

LONDON BOROUGH OF CROYDON

REPORT:	PENSION COMMITTEE	
DATE OF DECISION	19 March 2024	
REPORT TITLE:	Inter-valuation Funding Update 31 December 2023	
CORPORATE DIRECTOR / DIRECTOR:	Jane West, Corporate Director of Resources (Section 151 Officer)	
LEAD OFFICER:	Matthew Hallett – Acting Head of Pensions and Treasury	
CONTAINS EXEMPT INFORMATION?	NO	[Public]
WARDS AFFECTED:	N/A	

1. SUMMARY OF REPORT

- 1.1 The report updates the Pension Committee on the funding position at 31 December 2023. It informs Committee of the changes in the funding environment since the 2022 valuation and identifies areas to consider when planning for the 2025 valuation. The detailed report has been prepared by Hymans Robertson who act as the Actuary for the London Borough of Croydon Pension Fund ('the Fund'). The report is attached as Appendix A.

2. RECOMMENDATION

The Pension Committee is recommended:

- 2.1 to note the Inter-valuation funding update report provided by the Fund's Actuary.

3. REASONS FOR RECOMMENDATION

- 3.1 This report assists the Pension Committee in monitoring the Fund's funding position. This is key to ensuring the Fund can pay benefits to its members now and in the future.

4. BACKGROUND AND DETAILS

- 4.1 Officers commissioned the Fund's Actuary to produce a report to update the Pension Committee on the Funding position of the Fund at 31 December 2023 and how it

compares to the position at the last formal valuation carried out at 31 March 2022. The Inter-valuation funding update is attached as Appendix A.

- 4.2** The report shows that the funding position at 31 December 2023 is now 122% compared to 97% at the 2022 valuation. The likelihood of the fund achieving the required future investment returns needed to be fully funded has also risen to 86% from 73% at the 2022 valuation. Although this is good news, the Pension Committee are asked to note that the improved funding position is due to changes in the funding environment and has largely been driven by an improvement to the expectations of future investment returns.
- 4.3** The Pension Committee should be cognisant to the fact that since the last valuation the Fund has experienced lower investment returns and higher inflation than assumed at the last valuation. If low investment returns and high inflation were to persist this would be detrimental to the funding position. The reported improvement in the funding position seems counter-intuitive to the actual experience received by the Fund since the last valuation. This helps demonstrate that the headline figures on funding levels have limitations in their usefulness and should be looked at with a degree of caution.
- 4.4** Although the headline figures should be viewed with a degree of caution, they do imply that the Fund is in a relatively good position and as part of the next valuation does mean the Fund has scope to consider the following funding strategy options:
- A reduction in employer contributions
 - Change in investment strategy
 - Increase prudence levels
 - Retain the surplus

The Fund could look at a combination of the above.

- 4.5** The Pension Committee should refer to the Hymans Robertson report for the detail around the funding strategy options mentioned above, especially around the possible implications of any changes.

5. CONSULTATION

- 5.1** The Fund's Actuary is consulted when making any decisions around the funding strategy.

6. CONTRIBUTION TO COUNCIL PRIORITIES

- 6.1** Ensuring regulatory compliance, good stewardship and best practise are applied to the Council's Pension Fund.

7. IMPLICATIONS

7.1 FINANCIAL IMPLICATIONS

- 7.1.1.** This report provides an update on the funding position of the Fund at 31 December 2023 and how it compares to the position at the last formal valuation carried out at 31 March 2022. As set out in Appendix A the funding position at 31 December 2023 is now 122%

compared to 97% at the 2022 valuation. Although this headline position should be treated with some caution the next triennial valuation, in 2025, may present Croydon with a range of funding strategy options such as:

- A reduction in employer contributions
- Change in investment strategy
- Increase prudence levels
- Retain the surplus

7.1.2. Comments approved by Andrew Lord, Interim Finance Consultant on behalf of Allister Bannin, the Director of Finance. (Date 06/03/2024)

7.2 LEGAL IMPLICATIONS

7.2.1. Burges Salmon LLP (a legal advisor appointed to the Pension Fund) comments there are no direct legal implications arising from the recommendations within this report

7.2.2. Comments approved by Burges Salmon LLP (Date 06/03/2024).

7.3 EQUALITIES IMPLICATIONS

7.3.1. Under the Public Sector Equality Duty of the Equality Act 2010, decision makers must evidence consideration of any potential impacts of proposals on groups who share the protected characteristics, before decisions are taken. This includes any decisions relating to how authorities act as employers; how they develop, evaluate and review policies; how they design, deliver and evaluate services, and also how they commission and procure services from others.

7.3.2. The Council has a statutory duty to comply with the provisions set out in Sec 149 of the Equality Act 2010. The Council must therefore have due regard to:

1. eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act.
2. advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.
3. foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

7.3.3. There are no direct negative Equalities impact, any risks to the investment fund are likely to impact on the age characteristic in relation to older workers.

7.3.4. The council is 67.73% female and 32.27% male so therefore women are more likely to be impacted by any investment risks. We expect our managers to carry due diligence when investing and adhere to the three tenets of section 149 of PSED.

7.3.5. Comments approved by Felisha Dussard, Senior Communities Officer on behalf of Helen Reeves, Head of Strategy & Policy. (Date 07/03/2024).

7.4 HUMAN RESOURCES IMPLICATIONS

7.4.1. It is essential that through prudent treasury management the Fund can pay benefits to its members (retired employees) now, and in the future (retiring employees)

7.4.2. Comments approved by: Dean Shoesmith, Chief People Officer. (Date 1/3/2024)

8. APPENDICES

8.1 A - London Borough of Croydon Pension Fund Inter-valuation funding update – Prepared by Hymans Robertson

9. BACKGROUND DOCUMENTS

9.1 None