

LONDON BOROUGH OF CROYDON PENSION FUND

GOVERNANCE POLICY

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GOVERNANCE POLICY

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Administering Authority

Croydon Council (the Council) is the Administering Authority of the London Borough of Croydon Pension Fund (the Fund) and administers the Local Government Pension Scheme (the Scheme) on behalf of participating employers.

Under Regulation 55 of the Local Government Pension Scheme Regulations 2013 (the Regulations) an administering authority is required to prepare a written statement setting out the following:

- a) whether the authority delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority;
- b) if the authority does so —
 - (i) the terms, structure and operational procedures of the delegation,
 - (ii) the frequency of any committee or sub-committee meetings,
 - (iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights;
- c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and
- d) details of the terms, structure and operational procedures relating to the local pension board established under Regulation 106.

An administering authority must keep the Statement under review and make such revisions as are appropriate, following a material change to any of the matters mentioned therein. Before preparing or revising the Statement the administering authority must consult such persons as it considers appropriate.

This document details how the Council complies with this and other regulatory requirements and statutory guidance and how the functions of the Council relating to the Pension Fund are delegated.

Aims and Objectives

The Council recognises the significance of its role as Administering Authority to the Pension Fund on behalf of its stakeholders which include:

Around 31,000 current and former members of the Fund, and their dependants;

Around 100 employers within the Council area or with close links to the Council;

The local taxpayers within the Borough of Croydon; and

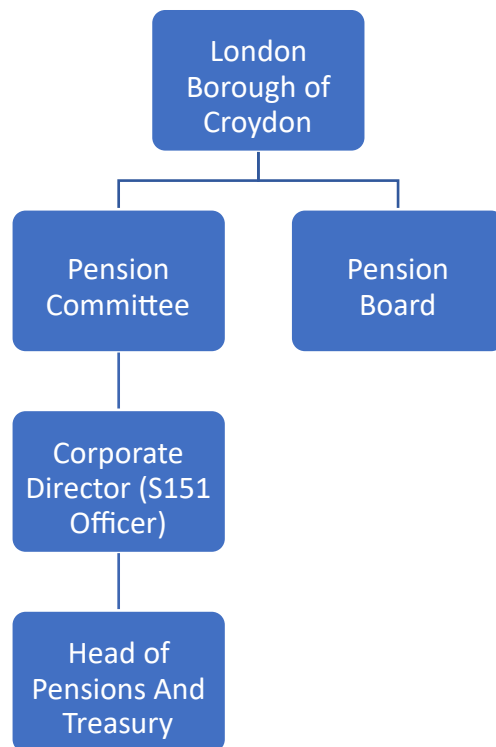
Central Government.

In relation to the governance of the Fund, our objectives are to ensure that:

- All officers, Pension Committee Members and Pension Board Members charged with the financial administration, benefits administration, oversight and decision-making with regard to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them;
- The Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties and that it operates in compliance with the Nolan principles;
- Appropriate measures are in place to manage the risks associated with the governance, administration and investment of the Fund, to understand those risks, to evaluate them and put in place measures to mitigate against them;
- All relevant legislation and statutory guidance is understood and complied with;
- The Fund aims to be at the forefront of best practice for Local Government Pension Scheme funds and is working towards ensuring compliance with the proposed recommendations of the Scheme Advisory Board Good Governance Review and the proposed new single Code of Practice of The Pensions Regulator; and
- The Fund manages conflicts of interest appropriately and has adopted a Fund Conflicts of Interest Policy covering Pension Committee Members, Pension Board Members, officers and all others involved in the management and administration of the Fund setting out requirements and appropriate actions.

Structure

The Constitution of the Council sets out how it operates, how decisions are made and the procedures which are followed to ensure that these are efficient and transparent and that those who make the decisions are accountable to local people. The Constitution sets out the framework under which the Fund is to be administered as shown in the diagram below.



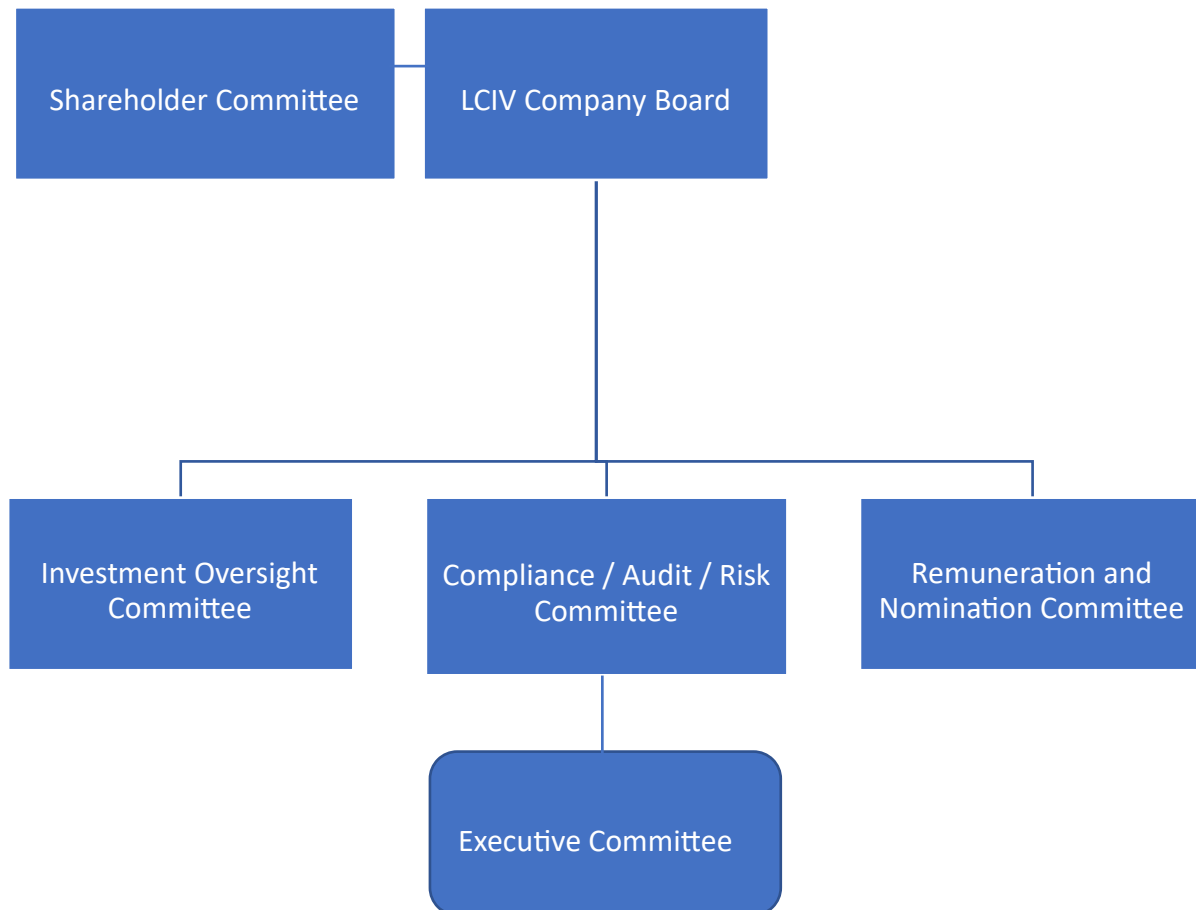
London Collective Investment Vehicle

In accordance with statutory guidance, the Fund is a member and shareholder of the London Collective Investment Vehicle (LCIV), a Financial Conduct Authority (FCA) regulated fund manager that represents the pooled investments of 32 London local authority pension funds. It has an Authorised Contractual Scheme structure and all the funds are equal shareholders.

Since its founding in 2014 LCIV has developed its governance structure through a Corporate Governance and Controls framework. The key components of the framework are the Shareholder Committee, comprising Leaders and Treasurers of twelve of the London boroughs, and a Board made up of executive and non-executive directors all of whom must meet FCA “fitness to serve” requirements.

The Fund’s formal involvement in the governance of LCIV is through attendance at the twice-yearly Shareholder General Meeting. Officers are in regular contact with the LCIV officers and receive regular reports on the performance of the Fund’s investments, “Investor Level” reports on costs incurred by the Fund and an annual “Savings” report covering all the shareholders.

A report on the Fund's interrelationships with the LCIV is considered by the Pension Committee annually.



Pension Committee

The Constitution allows for the appointment of a Pension Committee which has responsibility for the discharge of all executive functions assigned to it.

Role

- 1 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.
- 2 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.

3 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 advisors;
- 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 administrating authority for the Scheme, to other Scheme employers; and
- g) To keep these terms of reference under review.

Membership

The Council decides the composition of, and makes appointments to, the Pension Committee.

The Statement recognises that all Scheme members and employers should be appropriately represented in the running of the Fund whilst, at the same time, ensuring that the Council, as the body with ultimate responsibility for running the Fund, maintains a majority position on the key governance bodies. To this end the Constitution specifies that the Council shall maintain a majority of voting members on the Pension Committee.

Currently the membership of the Committee is 8 elected Members from the Council on a politically proportionate basis. All Council Members have voting rights. In addition there are two elected pensioner members (one-voting and one non-voting) and one non-voting staff-side representative.

The Constitution is currently under review and it is proposed that the staff side member will be given voting rights. Additionally, a new voting employer representative role will be created. Although some of the representatives do not have voting rights they are treated as equal members of the Committee, they have access to all Committee advisers, officers, meetings and training and have the opportunity to contribute to the decision making process.

Three voting members of the Committee are required for a meeting to be quorate.

The Pension Committee may co-opt members as appropriate.

All Members of the Pension Committee, including non-voting members, are required to declare any interest that they have in relation to the Fund or items on the agenda at the commencement of each meeting.

The Fund is aware that good governance means that an organisation is open in its dealings and readily provides information to interested parties; meetings are open to members of the public. However, there may be occasions when members of the public are excluded from meetings when it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that confidential information would be disclosed.

Meetings

The Pension Committee meets four times a year in the ordinary course of business and additional meetings may be arranged as required to facilitate its work. Work for the year will be agreed with the Committee and will include dedicated training sessions for Committee members.

Agendas for meetings will be agreed with the Chair and will be circulated electronically with supporting papers to all members of the Committee, officers of the Council as appropriate and the Fund's advisers. Where requested, hard copy is provided.

The Council will give at least five clear working days' notice of any meetings by posting details of the meeting on the Council's website.

There may occasionally be items which may be exempt from the agenda, reports and minutes of the meetings when it is likely that confidential information would be disclosed. Items which are likely to be excluded include issues where to disclose information would contravene an individual's privacy or where there are financial interests which may be compromised as a result of disclosure. Oral updates and presentations are also given at these meetings.

The Council will make available copies of the minutes of meetings and records of decisions; these are stored indefinitely. Minutes of meetings and records of decisions are available for inspection on the Council's website.

Other delegations of powers

The Committee act as quasi-trustees and oversee the management of the Fund. In this role the Committee have a clear fiduciary duty and must act in accordance with the Myners Principles in the performance of their functions: they have to ensure that the Fund is managed in accordance with the Regulations and to do so prudently and impartially and to ensure the best possible outcomes for the Fund, its participating

employers, to local taxpayers and Scheme members. Whilst trustees can delegate some of their powers, they cannot delegate their responsibilities as trustees.

Pension Board

Role

With effect from 1 April 2015, each administering authority has been required to establish a Local Pension Board to assist them with:

- a) securing compliance with the Scheme Regulations and other legislation relating to the governance and administration of the Scheme and any statutory pension scheme that is connected with it;
- b) securing compliance with requirements imposed in relation to the Scheme and any connected scheme by The Pensions Regulator;
- c) such other matters as the scheme regulations may specify

Such Pensions Boards are not local authority committees but are reflected in a Council's Constitution. The Croydon Pension Board was set up by the Council and its Procedure Rules can be found within the Council's Constitution via <https://democracy.croydon.gov.uk/documents/s46553/PART%20M%20Local%20Pension%20Board%20Procedure%20Rules.pdf>

The Council has charged the Pension Board with providing oversight of the matters outlined above. Although the Pension Board is not a decision-making body in relation to the management of the Fund, the Pension Committee are required to have regard to any such advice given by it under the Public Service Pensions Act 2013 7 (3).

Membership

The Pension Board consist of 7 members as follows:

- An Independent Chair;
- Three Employer Representatives, one of whom is from the Council; and
- Three Scheme Member Representatives, two of whom are nominated by the trade unions.

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

A meeting of the Board is only quorate when three of the six Employer and Scheme Member Representatives are present.

Members of the Board are required to declare any interests that they have in relation to the Fund or items on the agenda at the commencement of each meeting.

Meetings

The Pension Board meets at least four times a year in the ordinary course of business and additional meetings may be arranged as required to facilitate its work.

The Board will be treated in the same way as a Committee of the Council and, as such, members of the public may attend and papers will be made public in the same way as described above for the Pension Committee.

Resources

In order to ensure that the Fund has the appropriate resource to deliver its statutory obligations it has adopted a 3-stage approach.

Business planning and budget setting

The Fund operates a 3-years' Business Plan ("the Plan") which sets out the priorities for its services. It is reviewed, updated and agreed by the Pension Committee once in each financial year and is publicly available. It sets out a programme of work against which progress can be monitored.

The Plan takes into account the risks facing the Fund, performance of the Fund (including backlogs of work) and anticipated regulatory changes.

The Plan also includes the Fund's budget. Resource requirements (including staff recruitment, procurement and other specialist services) are determined by the requirements of the Plan.

Service delivery

The Fund publishes an Administration Strategy Statement which sets out how it will deliver the administration of the Scheme. The Statement includes:

- details of the structures and processes in place for the delivery of the pension administration function;
- expected levels of performance for the delivery of key Fund and employer functions;
- the Fund's approach to training and development of staff;
- the Fund's approach to the use of technology in pension administration.

Monitoring delivery

The Fund recognises the importance of monitoring and reporting how it delivers progress against the Plan. This is done on the following ways:

- Performance against Key Performance Indicators (KPIs) is reported to the Pension Committee and Pension Board on a regular and agreed basis. Overall KPI performance is reported in the Fund's Annual Report. Plans to address any backlogs are added to business planning process as discussed above.
- Every year the Fund's internal auditors carry out reviews to provide assurance that the Fund's processes and systems are appropriate for managing risks.

Conflicts of Interest

Policy

The Fund has published a Conflicts of Interest Policy which sets out:

- How it identifies potential conflicts of interest;
- That the policy applies to members of both the Pension Committee and Pension Board, officers and advisers and contractors;
- How it makes sure that those affected understand their responsibilities in respect of ensuring that conflicts of interest are properly managed;
- Systems, controls and processes for managing and mitigating conflicts of interest effectively;
- How it reviews the effectiveness of its Conflicts of Interest policy and updates it as required; and
- How it embeds a culture which supports the management and mitigation of conflicts of interest.

Process

The Fund embeds the management of conflicts of interest into its everyday processes including by:

- Providing regular training to members of the Pension Committee, Pension Board and officers on identifying and managing potential conflicts of interest;
- Ensuring a record is kept of situations where the Conflicts of Interest Policy has been applied to mitigate or manage a potential conflict situation;
- Ensuring that a declaration of interests forms part of the agenda for all Pension Committee and Pension Board meetings and that an annual declaration of interests is completed;
- Ensuring actual and potential conflicts of interest are considered during procurement processes.

The Council as administering authority and employer

The Council recognises that its dual role as both an employer participating in the Fund and the body legally tasked with its management can produce the potential for conflicts of interest. It is important that these potential conflicts are managed in order to ensure that no actual or perceived conflict of interest arises and that all of the Fund's employers and scheme members are treated fairly and equitably.

Whilst the Fund's Conflicts of Interest Policy refers to the responsibilities of Committee and Board members, officers and advisers it specifically states that "One of the key areas of potential conflict relates to the dual roles held by those employed by or representing the Council as the Administering Authority to the Fund and as a participating employer in the Fund" (Paragraph 37).

The Conflicts of Interest Policy makes specific reference to:

- The effect of the Fund's funding strategy on employers' contributions;
- The potential impact of political stances within the Administering Authority on the investment strategy of the Fund;
- Asset pooling and the role of the Administering Authority as both a shareholder in, and client of, the LCIV;
- The potential use of outsourced services
- Any other roles within the Council being carried out by Committee members or officers which may result in a conflict either in the time available to dedicate to the Fund or in decision making or oversight. eg roles in connection with the Council's financial arrangements.

The Fund is run for the benefit of its members and on behalf of all its employers. It is important therefore that the Fund's budget is managed separately from the expenditure of the Council.

Policy Documents

In addition to the foregoing, there are a number of other documents which are relevant to the governance and management of the Fund. Brief details of some of the most significant are given below and full copies of all relevant documents can be found on the Pension Fund Website: <https://www.croydonpensionscheme.org/>

Funding Strategy Statement

The Funding Strategy Statement (FSS) and associated satellite policies form part of the framework for the funding and management of the Fund. It sets out how the Fund will approach funding its liabilities and contains a schedule of the minimum contribution rates that are required of individual employers within the Fund. The FSS is drawn up by the Council with regard to the advice of the Fund Actuary and after consultation with the Fund's employers. The approach to contribution setting is based on specific employer characteristics such as its time horizon, strength of covenant and risk profile. This approach ensures a consistency across all employers and removes the possibility of any employer receiving more, or less, favourable treatment.

Investment Strategy Statement

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require pension fund administering authorities to prepare, maintain and publish a statement of the principles governing their decisions on the investment of the Fund.

The areas covered are as follows:

- A requirement to invest in a wide variety of investments;
- An assessment of the suitability of particular investments;
- The Fund's approach to risk, including measurement and management;
- The Fund's approach to pooling;
- The Fund's policy on how environmental, social, and governance considerations are taken into account; and
- The Fund's policy on the exercise of rights attached to investments.

Administration Strategy

The Fund's Administration Strategy sets out the way in which the Fund works with its employers and the mutual service standards that are expected. The Strategy details how the Fund will assist employers to ensure that they are best placed to meet their statutory Scheme obligations. On occasions where an employer's failure to comply

with required processes and standards has led to the Fund incurring additional cost, the Strategy also provides for that cost to be recovered from the employer in question. This policy has been developed with all the Fund's employers and is operated in a consistent fashion across all of the employer base.

Admissions Policy

The Fund's Admissions Policy details its approach to admitting new employers to the Fund. This includes its approach to the use of guarantors, bonds and the setting of a fixed contribution rate for some employers. This policy, in conjunction with the Funding Strategy Statement, ensures a consistent approach when new employers are admitted into the Fund.

Communication Policy

The Fund's Communication Strategy sets out how it engages with various stakeholders in the Fund including active, deferred and pensioner scheme members. The Fund carries out a range of activities including:

- Contributing Scheme members
- Prospective Scheme members
- Pensioner Scheme members and dependants of deceased members
- Deferred Scheme members
- Scheme employers participating in the Fund
- Members of the Council
- Pension Committee
- Pension Board

Communication methods include:

- Scheme guides available on the website
- The Fund maintains a website which provides general advice, information and updates including copies of all current policies
- Member self-service Members have secure online access to their own pension records in order to run retirement estimates

- Scheme members are able to arrange one to one appointments, by phone or at our offices, with members of the pension team to discuss specific matters
- Member's annual benefit statements are available online or in writing (including large text) on request.
- Annual online Employer forums and Guide

Governance Best Practice—Compliance Statement

This sets out the Pension Fund's compliance with the Secretary of State's Statutory Guidance on Governance in the LGPS. This shows where the Fund is compliant or not compliant with best practice and the reasons why it may not be compliant.

Knowledge and Skills / Training Policy

The Fund has adopted a Knowledge and Skills / Training Policy which has been put into place to assist it in achieving its governance objectives. Pension Committee and Pension Board members and senior officers are expected to demonstrate their own personal commitment to training and to ensure that the governance objectives are met.

To assist in achieving these objectives, the Council aims to comply with:

- The CIPFA Knowledge and Skills Framework;
- The knowledge and skills elements of the Public Service Pensions Act 2013 and The Pensions Regulator's Code of Practice for Public Service Schemes; and
- The recommendations of the Scheme Advisory Board Good Governance Review

Any other LGPS specific guidance relating to the knowledge and skills of Pension Committee and Pension Board members, or Fund officers including the Section 151 Officer which may be issued from time to time will also be considered.

Details of the training undertaken by members of the Pension Committee and Pension Board are maintained and are reported in the Fund's Annual report. Targeted training is provided that is timely and directly relevant to the Committee and Board's activities as set out in the Business Plan.

Committee and Board members' subject knowledge is assessed on an annual basis. The results are analysed and any gaps identified are addressed as part of the ongoing training plans.

Officers involved in the management and administration of the Fund are set annual objectives which will include an element of personal development. These objectives are monitored as part of each individual's annual appraisal.

Annual Report and Statement of Accounts

As part of the Council's Constitution it is the duty of the Corporate Director of Resources to ensure that record keeping and accounts are maintained by the Pension Fund. The Pension Fund accounts are produced in accordance with the accounting recommendations of the Financial Reports of Pensions Schemes - Statement of Recommended Practice. The financial statements summarise the transactions of the Fund and deal with the net assets of the Fund. The Statement of Accounts is reviewed by both the Pension Committee and the Audit and Governance Committee and incorporated in the Statement of Accounts for the Council. Full copies of the Report and Accounts are placed on the Council's website.

If you need more information about the Scheme please contact the following:

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Telephone – 020 8726 6000 ext 44034

Email – pensions@croydon.gov.uk

Website - <https://www.croydonpensionscheme.org/>