

# **CROYDON PENSION FUND**

## **Medium Term Business Plan 2021-24**

**Croydon Pension Fund  
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## **1. INTRODUCTION**

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

## **2. PURPOSE OF THE BUSINESS PLAN**

- 2.1 Although not specifically required under Scheme regulations, it is recommended in guidance and considered best practice to have a business plan setting out the future direction of the Fund.
- 2.2 The Business Plan sets out the aims and objectives of the Fund and provides an overview of its key activities over the medium term. It includes a review of important developments during 2020/21, the work plan of the Committee, the Board and officers for 2021/22 – 2023/24 and the planned training activity as set out in the Fund training plan. It also includes the estimated financial position over the three years' up to 2023/24.
- 2.3 The Plan is reviewed and updated annually.

## **3. GOVERNANCE AND MANAGEMENT**

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

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

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

- 3.3 Since 2015 a Local Pension Board has been in place the purpose of which, as laid down in Regulations, is

*....to assist the Administering Authority in its role as a scheme manager of the Scheme. In particular to assist the Administering Authority:*

- 1. to secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme; and*

*2. to ensure the effective and efficient governance and administration of the Scheme.*

- 3.4 Under the “pooling” regulations the Fund, along with all other London borough funds, is a member of the London Collective Investment Vehicle (CIV). Over the next few years it will continue to seek opportunities to transfer investments to the CIV in order to achieve reductions in investment management costs. It will continue to hold the CIV to account through its role as a shareholder.
- 3.5 At the request of the Pension Board, in 2015, the Fund commissioned a Governance Review from its independent Governance Adviser, Aon Hewitt Limited. During the spring and summer of 2016 the Board and Committee considered the Report and accepted the Adviser’s recommendations. The Board agreed an action plan to plot progress in their implementation. In 2019 Aon Hewitt were invited to carry out a further Review to assess progress against their earlier recommendations. The Review and associated action plan was considered by the Board and Committee during late 2019 and the early part of 2020 and the implementation of the recommendations plays a significant part in the workplan for 2021/22 and subsequent years.
- 3.6 Apart from payroll, all administration services are carried out in-house by Council staff.

## **4. AIMS, PURPOSES AND FUNDING OBJECTIVES**

4.1 As set out in the Funding Strategy Statement agreed in March 2020:

The aims of the Fund are to balance:

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

The purposes of the Fund are to:

- receive the proper amount of contributions from employees and employers, and any transfer payments;
- invest the contributions appropriately, with the aim that the Fund’s assets grow over time with investment income and capital growth; and

- use the assets to pay Fund benefits, to the members (as and when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

The funding objectives are:

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

## **5. STATISTICS**

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

- Assets of the Fund were £1,489m (as at 31 December 2020) predominantly invested in equities, bonds, property, infrastructure and private equity;
- The Fund was 88% funded (based on 31 March 2019 data);
- The Fund had approximately 100 contributing employers;
- Approximately 10,000 members were contributing to the Fund;
- Approximately 11,000 former employees had their benefits deferred;
- Approximately 8,400 members were in receipt of a pension;
- Benefit payments in the previous year totalled £56.1m;
- Contributions from members in the previous year were £14.7m; and
- Contributions from employers in the previous year totalled £54.7m.

## 6 REVIEW OF 2020/21

6.1 At the time of writing the impact of the Coronavirus crisis on the Fund is unclear and may never be fully understood. It was discussed by the Committee at their meeting in March 2020 and caused two of the five meetings during 2020/21 to be cancelled. Its financial impact will be seen in the Annual Report and Accounts for 2019/20 and 2020/21. Partly because of its effect the Annual Report and Accounts for 2019/20 remain subject to audit.

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

Specific projects included:

- Investment in “Sustainable Equity Exclusion Fund”
- Adoption of a Medium Term Business Plan
- Review of Breaches of the Law Policy and returns
- Consideration of independent Governance Review Action Plan
- Consideration of implications of Exit Payment Cap
- Review of Governance Policy and Compliance Statement

6.3 On 15 October 2020 the Pension Board received a report, including a report from the Fund Actuary, analysing the practical implications of the McCloud judgement.

## 7. WORK PROGRAMME

7.1 The work programme for Members, officers and advisers envisaged over the next three years will be along the following lines.

|   | <b>2021/22</b>     | <b>2022/23</b>     | <b>2023/24</b>     |
|---|--------------------|--------------------|--------------------|
| <b>Governance</b>                                 |                    |                    |                    |
| Review implementation of Governance Action Plan   | Ongoing            | Ongoing            | Ongoing            |
| Produce Fund Accounts                             | April to September | April to September | April to September |
| Produce Fund Annual Report                        | July to September  | July to September  | July to September  |
| Produce Pension Board Annual Report               | July to October    | July to October    | July to October    |
| Review Business Plan                              | March              | March              | March              |
| Review Governance Policy and Compliance Statement |                    | September          |                    |

|   |             |                  |             |
|---|-------------|------------------|-------------|
| Review Governance Best Practice Compliance Statement                          | March       | March            | March       |
| Review Communications Policy  |             | September        |             |
| Review Administration Strategy  | September   |                  | March       |
| Review Internal Disputes Resolution Procedure                                 |             | January to March |             |
| Review Conflicts of Interest Policy   | September   |                  | March       |
| Review Breaches of the Law Policy / Procedure                                 |             |                  | September   |
| Record and report breaches of the law   | Ongoing     | Ongoing          | Ongoing     |
| Review Administering Authority Discretionary Policy                           | September   |                  | March       |
| Review Risk Management Policy and Strategy                                    |             | March            |             |
| Maintain Risk Register  | Ongoing     | Ongoing          | Ongoing     |
| Review Knowledge and Skills/ Training Policy                                  |             | January to March |             |
| Review and deliver training programmes  | Ongoing     | Ongoing          | Ongoing     |
| Review budget including London CIV costs                                      | March       | March            | March       |
| Review Fund Actuary contract  | September   |                  |             |
| Review Governance Consultancy contract  | September   |                  |             |
| Monitor performance of Investment Adviser against agreed strategic objectives | Ongoing     | Ongoing          | Ongoing     |
| Respond to legislative changes  | As required | As required      | As required |
| Respond to reports of Scheme Advisory Board and The Pensions Regulator        | Ongoing     | Ongoing          | Ongoing     |
| Review staffing numbers and structure   | Ongoing     | Ongoing          | Ongoing     |

|  |             |                      |             |
|--|-------------|----------------------|-------------|
|  |             |                      |             |
| <b>Funding</b>   |             |                      |             |
| Triennial valuation consultations and calculations   |             | May to December      |             |
| Consultations and calculations for employers rates arising from triennial valuation        |             | November to December |             |
| Triennial valuation certificate issued   |             | March                |             |
| Prepare Funding Strategy Statement   |             | November to March    |             |
| Interim valuation  | December    |                      |             |
| Provision of actuarial valuation information for review by Government Actuary's Department | As required | As required          | As required |
|  |             |                      |             |
| <b>Investments</b>   |             |                      |             |
| Review Investment Strategy Statement   |             |                      | April       |
| Produce performance review reports for Committee   | Quarterly   | Quarterly            | Quarterly   |
| Carry out asset allocation review and investigate new investment vehicles                  | Ongoing     | Ongoing              | Ongoing     |
| Develop Environmental, Social and Governance investment policy                             | Ongoing     | Ongoing              | Ongoing     |
| Meet investment managers in rotation   | Ongoing     | Ongoing              | Ongoing     |
| Comply with "pooling" requirements   | Ongoing     | Ongoing              | Ongoing     |
| Review savings achieved by CIV   | July        | July                 | July        |
| Implementation of SAB Code of Transparency and analysis of investment costs                | Ongoing     | Ongoing              | Ongoing     |
|  |             |                      |             |

|   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|
| <b>Administration</b>   |                   |                   |                   |
| Triennial valuation – consultation with and results to employers                              |                   | May to February   |                   |
| Review of Employer (admission/cessation/bulk transfer) Policy                                 | September         |                   |                   |
| Bulk transfers, academy conversions and new admitted bodies – provision of data for employers | Ongoing           | Ongoing           | Ongoing           |
| Implement implications of McCloud judgement   | As required       | As required       | As required       |
| Review Record Management Policy   |                   |                   | March             |
| Reporting and Monitoring Contributions  | Quarterly         | Quarterly         | Quarterly         |
| FRS102 – provision of data for employers  | July to September | July to September | July to September |
| Administer pension increase   | January to March  | January to March  | January to March  |
| Issue Annual Benefit Statement  | May to August     | May to August     | May to August     |
| Monitor Key Performance Indicators  | Ongoing           | Ongoing           | Ongoing           |
| Produce Data Improvement Plan   |                   |                   | January to March  |
| Organise and facilitate Employers' Forum  | Quarterly         | Quarterly         | Quarterly         |
| Focus on information technology efficiencies  | Ongoing           | Ongoing           | Ongoing           |
| Review any service areas failing to meet agreed performance standards                         | As required       | As required       | As required       |
| Clear backlog of deferred pensioners work   | May to March      |                   |                   |
| Organise voting for Pensioners' Representatives on Pension Committee                          | As required       | As required       | As required       |
| Make appointments to fill any vacancies arising on Pension Board                              | As required       | As required       | As required       |

|  |         |  |  |
|--|---------|--|--|
| Auto re-enrolment  | January |  |  |
| Roll-out of I-connect project                            | Ongoing |  |  |
| Develop use of Employer Relationship Management software | Ongoing |  |  |
| Publicise upgrade of Members Self Service                | August  |  |  |

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

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

## **8. INVESTMENTS**

8.1 As at the end of December 2020 the Fund had £1,489m assets under management by 15 different fund managers investing in equities, bonds, property, infrastructure and private equity.

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

| <b>Fund Manager</b>   | <b>Managed by CIV</b>     | <b>Value at 30 Dec 2020</b> | <b>Actual Allocation</b> | <b>Strategic Allocation</b> |
|-----------------------|---------------------------|-----------------------------|--------------------------|-----------------------------|
|                       |                           | <b>£m</b>                   | <b>%</b>                 | <b>%</b>                    |
| <b>Equities</b>       |                           |                             |                          |                             |
| LGIM                  | Counts towards allocation | 586.5                       |                          |                             |
| RBC                   | Yes                       | 75.6                        |                          |                             |
| <b>Total</b>          |                           | <b>662.1</b>                | <b>44.5</b>              | <b>40.0</b>                 |
| <b>Fixed Interest</b> |                           |                             |                          |                             |
| Aberdeen Standard     |                           | 144.9                       |                          |                             |
| Wellington            |                           | 75.0                        |                          |                             |
| PIMCO                 | Yes                       | 95.0                        |                          |                             |
| <b>Total</b>          |                           | <b>314.9</b>                | <b>21.2</b>              | <b>20.0</b>                 |
| <b>Property</b>       |                           |                             |                          |                             |
| Schroders             |                           | 126.3                       |                          |                             |
| M & G                 |                           | 62.0                        |                          |                             |
| <b>Total</b>          |                           | <b>188.3</b>                | <b>12.7</b>              | <b>16.0</b>                 |
| <b>Private Equity</b> |                           |                             |                          |                             |
| Pantheon              |                           | 66.1                        |                          |                             |
| Knightsbridge         |                           | 40.2                        |                          |                             |
| Access                |                           | 17.1                        |                          |                             |
| North Sea Capital     |                           | 8.0                         |                          |                             |
| <b>Total</b>          |                           | <b>131.4</b>                | <b>8.8</b>               | <b>10.0</b>                 |
| <b>Infrastructure</b> |                           |                             |                          |                             |
| Equitix               |                           | 82.8                        |                          |                             |
| Temporis              |                           | 29.5                        |                          |                             |
| GIGM                  |                           | 21.0                        |                          |                             |
| Access                |                           | 27.0                        |                          |                             |
| I Squared             |                           | 17.5                        |                          |                             |
| <b>Total</b>          |                           | <b>177.8</b>                | <b>11.9</b>              | <b>14.0</b>                 |
| <b>Cash</b>           |                           |                             |                          |                             |
|                       |                           | <b>14.1</b>                 | <b>0.9</b>               | <b>0.0</b>                  |
| <b>TOTAL</b>          |                           | <b>1,488.6</b>              | <b>100.0</b>             | <b>100.0</b>                |

## 9. CASHFLOW

9.1 The table below summarises the relatively predictable items of income and expenditure included in the Fund Annual Accounts. The data suggests that in the medium term the Fund's predictable income will comfortably exceed its expenditure. The large increase in the actual surplus in 2020/21 is due to a lump sum of £32.2m being received in 2016/17 in lieu of three annual payments of £11.8m in the subsequent three years and the amount in 2020/21 reverting to a more normal annual level.

|                          | <b>2019/20<br/>Actual</b> | <b>2020/21<br/>Forecast<br/>Actual</b> | <b>2021/22<br/>Estimate</b> | <b>2022/23<br/>Estimate</b> | <b>2023/24<br/>Estimate</b> |
|--------------------------|---------------------------|--|-----------------------------|-----------------------------|-----------------------------|
|                          | <b>£'000</b>              | <b>£'000</b>                           | <b>£'000</b>                | <b>£'000</b>                | <b>£'000</b>                |
| Contributions receivable | 52,208                    | 69,373                                 | 70,000                      | 71,000                      | 71,000                      |
| Benefits payable         | -46,540                   | -46,500                                | -47,000                     | -47,500                     | -48,000                     |
| Management expenses*     | -11,425                   | -13,500                                | -14,030                     | -14,680                     | -15,090                     |
| Investment income        | 9,425                     | 8,000                                  | 8,000                       | 8,000                       | 8,000                       |
| <b>Net income</b>        | <b>3,668</b>              | <b>17,373</b>                          | <b>16,970</b>               | <b>16,820</b>               | <b>15,910</b>               |

\*See table in paragraph 10.1 below

There are several items within the Fund Accounts which have a significant impact on the financial standing of the Fund but which cannot be estimated with confidence. As an indication, some of these are detailed below for the years 2019/20 and 2020/21.

|  | <b>2019/20<br/>Actual</b> | <b>2020/21<br/>Forecast<br/>Actual</b> |
|--|---------------------------|--|
|  | <b>£'000</b>              | <b>£'000</b>                           |
| Individual transfers in from other funds                         | 14,179                    | 6,770                                  |
| Individual transfers out to other funds                          | -10,769                   | -6,840                                 |
| Commutations, refunds and lump sum retirement and death benefits | -10,310                   | -9,550                                 |

## 10. RESOURCES

### Finance

10.1 The following table provides actuals and estimates of the Fund Management Expenses over the five years from 2019/20.

|                                     | 2019/20<br>Actual | 2020/21<br>Forecast<br>Actual | 2021/22<br>Estimate | 2022/23<br>Estimate | 2023/24<br>Estimate |
|-------------------------------------|-------------------|-------------------------------|---------------------|---------------------|---------------------|
|                                     | £'000             | £'000                         | £'000               | £'000               | £'000               |
| <b>Administration</b>               |                   |                               |                     |                     |                     |
| System fees                         | 357               | 360                           | 370                 | 380                 | 390                 |
| Staff costs                         | 820               | 830                           | 840                 | 850                 | 860                 |
| Payroll<br>administration           | 499               | 510                           | 510                 | 510                 | 510                 |
| <b>Total</b>                        | <b>1,676</b>      | <b>1,700</b>                  | <b>1,720</b>        | <b>1,740</b>        | <b>1,760</b>        |
|                                     |                   |                               |                     |                     |                     |
| <b>Oversight and<br/>Governance</b> |                   |                               |                     |                     |                     |
| Staff costs                         | 575               | 545                           | 555                 | 565                 | 575                 |
| Actuarial costs<br>(net)            | 238               | 80                            | 80                  | 200                 | 80                  |
| External audit fees                 | 25                | 25                            | 25                  | 25                  | 25                  |
| Memberships                         | 10                | 10                            | 10                  | 10                  | 10                  |
| Investment and<br>governance advice | 147               | 100                           | 100                 | 100                 | 100                 |
| Other (net)                         | 46                | 40                            | 40                  | 40                  | 40                  |
| <b>Total</b>                        | <b>1,041</b>      | <b>800</b>                    | <b>810</b>          | <b>940</b>          | <b>830</b>          |
|                                     |                   |                               |                     |                     |                     |
| <b>Investment<br/>Management</b>    |                   |                               |                     |                     |                     |
| Management fees                     | 8,607             | 10,900                        | 11,400              | 11,900              | 12,400              |
| Custodian fees                      | 101               | 100                           | 100                 | 100                 | 100                 |
| <b>Total</b>                        | <b>8,708</b>      | <b>11,000</b>                 | <b>11,500</b>       | <b>12,000</b>       | <b>12,500</b>       |
|                                     |                   |                               |                     |                     |                     |
| <b>TOTAL</b>                        | <b>11,425</b>     | <b>13,500</b>                 | <b>14,030</b>       | <b>14,680</b>       | <b>15,090</b>       |

### Staff

10.2 The Fund has the following staffing resource available to deliver the Plan

|                            | FTE | Vacancies |
|----------------------------|-----|-----------|
| Investment & Treasury      | 6   | 2         |
| Governance & Compliance    | 3   | 1         |
| Pensions Administration    | 15  | 2         |
| Pensions Technical Support | 2   | 0         |

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

- Development plans and key objectives set on an annual basis, linked to outcomes and objectives set out in this Business Plan
- Regular one-to-one meetings to review progress and to identify development issues
- Opportunities to put forward ideas and suggestions to help to shape the future development of the service

## **11. TRAINING AND DEVELOPMENT**

11.1 The CIPFA Knowledge and Skills Framework and a Knowledge and Skills / Training Policy have been adopted by Fund.

11.2 Members of both the Pension Committee and the Board and officers are given access to a range of opportunities to develop their skills in keeping with the Framework. These include, specifically, on-line programmes provided by Aon Hewitt and Hymans Robertson and events hosted by the Local Government Association.

11.3 Training opportunities are provided at meetings of the Committee and Board.

11.4 The Fund is a member of the CIPFA Pensions Network which gives officers access to an extensive programme of events, training, weekly newsletters and documentation including briefing notes on the latest topical issues. Officers attend quarterly forum meetings with peers from other London boroughs which provide further access to opportunities for knowledge sharing and benchmarking data.

11.5 Officers also attend seminars arranged by fund managers and other third parties who specialise in public sector pensions. Any relevant sessions are shared with the Committee and Board members.

## **12. KEY POLICY DOCUMENTS**

12.1 Key policy documents which support the Business Plan and, in turn, are supported by it which can be found on the Fund's website include:

- Annual Report and Accounts
- Triennial Valuation Report
- Investment Strategy Statement
- Funding Strategy Statement
- Governance Policy and Compliance Statement
- Communications Policy Statement
- Administration Strategy
- Risk Management Strategy and Risk Register
- Knowledge and Skills Policy

- Conflicts of Interest Policy
- Breaches log
- Discretions Policy Statement
- Record Management Policy
- Key Performance Indicators