

CROYDON PENSION FUND

Annual Report 2019/20

31 March 2020

CONTENTS	PAGE
Foreword by Chair of Pension Committee	4
A OVERALL FUND MANAGEMENT	7
1 Scheme Management and Advisers	7
2 Fund Managers	11
3 Risk Management	13
B FINANCIAL PERFORMANCE	19
C INVESTMENT POLICY AND PERFORMANCE	21
1 Introduction	21
2 Asset Allocation	21
3 Monitoring the Fund Managers	23
4 Custody	23
5 Performance	24
6 Movement in the Market Value of the Fund	24
7 Distribution of Assets by Market Value	25
8 Top 10 Global Holdings	25
9 Environmental, Social and Governance Issues	25
10 Voting	27
D SCHEME ADMINISTRATION	28
E ACTUARIAL REPORT	31
1 Valuation	31
2 Membership of the Fund	32
F GOVERNANCE	35
1 Governance Compliance Statement	35
2 Attendance at Meetings	35
3 Training	36
G FUND ACCOUNT, NET ASSETS STATEMENT AND NOTES	37
H ASSET POOLS	38
I PENSIONS ADMINISTRATION STRATEGY STATEMENT	41
J FUNDING STRATEGY STATEMENT	42
K INVESTMENT STRATEGY STATEMENT	43
L COMMUNICATIONS POLICY	44
M EXTERNAL AUDIT OPINION	46
N MAIN FEATURES OF LOCAL GOVERNMENT PENSION SCHEME	47
1 Eligibility for Membership	47
2 Benefits on Death in Service	47
3 Benefits on Retirement	47
4 Benefits on Death After Retirement	47
5 Extra Benefits	47
6 Employee Contributions	48
7 Age of Retirement	48
8 Pensions Increases	48
9 Pension Fund Fraud / National Fraud Initiative	49

O RESOURCES FOR MEMBERS	50
1 Croydon Council Pension Website	50
2 National Local Government Pension Scheme Website	50
3 Additional Voluntary Contributions	50
4 Further Information	50
5 Members Self Service	51
APPENDIX A - Pension Fund Account, Net Assets Statement and Explanatory Notes	
APPENDIX B - Risk Management Policy	
APPENDIX C - Investment Strategy Statement	
APPENDIX D - Actuarial Valuation Report 2019	
APPENDIX E - Governance Compliance Statement	
APPENDIX F - Administration Strategy	
APPENDIX G - Funding Strategy Statement	
APPENDIX H - Communications Policy Statement	

Foreword by Chair of Pension Committee

As the new Chair of the Pension Committee I am delighted that one of my first duties is to be able to present to you this Annual Report of the Croydon Pension Fund.

I would like to start by thanking my predecessor, Councillor Andrew Pelling, for his hard work and diligence in chairing the Committee for the last four years.

The Fund has over 100 employers, 28,000 members and assets of £1.26bn. Over the last five years it has grown on average by around 8% per year with its assets now worth £400m more than they were in March 2015.

However, as you will all understand, these basic figures hide the tumultuous events surrounding the Covid-19 pandemic over the last few months. Suffice it to say that, had our year-end been 31 December 2019, I would have been reporting a valuation of around £1.35bn. However our job is not to think of what might have been but to manage the situation as it is. In this regard we are all pleased to report the results of the 2019 Actuarial Valuation which advised us that our funding level had increased over the last three years from 73% to 88%. By making substantial “deficit recovery” payments the Fund is moving towards achieving its objective of a 100% funding level within 20 years.

For most of the year the lengthy rally in global equity markets continued but its effect was negated by the unique circumstances in the last quarter which contributed to losses in our main equities investments of £22m. We also suffered a small loss in our property portfolio. However, these losses were offset by gains in the private equity, infrastructure and fixed interest funds.

The most significant investment decision made by the Committee during the year was the liquidation of the emerging markets fund. We did this because the team responsible for managing the fund on behalf of Janus Henderson left the company and the replacement fund we were offered did not meet our responsible investment aspirations. At year end the receipts had not yet been re-invested awaiting the availability of a new equities mandate offered by the London CIV.

The disinvestment from Janus Henderson and the market losses within the rest of the equities portfolio resulted in the holdings being reduced to 36% of the total Fund, 1% outside its target range. Some of the receipts from the Private Equity investments were re-invested in Infrastructure. All other investment classes were within their target range but several towards the upper end. In line with the developing investment strategy these issues will be addressed early in the new year.

Whilst we remain committed to the “pooling” concept no new investment opportunities became available and the liquidation of the Janus Henderson fund and market movements reduced our assets invested within the scope of the London CIV to 43.5%. We shall continue to be an active member of the CIV and look at all opportunities they make available. However, we shall only invest when we are satisfied that managers and asset classes offered are likely to assist in the achievement of our objectives.

As usual, the Committee have been busy addressing a number of very important investment, service and valuation issues. At each of our meetings we have considered investment performance and have taken a particular interest in the infrastructure mandates and the implications of Environmental Social and Governance policies. We have appreciated both the verbal and written advice provided by consultants from WM Mercer. To help to develop the relationship between the Fund and its investment managers several meetings were held between Members and managers during the year.

At our last meeting of the previous year we considered the options, risks, costs and value of currency hedging in a Brexit environment. Early in the year a currency hedge was put in place for the Legal and General Equity Fund and it has worked in the Fund's favour.

Also, at each Committee meeting we have reviewed the services provided to the Fund members including those offered to them by the self-service facility. The Committee has a particular wish to ensure that the best possible service is provided to members of the Fund, when they or their dependants need advice and support in connection with retirement and death benefits. We are also very conscious of allocating sufficient staffing resources to provide the service.

Last year the Committee noted with pleasure that Aon Hewitt had been retained as the Fund's Governance Adviser and at our February meeting spent the majority of the time discussing their review of the governance of the Fund. The review highlights areas of good practice and also recommends potential areas for improvement. The Committee took on board all the recommendations of the review and agreed an action plan, progress against which will be monitored at future meetings.

Notwithstanding the effects of the pandemic, 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. In November the Committee received a training presentation entitled "Investing in a Time of Climate Crisis." I am pleased to see in this Report the extensive paragraphs on our responsible investment strategy.

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

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 Councillor Pelling did likewise with the Board. I understand that both were made welcome and invited to speak on matters of mutual interest and I hope to carry on this tradition.

Special thanks are in order for the 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.

Humayun Kabir, 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 Local Government Pension Scheme (“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.

Under the Regulations the Council must prepare a “fund annual report” which contains a number of specified features. This Report has been prepared in accordance with the CIPFA publication “preparing the annual report – Guidance for Local Government Pension Scheme Funds 2019 Edition” which has been adopted by the Ministry for Housing, Communities and Local Government as statutory guidance for the purposes of the Regulations.

Pension Committee

The Council discharges its duties through the Pension Committee (“the Committee”). The role of the Committee is

- To ensure that the Fund is properly operated in accordance with the Regulations, all other relevant legislation and best practice as advised by The Pensions Regulator, including financial, governance and administrative matters;
- To adopt Fund specific policies concerning the administration of the Fund, investing of Fund monies and the management of the Fund’s solvency level. In addition, the Committee is responsible for compliance with all financial and regulatory requirements of the Fund; and
- To discharge its fiduciary responsibility in the best interest of the Fund, in particular:
 - a. To set the investment policy and review the performance of the Fund’s investment managers, pooling arrangements, scheme administration, and external advisers;
 - b. To make arrangements for the triennial actuarial valuation;
 - c. To determine the Pension Administration Strategy;
 - d. To approve and monitor compliance of statutory statements and policies required under the Regulations;
 - e. To approve the Fund’s Statements of Accounts and Annual Report;
 - f. To ensure that the Council discharges its obligation, as Administering Authority for the Local Government Pension Scheme, to other Scheme employers;
 - g. To make representations to Government as appropriate concerning any proposed changes to the Local Government Pension Scheme; and

h. To keep these Terms of Reference under review.

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

The members of the Committee for the 2019/20 Municipal Year were:

Councillors:

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

Substitutes	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)
Trade 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 Pension Board to assist them with securing compliance with the Regulations and other legislation relating to the governance and administration of the Scheme and requirements imposed in relation to the Scheme by The Pensions Regulator.

During 2019/20 the members of the Board were:

Independent Chair:	Michael Ellsmore
Employer Representatives:	Richard Elliott Cllr Jerry Fitzpatrick Daniel Pyke
Member Representatives:	Teresa Fritz Ava Payne Daniel Whickman

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

The Board is 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 Finance, Investment and Risk, 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 Adviser

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

Peter Gent - Senior Investment Consultant

Governance Adviser

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

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

NatWest Bank
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 and General 1 Coleman Street London EC2R 5AA	Developed World (Ex-tobacco) Equities (Pooled)
London CIV - Janus Henderson (ceased 4 November 2019) Fourth Floor 2 Lavington Street London SE1 0NZ	Emerging Markets Equities (Pooled)
London CIV Fourth Floor 2 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 2 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 Invest in unquoted companies (Pooled fund of funds) (US Dollar & Euro)
Knightsbridge 122 SW Frank Phillips Boulevard Bartlesville OK 74003 USA	Private Equity – Venture Capital (Pooled fund of funds) (US Dollar)
Access Capital Central Court 25 Southampton Buildings London WC2A 1AL	Private Equity - Co-Investment small European buyout (Euro)

<p>North Sea Capital Ny Vesterdade 13.3 1471 Copenhagen K Denmark</p>	<p>Private Equity Invest in unquoted companies (Pooled fund of funds) (Euro)</p>
<p>Equitix Welken House 10-11 Charterhouse Square London EC1M 6EH</p>	<p>Infrastructure – PFI Projects (Pooled)</p>
<p>Temporis Capital Berger House 36-38 Berkeley Square Mayfair London W1J 5AE</p>	<p>Infrastructure – Onshore wind farms</p>
<p>Macquarie Infrastructure and Real Assets (MIRA) 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- Global projects</p>
<p>M & G 10 Fenchurch Avenue London EC3M 5AG</p>	<p>Private Rental Sector UK</p>
<p>Schroders 1 London Wall Place London EC2Y 5AU</p>	<p>UK Property Funds</p>

3 Risk Management

On 17 March 2020 the Fund confirmed the adoption of 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 (Appendix B) can be accessed via the Pension Fund website.:

<https://www.croydonpensionscheme.org/resources/>

Following best practice, the 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 four categories – Governance, Funding, Investment and Operational – 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. The Risk Register is considered by the Pension Committee and / or the Pension Board several times each year.

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 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.

The Fund is also exposed to third party risk due largely to the outsourcing of its fund manager functions. It seeks assurance as to the efficacy of controls in operation by reviewing each manager's ISAE 3402 or equivalent report. The report is prepared by the manager's auditor who is expected to provide an opinion on the following lines:

Our opinion has been formed on the basis of the matters outlined in this report. The criteria we used in forming our opinion are those described on pages to In our opinion, in all material respects:

(a) The description fairly presents the investment management services conducted on behalf of institutional clients invested in direct portfolios or pooled funds that were designed and implemented throughout the period from to;

(b) The controls related to the control objectives stated in the description were suitably designed throughout the period from to; and

(c) The controls tested, which were those necessary to provide reasonable assurance that the control objectives stated in the description were achieved, operated effectively throughout the period from to

The status for each of the managers is as follows:

FUND MANAGER	TYPE OF REPORT	ASSURANCE OBTAINED	REPORTING ACCOUNTANT
Legal and General	ISAE 3402 and AAF 01/06	Obtained	KPMG LLP
London CIV - Janus Henderson	Third Party Controls Oversight Summary Report	Obtained	n/a
Aberdeen Standard	ISAE 3402 and AAF 01/06	Obtained	KPMG LLP
London CIV - PIMCO	CIV Third Party Oversight	Obtained	PWC
Wellington	Management Assertion Statement (American Institute of Certified Public Accountants)	Obtained	PWC
Pantheon	SSAE18 and ISAE 3402	Obtained	KPMG LLP
Knightsbridge	Annual financial statement audit of each fund includes consideration of internal controls	n/a	KPMG LLP
Access Capital	Funds' administrator, APEX Group Ltd. has ISAE 3402.	n/a	n/a
North Sea Capital	ISAE 3402 (Saltgate Group)	Obtained	Deloitte LLP
Equitix	Relies on Annual Audit, FCA and AIFMD requirements and independent custodian	n/a	n/a
Temporis Capital	Compliance and Procedures Manual	Obtained	n/a
Green Investment Bank	Internal Controls - Policies and Procedures	Obtained	n/a
I-Squared Capital	Management Assertion Statement (American Institute of Certified Public Accountants) SOC1 Type2 Report for The Citco Group	Obtained	Ernst and Young LLP
M & G	ISAE 3402 and AAF 01/06	Obtained	Ernst and Young LLP
Schroders	ISAE 3402 and AAF 01/06	Obtained	Ernst and Young LLP

During the year the Internal Audit service carried out their annual review of the Fund's administration processes and produced a follow-up report on their 2018/19 review. The first table below indicates that all the recommendations included in the 2018/19 review had been implemented and the second table indicates the management response to the 2019/20 recommendations.

SUMMARY OF ISSUES RAISED	UPDATED ACTION TAKEN	AUDIT COMMENTS
<p>1. A new pension starter process had not been started for one of the sample of ten new starters tested and new starter forms had not been returned for a further four of the sample</p> <p>Priority 2</p>	<p>At the employers forum held in April scheme employers were reminded about the need to issue a new starter form.</p> <p>Due to pressures created by work which needs to be undertaken in preparation for the triennial valuation of the scheme, there has not been capacity to focus specifically on new starters.</p> <p>However, as a result of the valuation work new starter tasks are being created within Altair in the vast majority of cases.</p> <p>We will look to undertake a blitz on new starters in July once the valuation work is completed.</p> <p>However, it is important to note that members are not adversely affected by any delay in receiving a welcome pack as the 12 month period to transfer any previous pension will start from the date of the welcome letter.</p> <p>Audit comment: The above is noted and, while it is accepted that this is ongoing, based on the actions in place and planned, no further follow up of this is planned at this stage.</p>	<p>No further follow up</p>
<p>2. Life certificates had not been issued during 2017/18 or 2018/19 for pensioners living overseas</p> <p>Priority 1</p>	<p>An initial quote for overseas pensioners has been obtained. We have also confirmed the volume of overseas pensioners, including those with UK bank accounts. The next step is to work through the GDPR issues and undertake a PIA and put in place a data sharing agreement prior to commencing the project.</p> <p>We have also obtained two quotes for address tracing/mortality screening. The next step is to discuss procurement process with procurement team and develop business case.</p> <p>Response July 2019:</p> <p>We obtained a quote from Western Union to undertake a proof of life exercise. Due to the complexity of GDPR and data being processed outside of the EU, we have decided a better approach would be to issue our own life certificates to overseas pensioners. These will be issued by end July.</p> <p>We have also obtained two quotes for address tracing/mortality screening. A request to procure has been raised to The Buying Team and we have now been asked to produce a specification. Some further help is needed to draft the specification so aiming to complete this and go to market by end August.</p> <p>Update August 2019</p> <p>Life certificates for overseas pensioners have now been posted (August 2019).</p> <p>A DPIA has been completed prior to making a final decision whether to procure address tracing and mortality screening services. This is awaiting approval by the information management team. A final decision is expected to be made in October 2019.</p> <p>Update October 2019</p> <p>Approx 75% life certs have been returned. Reminders are scheduled to be sent this week. Pensioners will have until end November to respond and then any cases with no responses will result in a suspension of pension payment for December</p>	<p>Implemented</p>

	<p>payrun.</p> <p>DPIA for address tracing and mortality screening needs to be reviewed still and has been scheduled in for early November. This is not a high priority project at present.</p>	
<p>3. Staff did not regularly check that pension system backups were actually being performed by Aquila Heywood, who host the service, or that any test restores had occurred,</p> <p>Priority 2</p>	<p>A service request was raised with Aquila Heywood and evidence of backups provided. The standard process is that if a backup fails we receive an email notification. The last DR exercise was undertaken in December 2018.</p>	<p>No further follow up</p>
<p>4. There were 4254 outstanding tasks on Altair as of 31 January 2019, an issue that was also reported in the 2017/18 audit report</p> <p>Priority 2</p>	<p>We have set up new performance monitoring reports to identify number incoming tasks, number completed and number outstanding.</p> <p>At present it is expected the number of outstanding tasks will have increased due to year end information being received from employers.</p> <p>We have currently one high level quote for backlog clearance and are trying to setup a meeting with that supplier to discuss their service further by end June.</p> <p><u>Response July 2019:</u></p> <p>We have currently one high level quote for backlog clearance. Next step is to develop business case and commence procurement in the autumn.</p> <p><u>Update August 2019</u></p> <p>Up until end July number has remained static. This is due to a high number of tasks being created following end of year and the focus being on valuation work.</p> <p>During August we are starting to see a downward trend in the number of tasks outstanding.</p> <p>The business case for engaging a specialist provider to clear the backlog of deferred cases has now been approved. The next step is to investigate procurement options and take a strategy paper through contracts and commissioning board. The procurement process is likely to take several months.</p> <p><u>Update October 2019</u></p> <p>The total number of outstanding tasks has shown a downward trend over the last 3 months.</p> <p>The procurement strategy for engaging a specialist provider to clear the backlog of deferred cases is schedule to be present to CCB in November and the recommendation is to procure via the National LGPS framework.</p> <p><u>Update December 2019</u></p> <p>The total number of outstanding tasks continues to show a downward trend.</p> <p>The procurement strategy for engaging a specialist provider to clear the backlog of deferred cases has now been approved. The tender documents and framework terms and conditions are now with legal for review. It is anticipated that the procurement exercise via the framework will commence in the New Year.</p>	<p>In progress</p>

<p>5. A number of procedures were listed on the Pensions team SharePoint page. A number of these had not been reviewed and updated recently, or were not dated and it was not possible to confirm when they were last updated. There were at least 16 different areas with procedure guides that had not been updated recently.</p> <p>Priority 3</p>	<p>A programme of review will be set as performance objectives for the team and work will commence from July once the valuation work has been completed.</p> <p><u>Response July 2019:</u></p> <p>The valuation work has been pushed back to end July so this will commence in August 19 now.</p> <p><u>Update August 2019</u></p> <p>A working group is being setup to review the procedures. Membership will be Pension Team Leaders, Systems & Technical Officer and an administrator. The first meeting is scheduled for September 2019.</p> <p><u>Update October 2019</u></p> <p>A number of procedures have been reviewed including deaths, transfers, retirement check list. There is a need to evidence the review date of each procedure so a spreadsheet will be created and a rolling review process implemented.</p> <p><u>Updated December 2019</u></p> <p>The rolling review of procedures is ongoing. A spreadsheet has been created which details the last review date and next review due date for each procedure.</p>	<p>No further follow up</p>
---	---	-----------------------------

SUMMARY OF ISSUES RAISED	ACTION PROPOSED BY MANAGEMENT
<p>1. During the Audit, it was established that there were still 5487 outstanding tasks on Altair as of 6 February 2020, (which is a regression since the 2018/19 Pensions Audit Report, when the backlog reported was 4254).</p> <p>Priority 2</p>	<p>The position has actually slightly improved over the last 12 months. The 4254 tasks in the 2018/19 audit related to what was classified as 'backlog'. We ceased counting outstanding work in this way from April 2019 and the 5487 as at 6 February 2020 relates to the total number of tasks outstanding. At end March 2019 there were a total of 5951 tasks outstanding.</p> <p>Over 60% of the outstanding tasks do relate to a backlog of deferred benefit calculations. A procurement exercise has commenced to seek support from a specialist provider to clear this historical backlog. The tender evaluation and contract award has been temporarily put on hold due to a change in priorities as a result of Covid 19 and is now expected to be completed by Autumn 2020.</p> <p>In addition there are currently 2 vacancies within the team for a Senior Pension Officer and Pension Support Officer and recruitment will commence once current working arrangements return to normal. In addition there is a new Pension Officer who has been recruited and will start employment with us during May 2020.</p> <p>Since April 2019, a monthly KPI report is produced and is presented to both the Pension Committee and Local Pension Board on a quarterly basis enabling performance to be actively monitored.</p>
<p>2. Although, at the time the audit began, there had been no new staff in the Pensions team during the preceding two years, there were plans in place to recruit more staff. The Pensions team did not have a formal training plan for new staff or a record of past training for current staff, although there was evidence of ad hoc training taking place.</p> <p>When there is no training plan in place, it may be difficult to put together comprehensive training for new staff. Additionally, the lack of a record of training for current staff means that gaps in their training may not be apparent, and opportunities for further training may be missed.</p> <p>Priority 3</p>	<p>We were joined by an experienced Pension Team Leader in February with a lot of experience in training. She has been able to identify some training needs and produce training sessions for the whole team or in smaller groups. Training needs are identified by the checkers and through 1:1 discussions with the Pension Officers themselves.</p> <p>We have recently recruited a new Pension Officer and he is receiving structured one to one training (via skype during the lockdown) from the Pension Team Leaders.</p> <p>A log is being created to evidence this training with the view that it will be used for future new recruits. This is currently a work in progress as the training takes place and will be stored in the Guidance & Processes library on the Pension Admin SharePoint site.</p>

B. FINANCIAL PERFORMANCE

FUND ACCOUNT	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000
Dealings with members and employers				
Contributions - members	11,263	12,038	12,746	13,965
Contributions - employers	75,942	32,140	35,062	38,243
Transfers in	4,684	7,880	11,584	14,179
Pensions	-40,424	-42,381	-43,431	-46,540
Lump sums	-10,214	-7,908	-8,923	-10,310
Transfers out	-4,240	-4,922	-5,794	-10,769
Net additions/withdrawals (-)	37,011	-3,153	1,244	-1,232
Management expenses				
Administration	-1,340	-1,417	-1,083	-1,676
Oversight and governance	-618	-669	-674	-1,041
Investment management	-4,508	-4,759	-6,410	-8,708
Total management expenses	-6,466	-6,845	-8,167	-11,425
Return on investments				
Income	16,572	12,661	5,468	9,425
Change in market value	179,912	32,725	120,171	1,912
Total return on investments	196,484	45,386	125,639	11,337
NET INCREASE IN FUND	227,029	35,388	118,716	-1,320

In three of the last four years the Fund asset value has increased substantially. In 2019/20, for the first three quarters of the year, the same was true. However by year end the impact of the Covid 19 pandemic was beginning to be felt and significant losses were suffered in the Global Equities fund. However, these were largely offset by increases in the other asset classes and the total value of the Fund showed a minimal reduction from £1,258.1m to £1256.8m.

Officers and the Pension Committee monitor investment performance continuously and seek advice from the Fund's independent Investment Adviser 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 2019/20 showed an improvement in the overall funding level to 88% compared to 73% at the previous valuation. Whilst benefits accrued exceeded contributions, outstanding investment returns ensured that the deficit was reduced from £326m to £165m. By making substantial "deficit recovery" payments the

Fund is making progress towards achieving its objective of a 100% funding level within 20 years.

UNIT COSTS	2016/17	2017/18	2018/19	2019/20
Administration, oversight and governance costs				
Administration costs (£'000)	1,340	1,417	1,083	1,676
Administration costs per member (£)	52.31	53.22	37.80	57.26
Oversight and governance costs (£'000)	618	669	674	1,041
Oversight and governance costs per member (£)	24.13	25.13	23.52	35.56
Total administration, oversight and governance costs per member	76.44	78.35	61.32	92.82
Investment management costs (£'000)	4,508	4,759	6,410	8,708
Investment management costs as percentage of investment assets	0.42	0.42	0.51	0.73

At the end of the year the following staff were in post

	Full time equivalents
Investment and Treasury	6
Governance and Compliance	3
Administration	15
Technical Support	2

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 the responsibility of 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 (Appendix C) can be accessed via: <https://www.croydonpensionscheme.org/media/4443/iss-september-2018.pdf>

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 strategic asset allocation target used through the year came into force in September 2018 as follows.

ASSET CLASS	TARGET %	OPERATIONAL RANGE %
Equities	42	37-47
Fixed interest	23	15-28
Alternatives	34	29-35
Cash	1	0-10
TOTAL	100	

The Alternatives category is further broken down as follows:

ASSET CLASS	TARGET %	OPERATIONAL RANGE %
Private equity	8	5-13
Infrastructure	10	5-15
Property	10	5-15
Private rental sector property	6	2-8
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. However, by the year end 2018/19 all of the asset classes were within 2% of their target allocation and those with the heaviest weightings almost exactly on target. Throughout the first half of 2019/20 all the main asset classes were within 1% of their target allocation with only infrastructure showing a significant overweight position and private rental sector being underweight by an almost corresponding percentage. However, during the third quarter the Fund liquidated its holding in emerging markets equities and by year end was underweight in Equities and overweight in Alternatives. During the year some of the receipts from Private Equity investments were re-invested in Infrastructure.

The Fund's main currency exposures are to the US Dollar and the Euro. In view of Sterling's long term weakness against these currencies, exacerbated by Brexit uncertainties, the opportunity was taken to "lock-in" some of the gains made by the Fund and to provide some cover against future risks.. On 1 August 2019 a 50% currency hedge was applied to the Legal and General Developed World (ex-tobacco) Equities fund. As at 31 March 2020 the hedge was working slightly in the Fund's favour.

The distribution of the Fund's investment assets among fund managers at 31 March 2019 and 31 March 2020 is detailed below.

Fund Manager	Investment Mandate	% of Investment Assets at 31 March 2019	% of Investment Assets at 31 March 2020
Legal and General	Developed World (Ex-tobacco) Equities (pooled)	36.7	36.0
London CIV - Janus Henderson	Emerging Markets Equities (pooled)	4.7	
London CIV	Global Equities (Segregated)		
Aberdeen Standard	UK Corporate Bonds and Absolute Return Bonds (Pooled)	10.5	11.2
London CIV - PIMCO	Global Bonds (Pooled)	6.8	7.1
Wellington	Sterling Bonds (Pooled)	5.4	6.1

Pantheon	Private Equity Invest in unquoted companies (Pooled fund of funds) (US Dollar & Euro)	5.3	5.1
Knightsbridge	Private Equity – Venture Capital (Pooled fund of funds) (US Dollar)	2.5	3.0
Access Capital	Private Equity - Co-Investment small European buyout (Euro)	1.2	1.1
North Sea Capital	Private Equity Invest in unquoted companies (Pooled fund of funds) (Euro)	0.3	0.4
Equitix	Infrastructure – PFI Projects (Pooled)	5.2	6.6
Temporis Capital	Infrastructure – Onshore wind farms	2.8	2.5
Macquarie Infrastructure and Real Assets (MIRA)	Infrastructure – Offshore wind farms	2.0	1.9
Access Capital	Infrastructure – European projects	1.1	1.6
I-Squared Capital	Infrastructure	0.6	1.6
M & G	Private Rental Sector UK	4.8	5.2
Schroders	UK Property Funds	9.5	9.7
Cash		0.6	0.9
TOTAL		100.0	100.0

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

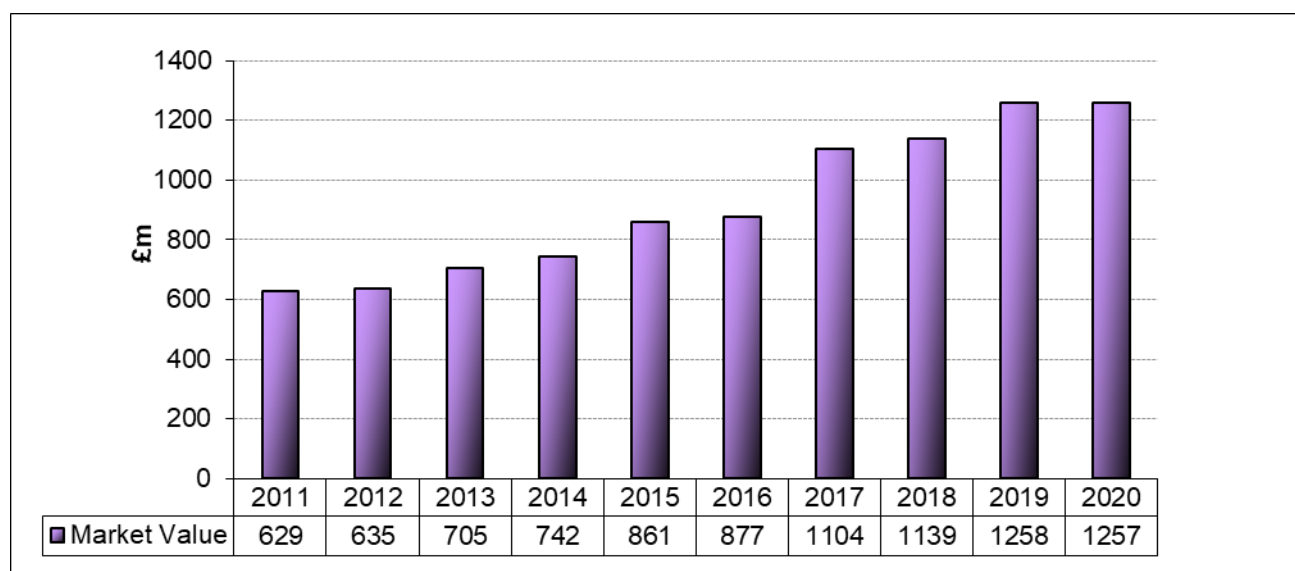
The Fund's performance is measured against its own customised benchmark of CPI plus 4%. During the 2019/2020 financial year it returned 0.2%, underperforming its benchmark by 5.3%. The underperformance was all due to the immediate shock suffered by global markets due to the onset of the Covid-19 pandemic. This has also led to an underperformance over the 3 year period. Over the longer term period of 5 years the Fund continued to outperform the benchmark. This is extremely positive as it shows the Fund can continue to perform over the long term and to date has withstood a major shock caused by an unpredictable and potentially catastrophic event.

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

	FUND (% PER YEAR)	BENCHMARK (% PER YEAR)
1 Year	0.2%	5.5%
3 Years	4.7%	6.0%
5 Years	7.3%	5.7%

6 Movement in the Market Value of the Fund

The net assets of the Fund at 31 March 2020 were £1,257m compared with £629m at 31 March 2011. The chart below shows the growth of the assets over the past ten years.



NET ASSETS AT 31 MARCH 2020	£m	%
Market value of investments	1173.82	93.4
Other balances held by fund managers	1.27	0.1
Cash held by fund managers	9.81	0.8
Net current assets	71.94	5.7
TOTAL	1256.84	100.0

7 Distribution of Assets by Market Value

INVESTMENTS AT 31 MARCH 2020	£m	%
Global equities	426.11	36.30
Private equity	114.47	9.75
Bonds	288.82	24.60
Private rental sector	61.94	5.28
Property	115.35	9.83
Infrastructure	167.13	14.24
TOTAL	1173.82	100.00

8 Top 10 Global Holdings

	Approximate market value £m	% of total fund
Microsoft Corp	14.48	1.15
Apple Inc	12.78	1.02
Amazon.com Inc	9.80	0.78
Facebook	4.69	0.37
Alphabet C	4.26	0.34
Johnson and Johnson	4.26	0.34
Alphabet A	4.26	0.34
Nestle	3.83	0.31
JP Morgan Chase & Co	3.41	0.27
Visa Inc A	3.41	0.27

9 Environmental, Social and Governance Issues

Paragraph 6 of the Investment Strategy Statement describes the Fund's Environmental, Social and Governance Strategy as follows:

6.1 The Fund is committed to being a long term steward of the assets in which it invests and expects this approach to protect and enhance the value of the Fund in the long term. In making investment decisions, the Fund seeks and receives proper advice from internal and external advisers with the requisite knowledge and skills. In addition the Pension Committee undertakes training on a regular basis and this will include training and information sessions on matters of social, environmental and corporate governance.

6.2 The Fund requires its investment managers to integrate all material financial factors, including corporate governance, environmental, social, and ethical considerations, into the decision-making process for all fund investments. It expects its managers to follow good practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed.

6.3 The Fund will only invest in investments with a strong environmental, social and governance policy that includes no tobacco investments. The Fund will disinvest from

existing fossil fuel investments in a prudent and sensible way that reflects the fiduciary responsibility due to stakeholders. Furthermore, where this is consistent with the agreed investment strategy, the Fund will invest in assets that positively address these issues. Examples of this approach include investing in renewable energy projects, screening out regional markets where there might be issues with modern slavery, and looking to explore opportunities to contribute to and invest in the Borough.

6.4 The Fund expects its external investment managers (and specifically the London CIV through which the Fund will increasingly invest) to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long term performance of the Fund such as corporate governance and environmental factors. The Fund expects its fund managers to integrate material ESG factors within its investment analysis and decision making.

6.5 Effective monitoring and identification of these issues can enable engagement with boards and management of investee companies to seek resolution of potential problems at an early stage. Where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed, the Fund expects its investment managers to participate in joint action with other institutional investors as permitted by relevant legal and regulatory codes.

6.6 The Fund monitors this activity on an ongoing basis with the aim of maximising its impact and effectiveness.

6.7 The Fund will invest on the basis of financial risk and return having considered a full range of factors contributing to the financial risk including social, environment and governance factors to the extent these directly or indirectly impact on financial risk and return.

6.8 The Fund in preparing and reviewing its Investment Strategy Statement will consult with interested stakeholders including, but not limited to Fund employers, investment managers, Local Pension Board, advisers to the Fund and other parties that it deems appropriate to consult with.

At their meeting in May 2019 The committee considered a report from the Investment Adviser on the environmental impact of the Fund and the challenges inherent in seeking to move to a “carbon neutral” approach by the Fund. They further agreed to

- Undertake a fact-finding and information session on climate change and investment
- Undertake a fuller carbon footprint exercise
- Update the policy on climate change, incorporating targets and metrics
- Consult with Fund members and other scheme employers on the next steps around moving towards carbon neutrality in the Fund
- Implement the adopted policy.

In November 2019 the Committee received a training presentation entitled “Investing in a Time of Climate Change Crisis.”

10 Voting

Paragraph 7 of the Investment Strategy Statement describes the Fund’s Voting Strategy as follows:

7.1 The Fund recognises the importance of its role as stewards of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Fund recognises that ultimately this protects the financial interests of the Fund and its ultimate beneficiaries. The Fund has a commitment to actively exercising the ownership rights attached to its investments reflecting the Fund’s conviction that responsible asset owners should maintain oversight of the companies in which it ultimately invests recognising that the companies’ activities impact upon not only their customers and clients, but more widely upon their employees and other stakeholders and also wider society.

7.2 The Fund has delegated responsibility for voting rights to the Fund’s external investment manager, currently LGIM, and expects them to vote in accordance with the Fund’s voting policy.

7.3 The Fund will incorporate a report of voting activity as part of its Pension Fund Annual report which is published on the Pension Fund website.

7.4 The Fund has not issued a separate Statement of Compliance with the Stewardship Code, but fully endorses the principles embedded in the seven Principles of the Stewardship Code.

7.5 The Fund expects its external investment managers to be signatories of the Stewardship Code and reach Tier One level of compliance or to be seeking to achieve a Tier One status within a reasonable timeframe. Where this is not feasible the Fund expects a detailed explanation as to why it will not be able to achieve this level.

7.6 In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.

7.7 The Fund through its participation in the London CIV will work closely with other LGPS Funds in London to enhance the level of engagement both with external managers and the underlying companies in which invests.

7.8 In addition the Fund:

- Is a member of the Local Authority Pension Fund Forum (LAPFF) and in this way joins with other LGPS Funds to magnify its voice and maximise the influence of investors as asset owners;*
- is a member of the Pension and Lifetime Savings Association (PLSA) and in this way joins with other investors to magnify its voice and maximise the influence of investors as asset owners;*
- Joins wider lobbying activities where appropriate opportunities arise.*

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 dependants of death benefits and retiring members of the benefits they will receive.

Performance against these two key metrics was as follows:

Case type	Month	KPI target (no of days to process on receipt of all information)	Total cases processed	Average no of days taken to process	% within KPI target
Deaths	April	20	34	9	88.24
Retirements	April	20	46	4	100.00
Deaths	May	20	37	4	83.78
Retirements	May	20	43	2	100.00
Deaths	June	20	34	18	91.18
Retirements	June	20	51	4	94.12
Deaths	July	20	23	8	100.00
Retirements	July	20	55	4	98.18
Deaths	August	20	27	17	92.59
Retirements	August	20	62	1	85.37
Deaths	September	20	18	38	94.44
Retirements	September	20	51	1	100.00
Deaths	October	20	21	3	100.00
Retirements	October	20	63	1	100.00
Deaths	November	20	15	3	100.00
Retirements	November	20	42	5	100.00
Deaths	December	20	29	16	88.88
Retirements	December	20	41	2	97.56
Deaths	January	20	18	5	100.00
Retirements	January	20	41	2	100.00
Deaths	February	20	18	5	100.00
Retirements	February	20	27	4	100.00
Deaths	March	20	19	31	78.95
Retirements	March	20	28	3	100.00
Deaths	TOTAL	20	293	13	92.07
Retirements	TOTAL	20	550	3	97.44

Performance against other deadlines was as follows:

LEGAL DEADLINES			
PROCESS	LEGAL REQUIREMENT	TOTAL NUMBER COMPLETED	% ACHIEVED WITHIN LEGAL DEADLINE
Notify the amount of retirement benefits	One month from the date of retirement if on or after normal pension age or two months from the date of retirement if after normal pension age	550	99.32
Provide a retirement quotation on request	As soon as practicable but no more than two months from the date of request unless there has already been a request in the last 12 months.	758	97.22
Calculate and notify dependent(s) of amount of death benefits	As soon as possible but, in any event, no more than two months from the date of becoming aware of death or from date of request from a third party (eg personal representative).	293	96.28
Send a notification of joining the LGPS to a Scheme member	Two months from the date of joining the Scheme or earlier if within one month of receiving jobholder information where the individual is being automatically enrolled / re-enrolled	1,855	86.94
Inform a member who has left the Scheme of their calculated benefits	As soon as practicable and no more than two months from the date of notification (from employer or Scheme member)	1,345	41.39
Provide all active and deferred members with Annual Benefit Statements each year	By 31 August	16,167	over 99.00

TEAM PERFORMANCE TARGETS 2019/20				
PROCESS	TEAM TARGET	TOTAL NUMBER COMPLETED	% ACHIEVED AGAINST TARGET	AVERAGE DAYS TO PROCESS
Notify the amount of retirement benefits	20 working days from date of retirement	550	97.93	6
Provide a retirement quotation on request	15 working days from date of request	758	80.40	15
Calculate and notify dependent(s) of amount of death benefits	20 working days from receipt of all information	293	93.18	13
Send a notification of joining the LGPS to a Scheme member	30 days from date of notification of joining member	1855	70.20	30
Inform a member who has left the Scheme of their calculated benefits	40 working days from date of notification (from employer or Scheme member)	1345	36.90	339

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 2019/20 reflecting the position as at 31 March 2019 with the following results:

ACTUARIAL VALUATION	31 March 2007	31 March 2010	31 March 2013	31 March 2016	31 March 2019
Assets (£m)	545	583	705	877	1,258
Liabilities (£m)	806	884	1,064	1,203	1,423
Deficit (£m)	261	301	359	326	165
Funding Level (%)	68	66	66	73	88

The key financial assumptions underpinning the valuation were:

FINANCIAL ASSUMPTIONS	31 March 2019 %
Discount rate	4.0
Pay increases	2.3
Pension increases	2.3
Revaluation of accrued CARE pension	2.3

Demographic assumptions are more complex and can be seen in the Actuarial Report. The Fund's target to achieve full funding is 20 years and employers' contribution rates are set to give a high likelihood of achieving this.

At the valuation, contribution rates were set for the Council and for approximately 100 Admitted and Scheduled bodies. The percentage of pensionable pay set for the Council for 2019/20 was 16.1% whilst for all other bodies it ranged from zero to over 30%.

A copy of the Actuarial Valuation Report (Appendix D) can be accessed via:

<https://www.croydonpensionscheme.org/media/5339/london-borough-of-croydon-pension-fund-2019-final-valuation-report-at-31-march-2019.pdf>

2 Membership of the Fund

During 2019/20 employers made payments into the Fund as follows:

EMPLOYERS IN FUND	Employees' Contributions £'000	Employers' Contributions £'000	Total Contributions £'000
London Borough of Croydon	9,673	23,093	32,766
(Community) Admitted Bodies			
Croydon Citizens Advice Bureau	1	10	11
Croydon Community Mediation	2	10	12
Croydon Voluntary Action	29	115	144
Admitted Bodies			
Arthur McKay Ltd	2	11	13
AXIS Europe plc (Housing Repairs)	13	47	60
Brick by Brick Croydon Ltd	30	70	100
Capita Secure Information Solutions Ltd	6	18	24
Churchill Croydon	5	19	24
Churchill Services Ltd	0	2	2
Conway Construction Ltd	10	43	53
Croydon Equipment Services Ltd	150	362	512
Greenwich Leisure Ltd	39	121	160
Ground Control Ltd	2	-	2
Hats /Olympic South	3	11	14
Idverde 622	68	190	258
Impact Group Ltd	1	2	3
Keyring Living Support Networks	2	8	10
London Hire (now joined Olympic South)	3	8	11
Nationwide Cleaning	1	6	7
Octavo	129	286	415
Olive Dining Ltd	2	8	10
Quadron Services Ltd	-	13	13
Roman Catholic Archdiocese of Southwark	5	16	21
Skanska Construction UK Ltd	5	11	16
Sodexo Ltd	2	5	7
The BRIT School	136	311	447
Veolia (ex Cleanaway) 536	11	59	70
Veolia SLWP1 608	22	55	77
Veolia SLWP2 (ex Sutton and Merton) 625	271	755	1,026
Vinci Facilities Ltd	2	-	2
Wallington Cars and Couriers Ltd	2	5	7
Westgate Cleaning Services Ltd	0	1	1
Early Retirement Costs	-	123	123
Total Contributions from Admitted Bodies	954	2,675	3,629
Scheduled Bodies			
Aerodrome Primary Academy	42	132	174
Applegarth STEP	33	107	140
Ark Oval Primary Academy	37	114	151
Atwood Primary Academy	30	113	143
Broadmead Primary Academy	28	149	177

Castle Hill Academy	33	120	153
Chestnut Park Primary School	27	76	103
Chipstead Valley Primary School	63	231	294
Coombe Wood School - Part of Folio Trust	108	326	434
Courtwood Primary School - Part of Collegiate Trust	21	56	77
Crescent Primary Academy	44	139	183
Croydon College	267	1,603	1,870
David Livingstone Academy - STEP Academy Trust	9	28	37
Davidson Primary Academy	7	81	88
Fairchildes Primary School	66	241	307
Forest Academy	34	109	143
Gilbert Scott Primary School - Part of Collegiate Trust	23	52	75
Gonville Academy - STEP Academy Trust	30	109	139
Good Shepherd Catholic Primary and Nursery School	17	80	97
Harris Academy Purley	51	176	227
Harris Academy South Norwood	91	259	350
Harris City Academy Crystal Palace	421	830	1,251
Harris Invictus Academy	37	101	138
Harris Primary Academy Benson	19	87	106
Harris Primary Academy Haling Park	18	46	64
Harris Primary Academy Kenley	24	85	109
Harris Purley Way	7	30	37
Heathfield Academy - STEP Academy Trust	17	51	68
Keston Primary School - PACE Academy Trust	26	113	139
Kingsley Primary Academy	56	255	311
Krishna Avanti Primary School	5	19	24
Manor Trust	51	157	208
Meridian High School	40	150	190
Monks Orchard Primary & Nursery School	30	131	161
New Valley Primary School - PACE Academy Trust	11	44	55
Norbury Manor Business and Enterprise College for Girls - The Manor Trust	51	185	236
Oasis Academy Arena	26	71	97
Oasis Academy Byron	16	59	75
Oasis Academy Coulsdon	63	229	292
Oasis Academy Ryelands	31	124	155
Oasis Academy Shirley Park	106	400	506
Orchard Park High School	37	229	266
Paxton Academy	12	35	47
Pegasus Academy Trust	146	626	772
Riddlesdown Collegiate	128	408	536
Rowdown Primary School	21	85	106
Shirley High School Performing Arts College	53	186	239
South Norwood Primary School - The Pioneer Academy	30	130	160
St Aidan's Catholic Primary School	15	81	96
St Chad's Catholic Primary School	34	204	238
St Cyprian's Greek Orthodox Primary Academy	29	100	129
St James the Great RC Primary and Nursery	35	158	193
St Joseph's College	42	147	189
St Mark's C of E Primary Academy	16	58	74
St Mary's Catholic Infant School	21	103	124
St Mary's Catholic Junior School	21	84	105
St Thomas Becket Catholic Primary	23	91	114
STEP Central (part of Gonville)	68	178	246
The Archbishop Lanfranc Academy - Coloma Trust	37	215	252

The Beckmead Trust	156	554	710
The Quest Academy	34	134	168
The Robert Fitzroy Academy	54	143	197
Tudor Academy - Wolsey Infants	21	97	118
West Thornton Primary School	50	181	231
Winterbourne Boys Academy	6	37	43
Tudor Academy -Wolsey Juniors	18	79	97
Woodcote High School	71	263	334
Woodside Primary School & Children's Centre	44	222	266
Early Retirement Costs	-	179	179
Total Contributions from Scheduled Bodies	3,338	12,475	15,813
TOTAL CONTRIBUTIONS	13,965	38,243	52,208

The tables below explain the growth in membership of the Fund over the last year.

	As at 31 March 2020	As at 31 March 2019	Variance	% change
Contributing members	10,064	9,811	253	2.6
Deferred pensioners	10,923	10,936	- 13	- 0.1
Pensioners	8,285	7,903	382	4.8
TOTAL	29,272	28,650	622	2.2

	Approximate variances in 2019/20
Ill-health retirements	27
Early retirements	178
Normal retirements	290
New dependants	82
Sub total	577
Less deaths	195
TOTAL	382

F. GOVERNANCE

1 Governance Compliance Statement

The administering authority of a Local Government Pension Scheme 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, as the Fund's Administering Authority, discharges its responsibilities 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 (Appendix E) can be accessed via:

<https://www.croydonpensionscheme.org/media/6714/compliance-statement-2021.pdf>

2 Attendance at Meetings

Attendance at the meetings of the Committee and the Board by the members during 2019/20 was as follows:

Date of Committee Meeting	20 May 2019	11 June 2019	17 September 2019	5 November 2019	7 January 2020	11 February 2020	17 March 2020
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	11 July 2019	17 October 2019	16 January 2020
Michael Ellsmore (Chair)	✓	✓	✓
Richard Elliott	✓	✓	✓
Councillor Jerry Fitzpatrick	✓	✓	✓
Daniel Pyke	✓	✓	✓
Teresa Fritz	✓	✓	✓
Ava Payne / Watt	✓	✓	
David Wickman	✓	✓	✓

3 Training

A wide range of training opportunities were made available to all members of the Committee and the Board including The Pensions Regulator's Trustee Toolkit modules, the LGE Fundamentals Course and various seminars offered by CIPFA and other providers.

Specific training sessions held at meetings of the Committee and the Board included:

- Investment Strategy
- Actuarial Valuation
- Key Performance Indicators
- Investing in a time of climate crisis
- Potential impact on investments of a range of geo-political factors
- Role of the Local Government Pension Scheme Advisory Board

G. FUND ACCOUNT, NET ASSETS STATEMENT AND NOTES

The Fund's Fund Account and Net Asset Statement is attached 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 was 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 £142.1m (11.5% of its investments) invested in sub-funds managed by the London CIV and a further £458.0m (36.7%) within the pooling umbrella but not managed by the London CIV. At its quarterly high point during the year (30 September) the percentage "invested" via the London CIV had increased to approximately 48.6%. However, by that time it had become clear that, following the departure of the portfolio manager and the imminent departure of his team, the London CIV needed to replace the emerging markets fund of Janus Henderson, in which the Fund was invested. However, the new manager did not meet the Fund's ESG aspirations and, additionally, the Committee's convictions in favour of emerging markets had lessened. Therefore a decision was taken to terminate the emerging markets mandate and hold the funds in cash instruments until a suitable alternative equity mandate becomes available through the London CIV.

Due to the increased cash holding and the significant falls in equity markets during the last quarter of the year, by 31 March 2020 the holdings represented by "investments" through the London CIV represented 43% of total investments.

During the year no formal changes were made to the Fund's investment strategy and notwithstanding the reduction in the year of 5.2% the Committee consider that they continue to show 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 the cash holdings and the 7.1% of the Fund currently invested in a bonds sub-fund.

Details of the movements in the Fund over the year are shown below.

	31 March 2019 £m	31 March 2019 %	30 Sept 2019 £m	30 Sept 2019 %	31 March 2020 £m	31 March 2020 %
POOLED INVESTMENTS						
Equities						
LGIM	458.0	36.7	499.8	37.5	426.0	35.9
Janus Henderson	58.0	4.7	58.4	4.4		
Fixed interest						
PIMCO	84.1	6.8	89.4	6.7	84.1	7.1
SUB-TOTAL	600.1	48.2	647.6	48.6	510.1	43.0
OTHER	637.1	51.2	670.6	50.4	664.0	56.0
CASH	8.0	0.6	13.9	1.0	11.1	1.0
TOTAL	1,245.2	100.0	1,332.1	100.0	1,185.2	100.0

Since, during the year, no new mandates were awarded to managers included on the London CIV platform the only payments made to the CIV by the Fund were the asset pool development funding charge of £90,000. The whole of the investment costs incurred by the Fund are broken down as follows:

	Asset Pool			Non-Asset Pool			Fund Total £'000
	Direct £'000	Indirect £'000	Total £'000	Direct £'000	Indirect £'000	Total £'000	
Management fees							
By value	394.8	789.9	1,184.7	173.3	5,707.2	5,880.5	7,065.2
Performance					649.7	649.7	649.7
Asset pool shared costs	90.0		90.0				90.0
Transaction costs		566.0	566.0		235.5	235.5	801.5
Custody				102.0		102.0	102.0
TOTAL	484.8	1,355.9	1,840.7	275.3	6,592.4	6,867.7	8,708.4

Estimated savings arising from the pool investments during 2019/20 are as follows:

	Assets under management 31/03/20 £'000	Estimated gross fees savings £'000	Management fees £'000	Development funding charge £'000	Estimated net fees savings £'000
Equities					
LGIM	425,959	290	25		265
Fixed interest					
PIMCO	84,104	305	13		292
Development funding charge				90	-90
TOTAL	510,063	595	38	90	467

I PENSIONS ADMINISTRATION STRATEGY STATEMENT

The Fund's Administration Strategy Statement (Appendix F) can be accessed via:

<https://www.croydonpensionscheme.org/media/2872/administration-strategy-final-july-2017.pdf>

J FUNDING STRATEGY STATEMENT

Under the LGPS Regulations the Fund is required to prepare, maintain and publish a Funding Strategy Statement.

It 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 2020 and sets out the objectives of the funding strategy as:

- 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 (Appendix G) can be accessed via:

[Funding Strategy Statement Croydon Pension Fund \(croydonpensionscheme.org\)](https://www.croydonpensionscheme.org)

K INVESTMENT STRATEGY STATEMENT

Under Ministry of Housing, Communities and Local Government Guidance the Fund is required to prepare, maintain and publish an Investment Strategy Statement. The Statement must contain:

- the strategy and processes in place for managing investment risk;
- allocations of investments across asset classes;
- approach to pooling and participation in national asset pools;
- risk management arrangements;
- social and environmental policies and corporate governance considerations; and
- the exercise of rights attached to investments.

The current Statement (Appendix C) was published in September 2018 and can be accessed via:

<https://www.croydonpensionscheme.org/media/4443/iss-september-2018.pdf>

L COMMUNICATIONS POLICY

Under Regulations the Fund is required to prepare, maintain and publish a Communications Policy Statement. The Fund's Statement is expected to cover:

- 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 current Statement (Appendix H) was published in September 2019 and can be accessed via:

<https://www.croydonpensionscheme.org/media/6706/communications-policy-sep-19.pdf>

Below is a summary of communications produced by the Fund and the format used.

COMMUNICATION MATERIAL	FORMAT			WHEN PUBLISHED	WHEN REVIEWED
	PAPER	ELECT	INTERNET		
Pension Scheme Guide	✓	✓	✓	Constantly available	Annually
Topping Up Benefits	✓	✓	✓	Constantly available	Annually
Annual Benefit Statements	✓	✓		Annually	Annually
Statutory Notifications	✓	✓		On joining and Annual Benefit Statement	Annually
Members Self Service		✓	✓	On joining	Continually
Pension Updates	✓	✓	✓	As required	After each publication
Annual Pension Fund Report	✓	✓	✓	Annually	Annually
Early Leaver Information	✓	✓	✓	Sent with deferred benefits statement	Annually
Early Leaver Guidance	✓	✓		Constantly available	Annually
Retirement Information	✓	✓	✓	Sent with retirement details	Annually
Retirement Guidance	✓	✓	✓	Constantly available	Annually
Pension Increase - Incorporated in the Pensioners Newsletter	✓	✓	✓	Annually	Annually
Actuarial Valuation Report	✓	✓	✓	Triennially	Triennially
Pension Committee	✓	✓	✓	Quarterly	Quarterly
Pension Board	✓	✓	✓	Quarterly	Quarterly
Communications Policy Statement	✓	✓	✓	Annually	Annually
Governance Compliance Statement	✓	✓	✓	Annually	Annually

M EXTERNAL AUDIT OPINION

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

N 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 a 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, dependants, personal representatives or nominees. Pensions may also be payable to the member's widow, widower, civil partner, nominated cohabiting partner and dependant 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 dependant 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).

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 dependants 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

The 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. It is 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 .

0 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 Website

The website 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.

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.

