>	<p>UK Property Funds</p>

3 Risk Management

In December 2017 the Fund adopted a Risk Management Policy which details its risk management strategy 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;
- the key internal controls operated by the Fund and other parties responsible for the management of the Fund

The Policy is published on the Fund's website.

Following best practice, the Pension Committee maintain a risk register which is reviewed by themselves and the Pension Board several times each year. Officers, the Committee and the Board attempt to identify all relevant risk scenarios together with an assessment of their potential likelihood and impact.

Risks have been identified in three categories – Governance, Funding and Investment – and mitigation work has concentrated on the relatively few but most important risks. For each risk existing controls are identified and actions designed to mitigate them are considered.

Both the Investment Strategy Statement and the Funding Strategy Statement identify risks specific to the subject matters covered.

Additionally, the Fund Account and Net Assets Statement (Appendix A) includes a substantial section detailing the nature and extent of some key specific risks. It covers price, currency and interest rate risks associated with financial instruments and provides sensitivity analyses showing the potential impact of these risks. It particularly details the valuation risks associated with unquoted private equity and infrastructure investments together with liquidity, re-financing and credit risk.

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B. FINANCIAL PERFORMANCE

FUND ACCOUNT	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Dealings with members				
Contributions - members	10,964	11,263	12,038	12,746
Contributions - employers	41,554	75,942	32,140	35,062
Transfers in	1,429	4,684	7,880	11,584
Pensions	-39,792	-40,424	-42,381	-43,431
Lump sums	-10,326	-10,214	-7,908	-8,923
Transfers out	-1,854	-4,240	-4,922	-5,794
Net additions	1,975	37,011	-3,153	1,244
Management expenses				
Administration	-1,323	-1,340	-1,417	-1,083
Oversight and governance	-492	-618	-669	-674
Investment management	-1,216	-4,508	-4,759	-6,410
Total	-3,031	-6,466	-6,845	-8167
Return on investments				
Income	13,812	16,572	12,661	5,468
Change in market value	3,671	179,912	32,725	120,171
Total	17,483	196,484	45,386	125,639
NET INCREASE IN FUND	16,427	227,029	35,388	118,716

In each of the last four years the Fund asset value has increased. In 2018/19 the value increased by £118.7m from £1,139.4m to £1,258.1m due mainly to excellent returns from the developed world equities market, the Fund's largest asset class holding.

Officers and the Pension Committee monitor investment performance continuously and seek advice from the Fund's independent investment advisers as necessary.

Over the four years' period, a consistent theme has been that on an annual basis pensions paid have been close to contributions received. This suggests that the Fund is approaching the point of maturity when payments will consistently exceed contributions. The net addition of £37.0m in 2016/17 was due largely to the payment by the Council of a lump sum of £33.2m in lieu of three annual payments of £11.8m.

The triennial valuation of the Fund completed during 2016/17 showed an improvement in the overall funding level to 73% compared to 66.3% at the previous valuation. The Actuary has advised that since the last formal valuation real bond yields have fallen placing a higher value on the liabilities and there have been strong asset returns. Both events are of broadly similar magnitude with regards to the impact on the funding position. By making substantial "deficit recovery" payments the Fund is making progress towards achieving its objective of a 100% funding level within 22 years.

UNIT COSTS	2015/16	2016/17	2017/18	2018/19
Administration costs (£'000)	1,323	1,340	1,417	1,083
Administration costs per member (£)	53.92	52.31	53.22	38.69
Oversight and governance costs (£'000)	492	618	669	674
Oversight and governance costs per member (£)	20.05	24.13	25.13	24.08
Total administration, oversight and governance costs per member (£)	73.97	76.44	78.35	62.77
Investment management costs (£'000)	1,216	4,508	4,759	6,410
Investment management costs as percentage of investment assets (£)	0.14	0.42	0.42	0.51

C. INVESTMENT POLICY AND PERFORMANCE

1 Introduction

As Administering Authority, the Council discharges its duties through the Pension Committee. The strategic management of the assets is one of the responsibilities of the Committee which it carries out in consultation with the Fund's Investment Adviser.. Day-to-day management of the investments is carried out by fund managers, who have been appointed by the Committee, acting under agreed mandates, and Council officers acting under delegated powers.

The Committee has adopted an Investment Strategy Statement in accordance with relevant Regulations and Guidance. The full Statement is included on the Fund's website.

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 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.

The Statement includes details of the Fund's approach to:

- Asset allocation;
- Risk management;
- Pooling of assets;
- Environmental, social and governance issues; and
- Voting.

As set out in the Regulations, the Committee reviews the Investment Strategy Statement from time to time and at least every three years. In the event of any material change to any matter contained within the Statement, this will be reflected within six months of it occurring.

2 Asset Allocation

The current strategic asset allocation target came into force in September 2018 as follows.

ASSET CLASS	INVESTMENT %
Equities	42 +/- 5
Fixed interest	23 +/- 5
Alternatives	34 +/- 5
Cash	1
Total	100

The Alternatives category is further broken down as follows:

ASSET CLASS	INVESTMENT %
Private equity	8
Infrastructure	10
Property	10
Private rental sector property	6
Total	34

The Committee recognises that it takes time to complete the transition to a revised asset allocation due to the assets included within the Alternatives category being illiquid and the time it takes to source investable opportunities. It was planned to complete the transition to the new strategy during 2018/19. By the year end all of the asset classes were within 2% of their target allocation and those with the highest weightings almost exactly on target.. The Fund reduced its overweight holding in equities from 51% to the target of 42% and, within this, switched approximately 5% from developed world investments to a new emerging markets fund via a CIV sub fund managed by Janus Henderson... The overweight balance was transferred to a new Global Bonds mandate.managed as a CIV sub fund by PIMCO. Further drawdowns were made by our Private Rental Sector manager, M&G to increase the allocation from 2.2% to 4.9%

The distribution of the Fund's investment assets among fund managers at 31st March 2019 is detailed below.

FUND MANAGER	INVESTMENT MANDATE	% OF INVESTMENT ASSETS
Legal & General	Developed World (Ex-tobacco) Equities (pooled)	37.02
London CIV - Janus Henderson	Emerging Markets Equities (pooled)	4.69
London CIV	Global Equities (Segregated)	
Aberdeen Standard	UK Corporate Bonds and Absolute Return Bonds (Pooled)	10.61
London CIV - PIMCO	Global Bonds (Pooled)	6.80
Wellington	Sterling Bonds (Pooled)	5.43
Pantheon	Private Equity Invest in unquoted companies (Pooled fund of funds) (US Dollar & Euro)	5.38
Knightsbridge	Private Equity – Venture Capital (Pooled FofF) (US Dollar)	2.48
Access Capital	Private Equity - Co-investment small European buyout (Euro)	1.16
North Sea Capital	Private Equity Invest in unquoted companies (Pooled fund of funds) (Euro)	0.24
Equitix	Infrastructure – PFI Projects (Pooled)	5.27
Temporis	Infrastructure – Onshore wind farms	2.78
Green Investment Bank	Infrastructure – Offshore wind farms	2.02
Access Capital	Infrastructure – European projects	1.11
I-Squared Capital	Infrastructure	0.57
M&G	Private Rental Sector UK	4.87
Schroders	UK Property Funds	9.57
TOTAL		100.00

3 Monitoring the Fund Managers

Performance of the fund managers is reviewed formally at the quarterly Committee meetings. To assist the Committee reports on managers' performance are provided by the Council's officers and the Investment Adviser. Additionally, the Council's officers and the Adviser meet the managers regularly to review their actions together with the reasons for their investment performance.

4 Custody

The Fund employs The Bank of New York Mellon as an independent custodian for use as required. However, as the proportion of its assets managed on a pooled basis through the London CIV increases the role of the custodian will be reviewed.

5 Performance

The Fund's performance is compared with the Council's own customised benchmarks. During the 2018/2019 financial year the Fund returned 10.4%, outperforming its benchmark of 5.9% by 4.5%. The outperformance was due to the positive performance by almost all the managers with only two of the Infrastructure managers significantly underperforming.

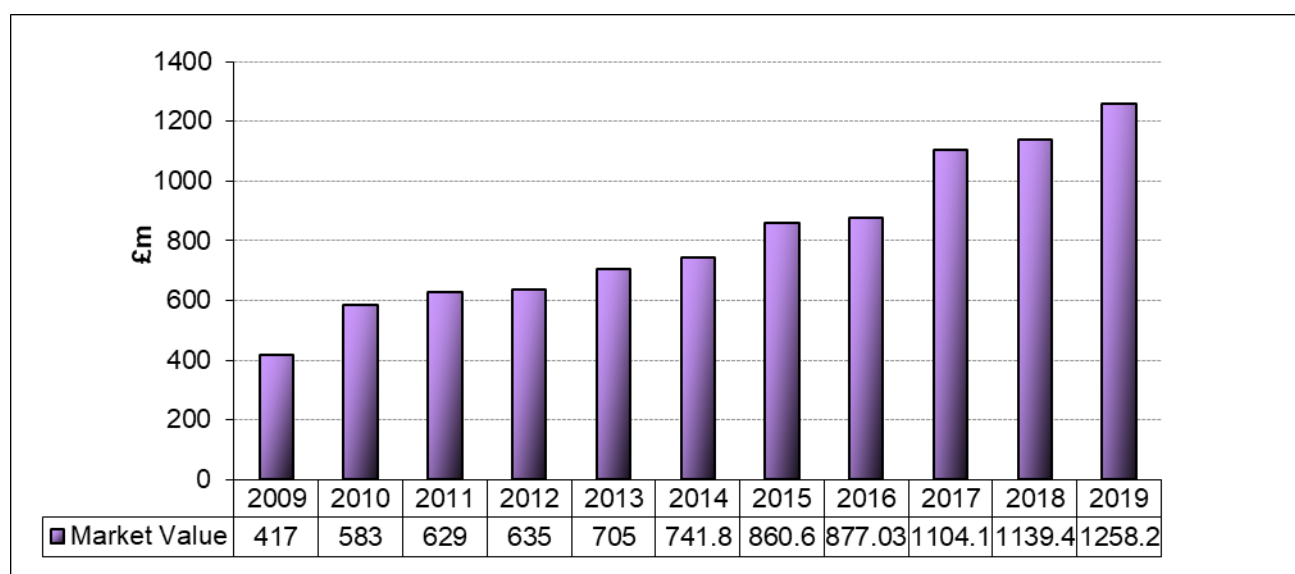
The Fund's investments continue to perform strongly in both the medium term (shown below) and the long term.

The annualised investment returns of the Fund for 1, 3 and 5 years are as follows:

ANNUALISED RETURNS	FUND	BENCHMARK
1 year (% per year)	10.4	5.9
3 years (% per year)	12.0	6.2
5 years (% per year)	10.7	5.4

6 Movement in the Market Value of the Fund

The net assets of the Fund at 31 March 2019 were £1,258m compared with £417m at 31 March 2009. The chart below shows the growth of the assets over the past ten years.



NET ASSETS AT 31 MARCH 2019	£m	%
Market value of investments	1,237.23	98.4
Other balances held by fund managers	1.56	0.1
Cash held by fund managers	6.45	0.5
Net current assets	12.92	1.0
TOTAL	1,258.16	100.0

7 Distribution of Assets by Market Value

INVESTMENTS	£'000	%
Global equities	516.19	41.72
Private equity	114.70	9.27
Bonds	282.42	22.83
PRS	60.24	4.86
Property	118.32	9.56
Infrastructure	145.36	11.75
TOTAL	1,237.23	100.00

8 Top 10 Global Holdings

	Approximate market value £'000	% of total fund
Apple Inc	10,076	0.81
Microsoft Corp	10,076	0.81
Amazon.com	8,244	0.67
Alphabet	7,786	0.63
Facebook Class A	4,580	0.37
Berkshire Hathaway	4,580	0.37
Johnson and Johnson	4,122	0.33
Exxon Mobil Corporation	4,122	0.33
JP Morgan Chase	3,664	0.30
Nestle	3,206	0.26

D. SCHEME ADMINISTRATION

The Fund's Administration Team carry out a wide range of functions in support of the members. Two of those most important to the members are notifying dependents of death benefits and notifying retiring members of the benefits they will receive.

Performance against these two key metrics was as follows:

Case type	Month (2018/19)	KPI target (no of days to process)	Total cases processed	Average no of days taken to process	% within KPI target
Deaths	April	5	34	3	91.18
Retirements	April	10	43	3	97.67
Deaths	May	5	18	4	75.20
Retirements	May	10	17	3	100.00
Deaths	June	5	24	3	79.17
Retirements	June	10	38	4	97.37
Deaths	July	5	22	4	95.35
Retirements	July	10	43	5	86.36
Deaths	August	5	16	3	100.00
Retirements	August	10	38	6	100.00
Deaths	September	5	26	9	65.38
Retirements	September	10	49	3	100.00
Deaths	October	5	28	4	75.00
Retirements	October	10	55	4	100.00
Deaths	November	5	22	7	81.82
Retirements	November	10	37	9	89.19
Deaths	December	5	23	14	82.61
Retirements	December	10	48	10	97.92
Deaths	January	5	11	4	84.62
Retirements	January	10	48	5	98.00
Deaths	February	5	17	6	82.35
Retirements	February	10	38	5	94.74
Deaths	March	5	32	11	53.13
Retirements	March	10	39	6	94.87
Deaths	TOTAL	5	273		
Retirements	TOTAL	10	493		

E. ACTUARIAL REPORT

1 Valuation

In accordance with the Regulations the Fund commissions a revaluation of its assets and liabilities every three years. The most recent valuation was produced by the Actuary during 2016/17 reflecting the position as at 31 March 2016.

A copy of the Report is included on the Fund's website.

ACTUARIAL VALUATION	31 March 2007 £m	31 March 2010 £m	31 March 2013 £m	31 March 2016 £m
Assets	545	583	705	877
Liabilities	806	884	1,064	1,203
Deficit	261	301	359	326
Funding level	68	66	66	73

The Fund's target to achieve full funding is 22 years and employers' contribution rates are set to give a high likelihood of achieving this.

The key financial assumptions underpinning the 2016 valuation were:

FINANCIAL ASSUMPTIONS	31 March 2016 %
Discount rate	4.4
Price inflation	2.1
Pay increases	2.7
Pension increases – pension in excess of GMP	2.1
post 88 GMP	2.1
pre-88 GMP	-
Revaluation of deferred pension	2.1
Revaluation of accrued CARE pension	2.1
Expenses	1.1

Demographic assumptions are more complex and can be seen in the Actuarial Report.

At the valuation, contribution rates were set for the Council and for approximately 80 Admitted and Scheduled bodies. The percentage of pensionable pay set for the Council for 2018/19 was 15.1% whilst for all other bodies it ranged from zero to over 30%.

2 Funding Strategy Statement

The Funding Strategy Statement is prepared, usually at the time of the triennial valuation, in collaboration with the Fund's Actuary and in consultation with the Fund's employers and investment advisers. The current Statement was published in March 2017 and states the key funding principles as follows:

- 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 (this will also minimise the costs to be borne by Council Tax payers);
- 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.

The Statement sets out how the Fund seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

The Statement is available on the Fund's website.

3 Membership of the Fund

The following employers are members of the Fund

London Borough of Croydon Pool

London Borough of Croydon
Octavo Partnership Ltd

Further Education Bodies

Coulsdon College
Croydon College
John Ruskin College

(Community) Admission Bodies

Croydon Citizens Advice Bureau
Croydon Community Mediation
Croydon Voluntary Action

Admission Bodies

Arthur Mckay Limited
AXIS Europe plc (Housing Repairs)
Brick by Brick Croydon Limited
Capita Secure Information Solutions Limited
Churchill Services Limited
Conway Construction Limited
Croydon Equipment Services Limited
Greenwich Leisure Limited
Ground Control Limited
Hats Group Limited
Idverde Limited
Impact Group Limited
Keyring Living Support Networks
Kier Highways Limited
London Hire Services Limited
Olive Dining Limited
Quadron Services Limited
Roman Catholic Archdiocese of Southwark
Skanska Construction UK Limited
Sodexo Limited
Veolia Environmental Services (UK) Recycling Limited (Croydon)
Veolia Environmental Services UK Recycling Limited (SLWP1) and (SLWP2)
Vinci Facilities Limited
Wallington Cars and Couriers Limited
Westgate Cleaning Services Limited

Academies

Aerodrome Primary Academy
Applegarth Academy
ARK Oval Primary Academy
Atwood Primary Academy
BRIT School
Broadmead Primary Academy
Castle Hill Academy
Chestnut Park Primary School
Chipstead Valley Primary School
Coombe Wood
Crescent Primary Academy
Courtwood Primary
David Livingstone Academy
Davidson Primary Academy
Fairchildes Primary School
Folio Education Trust
Forest Academy
Gilbert Scott Primary (The Collegiate Trust)
Gonville Academy
Good Shepherd RC Primary
Harris Academy South Norwood
Harris City Academy Crystal Palace
Harris Invictus Academy
Harris Primary Academy Benson
Harris Primary Academy Haling Park
Harris Primary Academy Kenley
Harris Primary Academy Purley
Heathfield Academy
Keston Primary
Kingsley Primary School
Krishna Avanti Primary School
Meridian (Addington) High Academy
Monks Orchard Primary
New Valley Primary School
Norbury Manor Business and Enterprise College
Oasis Academy Arena
Oasis Academy Byron
Oasis Academy Coulsdon
Oasis Academy Ryelands
Oasis Academy Shirley Park
Orchard Park High School
Pegasus Academy Trust
Paxton Academy
Riddlesdown Collegiate
Robert Fitzroy Academy
Rowdown Primary School
Shirley High School Performing Arts College
South Norwood Academy
St Aidan's Primary School
St Chad's Primary School
St Cyprian's Greek Orthodox Primary Academy
St James the Great RC Primary School
St Joseph's College
St Mark's Church of England Primary School
St Mary's RC Infant School
St Mary's RC Junior School
St Thomas Becket RC Primary School
STEP Academy Trust
The Archbishop Lanfranc Academy
The Manor Trust
The Quest Academy
The Woodside Academy
West Thornton Primary Academy
Winterbourne Boys' Academy
Wolsey Junior Academy
Woodcote High School

F. GOVERNANCE

1 Governance Compliance Statement

The administering authority of a Local Government Pension Scheme (LGPS) is required to publish a Governance Compliance Statement. The Statement aims to make the administration and stewardship of the scheme more transparent and accountable to stakeholders and provides the following information:

- how the Council discharges its responsibilities, as the Fund's Administering Authority, to maintain and manage the Fund in accordance with regulatory requirements;
- the structure of the decision making process;
- the frequency of Pension Committee meetings; and
- the voting rights of Committee members.

The Fund's Statement is available on the Fund's website.

2 Attendance at Meetings

Attendance at the meetings of the Committee and the Board by the members during 2018/19 was as follows

Date of Committee Meeting	23 May 2018	5 June 2018	18 September 2018	21 November 2018	4 December 2018	12 March 2019
Councillor Andrew Pelling (Chair)	✓	✓	✓	✓	✓	✓
Councillor Simon Hall (Vice Chair)	✓	✓	✓	✓	✓	✓
Councillor Simon Brew	✓	✓	✓	✓	✓	✓
Councillor Robert Canning	✓	✓	✓	✓	✓	✓
Councillor Luke Clancy	✓	✓		✓		
Councillor Clive Fraser	✓	✓	✓	✓	✓	✓
Councillor Patricia Hay- Justice	✓	✓	✓	✓		✓
Councillor Yvette Hopley	✓	✓	✓	✓	✓	✓
Gilli Driver (Pensioner Representative)			✓	✓		✓
Peter Howard (Pensioner Representative)		✓	✓	✓	✓	✓
Charles Quaye (Union Representative)					✓	✓

Date of Board Meeting	5 July 2018	18 October 2018	15 November 2018	10 January 2019	26 March 2019
Michael Ellsmore (Chair)	✓	✓	✓	✓	✓
Councillor Maggie Mansell (to 15/11/18)	✓	✓	✓		
Councillor Jerry Fitzpatrick (from 26/3/19)					
Richard Elliott	✓	✓	✓	✓	✓
Ava Payne / Watt	✓	✓			✓
David Wickman	✓	✓	✓	✓	✓
Teresa Fritz (from 18/10/18)		✓	✓	✓	✓

Training Log

Each administering authority is required to log each Pension Committee Member's training.

G. FUND ACCOUNT, NET ASSETS STATEMENT AND NOTES

The Fund's Fund Account and Net Asset Statement is included as Appendix A.

H. ASSET POOLS

In 2015 the, then, Department of Housing, Communities and Local Government issued Guidance which set out how the Government expected funds to establish asset pooling arrangements. The objective was to deliver:

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

By that time, as a founder member, Croydon had already voluntarily joined the London Collective Investment Vehicle (London CIV). The London CIV'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 FCA regulated and has become the first of the eight asset pools in England and Wales to become established with all the London borough funds as members.

Since its founding in 2014 the London CIV has developed its governance structure with the key component being a Shareholders Committee which must be consulted by the Board on

specified matters. The Committee is made up of Council members and officers of shareholders agreed via a methodology specified in the Terms of Reference.

As at 31 March 2019 the Fund had investments of £142.3m (11.5% of its investments) invested in sub-funds managed by the London CIV and a further £458.0m (37.0%) within the pooling umbrella but not managed by the London CIV. The Committee considers that this progress shows a significant commitment to the pooling concept. In view of the Fund's substantial holdings in relatively illiquid private equity, infrastructure and property funds it appears likely that, in the short term any further investments to sub funds of the London CIV will be limited to 16% of the Fund invested in bonds.

I PENSIONS ADMINISTRATION STRATEGY STATEMENT

The Fund's Administration Strategy Statement is available on the Fund's website..

J COMMUNICATIONS POLICY STATEMENT

The Fund is required to publish a Statement setting out its communications policy covering::

- its policy as regards communicating with interested parties including members and other employers within the scheme; and
- the method and frequency of communications used such as newsletters, annual benefit statements and the pensions website.

The Fund's Communications Policy Statement is available on the Fund's website.

K EXTERNAL AUDIT OPINION

The audit opinion of Grant Thornton UK LLP on the Fund's Fund Account and Net Asset Statement is included as Appendix A

L MAIN FEATURES OF LOCAL GOVERNMENT PENSION SCHEME

1 Eligibility for Membership

Membership is generally available to employees of participating employers who have contracts of at least 3 months, are under age 75, and are not eligible for membership of another statutory pension scheme. Employees of designating bodies or admitted bodies can only join if covered by the relevant agreement.

2 Benefits on Death in Service

A lump sum is payable on death in service. This is three times the member's annual assumed pensionable pay. The Administering Authority has absolute discretion over the distribution of this lump sum among the deceased's relatives, dependents, personal representatives or nominees. Pensions may also be payable to the member's widow, widower, civil partner, nominated cohabiting partner and dependent children.

3 Benefits on Retirement

For membership from April 2014 onwards, pension benefits are based on career average revalued earnings and the accrual rate is 1/49th. Benefits for earlier membership consist of a pension calculated as 1/60th of final pay for each year of membership accrued from 1 April 2008 to 31 March 2014. The accrual rate is 1/80th of final pay for each year of membership accrued before 1 April 2008 plus a lump sum of three times the pension. Actual membership may be enhanced automatically in cases of ill health retirement. Employers may choose to increase pension. Members can normally exchange some pension to provide a bigger lump sum.

4 Benefits on Death after Retirement

A death grant is payable if less than 10 years pension has been paid and the pensioner is under age 75 at the date of death, in which case the balance of 10 years of pension is paid as a lump sum. Pensions are also generally payable to the pensioner's widow, widower, civil partner, nominated cohabiting partner and dependent children.

5 Extra Benefits

The scheme offers several ways for members to improve benefits:

- Payment of additional pension contributions (APCs) to buy extra pension; and
- A money purchase additional voluntary contribution (AVC) scheme which operates with the Prudential offering pension and life assurance options.

6 Employee contributions

The bands of contribution rates are as shown below for contributions taken in respect of pensionable pay received from 1 April 2019. The employee pays contributions at the appropriate band rate on all pensionable pay received in respect of that job (or at half that rate if the employee is in the 50/50 scheme).

Contribution Table 2019/20

Band	Actual pensionable pay for an employment	Contribution rate for that employment – main scheme	Contribution rate for that employment – 50/50 scheme
1	Up to £14,400	5.5%	2.75%
2	£14,401 to £22,500	5.8%	2.90%
3	£22,501 to £36,500	6.5%	3.25%
4	£36,501 to £46,200	6.8%	3.40%
5	£46,201 to £64,600	8.5%	4.25%
6	£64,601 to £91,500	9.9%	4.95%
7	£91,501 to £107,700	10.5%	5.25%
8	£107,701 to £161,500	11.4%	5.70%
9	£161,501 or more	12.5%	6.25%

7 Age of retirement

Normal retirement age is now linked to State Pension Age, but:

- pension benefits are payable at any age if awarded due to ill health;
- members may retire with fully accrued benefits from age 55 onwards if their retirement is on grounds of redundancy or business efficiency;
- members who have left employment may request payment of benefits from age 55 onwards. Actuarial reductions may apply where benefits come into payment before the State Pension Age.
- members who remain in employment may also ask to retire flexibly from age 55 onwards if they reduce their hours of work or grade. Employer consent is required and actuarial reductions may apply.
- payment of benefits may be delayed beyond State Pension Age but only up to age 75.

8 Pensions Increases

Pensions payable to members who retire on health grounds and to dependents in receipt of a pension in respect of a deceased member are increased annually by law in line with increases in inflation. Pensions payable to other members who have reached the age of 55 also benefit from this annual inflation proofing. Where a member has an entitlement to a Guaranteed Minimum Pension (which relates to membership up to 5 April 1997), some or all of the statutory inflation proofing may be provided by the Department for Work and Pensions through the State Pension.

LGPS pensions are increased in line with the rise in the Consumer Price Index (CPI), in accordance with the Pensions Increase Act 1971. Although pensions are increased in April, they are based on the rise in the CPI over the 12 months to the previous September. The pensions increase calculation for April 2019 was based on the increase in CPI during the 12 months to September 2018 and was set at 2.4%.

9 Pension Fund Fraud / National Fraud Initiative

This Council is required to protect the public funds it administers. It may share information provided to it with other bodies responsible for; auditing, or administering public funds, or where undertaking a public function, in order to prevent and detect fraud.

The Cabinet Office is responsible for carrying out data matching exercises.

Data matching involves comparing computer records held by one body against other computer records held by the same or another body to see how far they match. This is usually personal information. Computerised data matching allows potentially fraudulent claims and payments to be identified. Where a match is found it may indicate that there is an inconsistency which requires further investigation. No assumption can be made as to whether there is fraud, error or other explanation until an investigation is carried out.

The Council participates in the Cabinet Office's National Fraud Initiative: a data matching exercise to assist in the prevention and detection of fraud. We are required to provide particular sets of data to the Minister for the Cabinet Office for matching for each exercise, as detailed [here](#).

The use of data by the Cabinet Office in a data matching exercise is carried out with statutory authority under Part 6 of the Local Audit and Accountability Act 2014. It does not require the consent of the individuals concerned under the Data Protection Act 1998.

Data matching by the Cabinet Office is subject to a [Code of Practice](#).

View further information on the [Cabinet Office's legal powers and the reasons why it matches particular information](#). For further information on data matching at this authority contact caft@croydon.gov.uk .

M RESOURCES FOR MEMBERS

1 Croydon Council Pension Website

The Scheme's website can be found at <http://www.croydonpensionscheme.org/>

2 National Local Government Pension Scheme Web Site

The web site address is www.lgpsmember.org/

It enables all members, potential members and beneficiaries of the Scheme to access Scheme information 24 hours a day, 365 days a year.

The site has a comprehensive range of Scheme information; it is updated regularly to ensure members have access to the latest information.

3 Additional Voluntary Contributions

The Council has appointed Prudential as the Scheme's provider for additional voluntary contributions investment services.

Further information can be obtained by calling their helpline on 0845 434 6629 or by visiting the website www.pru.co.uk/rz/localgov/.

Any members' additional voluntary contributions (AVCs) are held in various separate investments administered by Prudential Assurance Company Limited. The benefits arising from these contributions are additional to, and do not form part of, the benefits due under the Local Government Pension Scheme. They are not included in the Pension Fund Accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. Pension Fund Accounts and any details within the Annual Report therefore exclude amounts for AVCs.

4 Further Information

The Pensions Regulator

Napier House

Trafalgar Place

Brighton

East Sussex BN1 4DW

Telephone Number: 0845 600 0707 (Monday to Friday 09.00-17.00)

Website: www.thepensionsregulator.gov.uk

The role of the Pensions Regulator has been set out by Parliament, and is to:

- Protect the benefits of members of work-based pension schemes;
- Promote the good administration of work-based pension schemes;
- Reduce the risk of situations arising which may lead to claims for compensation from the Pensions Protection Fund.

The Pensions Advisory Service (TPAS)

11 Belgrave Road

London SW1V 1RB

Telephone Number: 0300 123 1047

Website: www.pensionsadvisoryservice.org.uk

TPAS is available to assist members of pension schemes with any difficulties that they are unable to resolve with their scheme administrators.

The Pensions Ombudsman

At the same address as TPAS

Telephone Number: 020 7630 2200

Website: www.pensions-ombudsman.org.uk

The Pensions Ombudsman can investigate and determine any complaint or disputes between scheme members and administrators, involving maladministration, or matters of fact or law.

The Pension Tracing Service

The Pension Service 9

Mail Handling Site A

Wolverhampton WV98 1LU

Telephone Number: 0345 6002 537

Website: www.gov.uk/find-lost-pension

The Pension Tracing Service can help ex-members of pension schemes, who may have lost touch with their previous employers, to trace their pension entitlements.

Queries relating to the Pension Fund investments can be made to:

The Pensions Section
5A, Bernard Weatherill House
8 Mint Walk
Croydon, CR0 1EA

Tel: 0208 760 5768 ext: 62892

E-mail: pensions@croydon.gov.uk

5 Members Self Service

Scheme members can view their pension details by logging on to our internet member self service. This service allows scheme members to check their personal details, including service history and financial information, as well as enabling members to carry out their own benefit calculations. Members can also check their record to make sure their nomination for their death grant is correct and, if applicable, that their record is up to date with their nominated co-habiting partner's details.

Members can log in to the service at: <https://croydon.pensiondetails.co.uk> to register.

Scheme members will be required to register the E-mail address they wish to use by contacting the pensions team.

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