

Croydon Pension Scheme

Annual Report 2009/2010



Contents Page

Foreword.....	3
1. Management & Advisers.....	4
2. Administrators to the Fund.....	6
2.1. Fund Managers:.....	6
2.2. Administrators to the Fund:.....	6
3. Governance.....	7
3.1. Security of Funds.....	10
3.2. Socially Responsible Investment and Corporate Governance.....	10
3.3. Statement Of Investment Principles.....	13
4. Membership.....	17
4.1. Organisations.....	17
4.2. Analysis of Membership Numbers 2009/2010.....	18
4.3. Resources for Members.....	19
4.4. Members Self Service.....	21
4.5. Communication.....	22
4.6. Actuarial Valuation.....	28
5. The scheme at a glance.....	29
5.1. Eligibility for membership.....	29
5.2. Benefits on death in service.....	29
5.3. Benefits on retirement.....	29
5.4. Benefits on death after retirement.....	29
5.5. Extra benefits.....	30
5.6. Employee contributions.....	30
5.7. Age of retirement.....	30
5.8. Cost of living increases.....	30
6. Changes to the Local Government Pension Scheme.....	31
6.1. Reductions to pensions tax relief for High Earners.....	31
6.2. Pay Bands 2010.....	31
6.3. Pension Fund Fraud/National Fraud Initiative.....	32
6.4. Pensions Increase.....	33
7. Management of the Assets.....	34
7.1. Fees.....	36
7.2. Monitoring the Investment Managers.....	37
7.3. Realisation of Investments.....	37
7.4. Pension Committee Arrangements.....	37
7.5. Custody.....	38
7.6. Expected Return on Investments.....	38
8. Investment Report.....	39
8.1. General.....	39
8.2. Strategy.....	39
8.3. Performance.....	39
8.4. Income and Expenditure.....	40
8.5. Movement of the Fund.....	41
8.6. Analysis of Market Value of Investments.....	42
8.7. Statistics 2009/2010.....	43
8.8. Top 25 Global Holdings.....	44
8.9. Net Assets Statement.....	45
Appendices:.....	46
Appendix 1: Pension Fund Annual Accounts 2009/10.....	47
Appendix 2: Statement of Compliance – Myners’ Investment Principles.....	63
Appendix 3: Pension Fund Auditors Report.....	70

Foreword

Welcome to this annual report for the Croydon Pension Fund, the fifth produced whilst I have been Chairman of the Pensions Committee. The Committee, six Councillors supported by pensioner and staff-side representatives, co-optees and staff, serves to provide guidance and direction to the Croydon Council's Pension Fund. In this, we are ably assisted both by external advisers as well as dedicated Council Officers. As Chairman and on behalf of fund members, I should like to express my thanks to them all for their continuing dedication.



I have always taken an active interest in the management of the Pension Fund. Indeed since embarking on my career as a councillor some thirty years ago I doubt that the world of public sector pensions has had such a high profile nor been so much in the media spotlight. In the period covered by this report many of the issues currently making headlines were developing in importance: the sustainability of the current benefits provision; the adequacy of the scheme to meet the needs of the current workforce and overall the question of affordability coupled with the rise of 'pensions envy'. Since then we have seen a change of government and the appointment of Lord John Hutton's Commission to look into these matters. The Pensions Committee will follow these developments closely.

Mid-way through this year saw the execution of a strategy to allow for greater responsiveness and flexibility in the way that the assets of the Fund are invested. This is now showing real returns as the long-awaited green-shoots of economic recovery are reflected in the valuation of the Fund.

Following a now well established pattern whereby the Croydon Local Government Pension Scheme seeks to maximise the opportunity for scheme members - the current employees of the Council - to be able to engage with the administration team, this last year has seen the team go out to staff, whether it be at Fairfield Halls for the Open Day, or at schools, or at surgeries. The ability to take the administration system out of the office has allowed hundreds of scheme members the opportunity to ask questions and better understand the opportunities open to them.

This pro-activism, coupled with national campaigns to enhance general understanding of the importance of pensions provision, has done much to raise the profile of public sector pensions for both teachers and all council employees.

I remain committed to working for the provision of a decent pension for all Croydon staff and indeed have enjoyed the chance to speak to many new-comers to the authority to deliver this message. I hope you find the contents of this report to be of interest.

A handwritten signature in black ink that reads "Dudley Mead". The signature is written in a cursive style and is underlined.

Councillor Dudley Mead
Chairman of the Pension Committee

1. Management & Advisers

The London Borough of Croydon Pension Fund Governance Statement

Pension Committee:

As an administrating pension authority the Council discharges its duties in respect of maintaining the Pension Fund in the form of the Pensions Committee. Its terms of reference are to deal with all matters relating to the investment and management/administration of the Council Pension Fund. The Pension Committee is made up of six voting Members of the Council, three non-voting pensioner representatives and a non-voting employee representative.

Councillors during the 2010/11 Municipal Year:

Councillors Dudley Mead, Yvette Hopley, Jan Buttinger, Simon Hall, Raj Rajendran and Donald Speakman

(Chairman) – Councillor Dudley Mead

(Vice Chairman) – Councillor Yvette Hopley

Non-voting members in 2010/11 Municipal Year:

Staff Representative – Isa Makumbi

Pensioners' Representatives – Gilli Driver and Alan Muir

Co-opted Members - Mike Brakes and Derek Millard

Current Councillors in 2009/10 Municipal Year:

Councillors Dudley Mead, Yvette Hopley, Simon Hall, Derek Millard, Raj Rajendran and Brian Udell

(Chairman) – Councillor Dudley Mead

(Vice Chairman) – Councillor Yvette Hopley

Non-voting members in 2009/10 Municipal Year:

Staff Representative – Isa Makumbi

Pensioners' Representatives – Gilli Driver and Alan Muir

Co-Optee Pensioners' Representatives - Mike Brakes

In addition, the Committee is supported by officers and external advisers.

The Pension Committee sets the long term objectives and strategy for the Fund. It also oversees all matters relating to investment strategy of the Fund including the appointment of managers, advisers and custodians and general related issues such as the Actuarial Valuation.

The Pension Committee meetings are held on at least a quarterly basis, the agenda and minutes from previous meetings are circulated to the Members of the Pension Committee within 5 days of the next meeting. During the financial year Extra Ordinary meetings are held to discuss and decide upon changes to the Funds asset allocation.

The agendas and minutes of the Pension Committee meetings are available on the Council's website. A Member Training Report is available on the Council's website.

Administering Authority:

The London Borough of Croydon Pension Fund
Resources & Customer Services
Pensions Section
8th Floor
Taberner House
Park Lane
Croydon, CR9 1JL

Nathan Elvery
Deputy chief director and Executive Director of Resources & Customer Services

External Investment Advisers to the Pension Committee:

Robert Howie – Mercer Investment Consulting
Mhairi Wilson – Mercer Investment Consulting
Valentine Furniss – Independent Adviser

Actuary:

John Livesey – Mercer Human Resource Consulting
Mercury Court
Tithebarn Street
Liverpool L2 2QH

Custodian of Assets:

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

Auditor:

Audit Commission (External), Deloitte (Internal)

Bank:

Royal Bank of Scotland

Legal Advisors:

Wragg & Co.
3 Waterhouse Square
142 Holborn
London EC1N 2SW

AVC Provider:

Prudential
Laurence Pountney Hill
London EC4R 0HH

National Association of Pension Funds (NAPF):

Membership number : 3547

2. Administrators to the Fund

2.1. Fund Managers:



2.2. Administrators to the Fund:



3. Governance

2010

Governance Compliance Statement

Pensions 4u

CROYDON
www.croydon.gov.uk

Governance Compliance Statement

The Regulations from the Department for Communities and Local Government (CLG) requires each LGPS (Local Government Pension Scheme) administering authority in England and Wales to prepare a Governance Compliance Statement this is to be maintained and published setting out their policy on Governance with members (including pensioners and deferred members), members' representatives, prospective members and Admitted & Scheduled Bodies participating in the Fund. The Funding Strategy Statement and the Statement of Investment Principles form a set of documents detailing how the Fund is administered.

Pension Committee

As an administering pension authority the Council discharges its duties in respect of maintaining the Pension Fund in the form of the Pensions Committee. Its terms of reference are to deal with all matters relating to the investment and the management/administration of the Council Pension Fund, each member is fully aware of their role and function on the Pension Committee.

The Pension Committee's structure consists of the following:

Pension Committee Member	Voting Member	Non-Voting Member
Councillor Dudley Mead, Chairman	✓	
Councillor Yvette Hopley, Vice-Chairman	✓	
Councillor Jan Buttinger	✓	
Councillor Simon Hall	✓	
Councillor Raj Rajendran	✓	
Councillor Donald Speakman	✓	
Mr Isa Makumbi, Staff Representative		✓
Ms Gilli Driver, Pensioners Representative		✓
Mr Alan Muir, Pensioners Representative		✓
Mr Mike Brakes, Co-optee Representative		✓
Mr Derek Millard, Co-optee Representative		✓

In addition, the Pension Committee is supported by officers and external advisers, independent professional observers and scheme members. There are no members representing admitted bodies, although these are consulted on valuation, contribution matters, and informed of Committee discussions and decisions.

Training

All members of the Pension Committee receive training from external bodies and Fund Managers along with any other area to establish the expertise essential for decision-making. Training is recommended to all members of the Committee, a log is maintained to ensure members have attended, and reimbursed of all expenses incurred during training and any other Pension Committee process.

the best of the public sector pension schemes

Terms of Reference

The Pension Committee sets the long term objectives and strategy for the Fund. It also oversees all matters relating to investment strategy of the Fund including the appointment of managers, advisers and custodians and general related issues such as the Actuarial Valuation.

External Advisers to the Pension Committee		Contact
Investment Adviser	Mercer	Robert Howie
Independent Adviser		Valentine Furniss
Actuarial / Administrative Adviser	Mercer	John Livesey
Monitoring Equity Manager Performance	Inalytics Ltd	Rick di Mascio

Frequency and Structure of Meetings

The Pension Committee meetings are held on at least a quarterly basis. The agenda and minutes from previous meetings are circulated to the Members of the Pension Committee within 5 days prior to the meeting. Committee members are invited to declare any financial or pecuniary interest related to matters on the agenda. The agenda and minutes of Pension Committee meetings are available on the Council's website following every meeting.

Voting

The Administering Authority is fully compliant with the Voting principle. Most decisions are reached by consensus, but voting rights remain with the Councillors, because of the Council's legal responsibility as Administering Authority.

Scope

In addition to reports from the fund managers and investment advisers, the Committee considers reports on matters such as the funding level, communications strategy and best practice standards, reflecting the flexibility and development of the Committee.

Publicising the Governance Compliance Statement

This document is included within the Pension Fund Annual Account. A version of this policy is made available on the website, circulated to the Admitted & Scheduled Bodies for comment and distribution.

Further Information

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

Croydon Council
Resources & Customer Services
Pensions Section
8 Floor, Taberner House
Croydon
CR9 1JL



Tele: 020 8760 5768 x 62892
Email: pensions@croydon.gov.uk
Website: www.croydon.gov.uk/pensions

3.1. Security of Funds

The Local Government Pension Scheme is a scheme regulated by Act of Parliament. The benefits payable to members are, therefore, not dependent directly on the investment performance of the Fund. However, the Council has to make good any deficit that might arise in the Fund at regular intervals.

3.2. Socially Responsible Investment and Corporate Governance

Socially responsible investment is investment where moral, social and ethical considerations are taken into account and investing seeks to maximise both financial return and social good. The Council's Pension Fund recognises the need for a policy of socially responsible investment in the management of the Pension Fund.

Corporate governance is the system by which companies are run and the means by which they are responsive to their shareholders, employees and other stakeholders. The Council's policy is outlined within the Statement of Investment Principles.

The Council is at the forefront of the developments within the UK pensions industry to persuade companies to pursue socially responsible policies consistent with good performance. The Pension Committee has adopted a corporate governance voting policy, in accordance with which the UK investment managers are required to vote at company meetings. Most of the votes relate to best practice in the conduct of company management but separate votes are also cast in connection with companies' stances on environmental issues.

There is no doubt that pressure to take account of socially responsible issues in the investment process will increase. The Council, whilst recognising as paramount its responsibilities to its members and taxpayers, will play its part in taking the matter forward.

The Fund is also a member of the Local Authority Pension Fund Forum (LAPFF), whose major aim is to inform LAPFF members of corporate governance issues within the companies that each LAPFF member might invest and so develop recommended common voting strategies on such matters as:-

- Board structures
- Remuneration
- Shareholder rights
- Separation of audit and non-audit work
- Environmental issues (particularly regarding sustainability and greenhouse gas emissions).

LAPFF also uses its influence to engage with and, where necessary, challenge companies on corporate governance matters. It is the view of officers and the advisers that this is an extremely cost effective way of fulfilling part of our commitment to “activism” which is one of the ten principles outlined in the “Statement of Compliance – Myners’ Investment Principles” which are fully described in a separate section in the Annual Report. Allied to shareholder activism is the need to ensure that the Fund has a comprehensive voting policy which reflects the socially responsible investment issues supported by the Pension Committee. To this end the Pension Committee uses Pension Investment Research Consultants Limited (PIRC) to vote on the Fund’s behalf in respect of the FTSE 350 holdings according to PIRC voting guidelines. It is the view of officers that membership of PIRC has resulted in the Croydon Council Pension Fund’s voting policy being probably one of the most comprehensive of all the Local Authority Pension Funds in the country. The Council’s Pension Fund has determined that dialogue (through LAPFF) and a proactive engagement (through PIRC) is the most effective way of influencing companies in relation to social, environmental and business policies whilst at the same time achieving financial returns compatible with the Fund’s longer term financial objectives.

The Council’s Pension Fund requires the investment managers to vote on shares attached to their holdings whenever possible. Guidance as to voting policy, which reflects the latest approach to corporate governance issues, is given to the managers. This is reviewed on a regular basis.

3.2.1. Principles for Investment Decision-Making

The Annual Report under a section titled “Statement of Compliance – Myners’ Investment Principles” details the extent of the Fund’s compliance with the ten Myners’ principles for investment decision making. Within these principles the term “Trustee” is used from time to time. When considering advice and determining investment policy, the Pension Committee are effectively acting as Trustees. As such, they have responsibilities additional to those carried out as elected members of the Council. Their duties as “Trustees” are to manage the Fund in accordance with the Local Government Pension regulations and to do so prudently and impartially.

Typically, Members discharge their duty by ensuring that they have a systematic and clear way of agreeing their investment policy with the managers and advisers they employ.

3.2.2. Compliance with this Statement

The Council’s Pension Fund will monitor compliance with this statement annually.

3.2.3. Review of this Statement

The Council’s Pension Fund will review this statement in response to any material changes to any aspects of the Fund, its liabilities, finances and the attitude to risk which the Pension Committee judges to have a bearing on the stated investment policy.

This review will occur no less frequently than every three years to coincide with the Fund’s full triennial actuarial valuation. Any such review will be based on written expert advice.

3.3. Statement Of Investment Principles

Introduction

The elected members of Croydon Council, acting through the Pension Committee, have drawn up this Statement of Investment Principles to comply with The Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 1998 as amended by the Local Government Pension Scheme (Management and Investment of Funds), as they relate to the Pensions Act 1995 in its requirements of occupational pension schemes and the London Borough of Croydon Pension Fund (“the Fund”). The Statement has also been amended to reflect the Local Government Pension Scheme (Amendment) (No 2) Regulations (2005) to provide the statutory framework from which the administering authority is required to prepare a Governance Policy Statement (GPS). Accordingly, the GPS sets out the Fund’s governance arrangements, including representation and delegations. The Council has consulted suitably qualified persons and has obtained written advice from its investment consultant, Mercer Investment Consulting. Overall investment policy falls into two parts: -

- *The strategic management of the assets is the responsibility of the Pension Committee who delegate many of their functions to the officers and act on the advice of the investment consultant and the independent Fund adviser.*

- *The remaining elements of policy are part of the day-to-day management of the assets which are delegated to professional investment managers as described in Section 3.*

3.3.1. Investment Objectives, Strategy and Risk

Investment Objectives

To guide them in their strategic management of the assets and control of the various risks to which the Fund is exposed, the Pension Committee has adopted the following objectives: -

- *Overall investment policy is to maximise the return on investments within the parameters of the Fund.*

- *Investment policy is guided by an overall objective of achieving, over the long term, a return on investments to meet all the Fund liabilities, after taking into account employer and employee contributions, which is consistent with the longterm assumptions used by the Actuary in determining the funding of the Fund.*
- *The objective is to achieve a return in line with the mandates (see paragraph 3.1).*
- *Promote a Socially Responsible Investment Strategy consistent with maximising the return on the Fund.*

3.3.2. Investment Strategy

The Pension Committee discussed and agreed that in order to have a more consistent level of return that is aligned with the Actuary's 25 year recovery plan, the investment allocation strategy should be revised as shown in the table: -

Assets	2009/10 (%)
UK and Overseas Listed Equities	50
Bonds	30
Property	7
Funds of Hedge Funds	4
Private Equity	4
Global Tactical Asset Allocations	4
Cash	1
Total	100

The Pension Committee agreed to invest £40million in property of which £26million has been invested with Henderson Global Investor Limited in several UK property funds. This was implemented during 2009/10.

In order for the Fund's exposure to pooled vehicles and unit trust schemes to be brought more in line with the new target allocation, the Pension Committee, agreed to increase the limit for units of shares of the investments, subject to the trusts of unit trust schemes managed by any one body, should be adopted. This is for an unlimited period of time, is consistent with the Fund's Investment Strategy and the increase complies with the Local Government Scheme (Management and Investment of Funds) (Amendment) Regulations 2003 and the Local Government Pension Scheme (Amendment) (No 2) Regulations 2005 and therefore the Pension Committee formally agreed the following: -

- All investments in units or other shares of the investment, subject to the trusts of unit trust schemes managed by one body, to a maximum of 35% (of the total fund value)
- All investments in open-ended investment companies where the collective investment schemes constituted by the companies are managed by any one body to a maximum of 35% (of the total fund value)
- All investments in units or other shares of the investments, subject to the trusts of unit trust schemes, and all investments in open-ended investment companies where the unit trust schemes and the collective investment schemes constituted by those companies are managed by any one body, to a maximum of 35% (of the total fund value)
- Any single insurance contract to a maximum of 35% (of the total fund value)

Investment strategy will continue to be kept under constant review.

3.3.3. Risk

There are various risks to which any pension scheme is exposed. The Pension Committee has considered the following risks: -

- The primary risk is that arising through a mismatch between the Fund's assets and its liabilities.
- The risk of deterioration in the Fund's ongoing funding level.

- The risk of a shortfall of assets, relative to the liabilities as determined if the Fund were to be wound up.

- The risk that the day-to-day management of the assets will not achieve the rate of investment return required to meet accrued and future liabilities as quantified by the Actuary to the Fund.

- The risk of the active investment managers underperforming their benchmarks.

The potential risk concerning underperformance against the benchmark is relatively low given that the majority of the Fund's holdings are in passive tracker funds.

4. Membership

4.1. Organisations

4.1.1. Admitted:

Age UK Croydon	Fusion
Apetito	Harris Academy Purley
BRIT School	Harris City Academy Crystal Palace
Cabrini Children's Society	Harris City Academy South Norwood
Courier Cars Wallington Cars and Couriers	Interserve
Creative Environmental Network	Oasis Academy Coulsdon
Croydon Citizens Advice Bureau	Oasis Academy Shirley Park
Croydon Community Mediation	Olympic (South) Ltd
Croydon Voluntary Action	Ruskin Cars
Croydon Youth Development Trust	Sutton Community Transport
Eldon PFI	Veolia
Fairfield (Croydon) Limited	

4.1.2. Scheduled:

London Borough of Croydon
Coulsdon College
Croydon College
John Ruskin College

4.2. Analysis of Membership Numbers 2009/2010

During the year the Scheme's total membership has grown from 17,386 to 18,210. Changes in membership during the year were as follows:

Employees

Number at 31 March 2009		6,603
Add	Employees joining during year	1,063
Less	Members leaving during year:	
	Normal retirements (including redundancies etc)	(157)
	Ill-health retirements	(13)
	Deaths in service	(13)
	Refunds of contributions	(36)
	Deferred pensions	(557)
Number at 31 March 2010		6,890

Pensioners

Number at 31 March 2009		5,514
Add	New pensioners during year:	
	Normal retirements (including redundancies etc)	157
	Ill-health retirements	13
	Dependants' pensions	54
	Deferred pensions becoming payable	154
Less	Deaths/dependants ceasing to be eligible	(132)
Number at 31 March 2010		5,760

Deferred Pensioners

Number at 31 March 2009 (adjusted)		5,269
Add	New deferred pensioners during year	557
Less	Deferred benefits becoming payable	(154)
	Back to active status	(13)
	Transfers to other Schemes	(90)
	Deaths	(9)
Number at 31 March 2010		5,560

Total Membership at 31 March 2010	18,210
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Please note: these figures above differ from the membership figures shown in the 2008/09 pension report. This is due, in part, to timing differences but largely due to an ongoing exercise to review the records held. This difference does not have any affect on the calculation of the cost on the scheme.

4.3. Resources for Members

4.3.1. National Local Government Pension Scheme Web Site

The address is www.lgps.org.uk

The national Local Government Pension Scheme web site 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, which includes:

All About Your Pension Scheme: A new employees' guide to the Scheme

All About Your Preserved Benefits: A guide to benefits provided if you leave before retirement age

All About Your Retirement Benefits: A guide to retirement benefits *Increasing Your Benefits:* How to purchase additional periods of membership

A "FAQ" section: Frequently asked questions.

4.3.2. Additional Voluntary Contributions

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

If you would like more information all you have to do is call "The Pension Connection" helpline on 0845 607 0077.

Any members' additional voluntary contributions (AVC's) 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 therefore not required to be included in the Pension Fund Accounts in accordance with the Statement of Recommended Practice - Financial Reports of Pension Schemes (issued in 2002). The Pension Fund Accounts and any details within the Annual Report therefore exclude amounts for AVC's.

AVCs are an opportunity for all employees to pay additional contributions into an external scheme which will enhance income on retirement

4.3.3. Further Information

The Pensions Regulator

Napier House
Trafalgar Place
Brighton

East Sussex BN1 4DW

Telephone Number: 0870 606 3636 (Monday to Friday 09.00-17.00)

Website: www.thepensionsregulator.gov.uk

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

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

The Pensions Advisory Service (TPAS)

11 Belgrave Road
London SW1V 1RB

Telephone Number: 0845 601 2923

Website: www.opas.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 7834 9144

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
Tyneview Park, Whitley Road
Newcastle-upon-Tyne NE98 1BA

Telephone Number: 0845 600 2537

Website: www.pensionservice.gov.uk

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:

Croydon Pensions Team
8 floor, Northside, Taberner House
Park Lane, Croydon CR9 1JL
Tel: 0208 760 5768 ext: 62892
E-mail: pensions@croydon.gov.uk

4.4. Members Self Service

Scheme members can view their pension details by logging on to our internet member self service. This service has recently been upgraded and provides various member data displays, 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.

You can log in to the service at <https://croydon.pensiondetails.co.uk/> and request a password.

4.5. Communication



2010

Communications Policy

Pensions 4u

CROYDON
www.croydon.gov.uk

Statement of Communications Policy

The Regulations require each administering authority in England and Wales to prepare, maintain and publish a statement setting out their policy on communicating with the following people and organisations:

- ▶ Contributing Scheme Members
- ▶ Prospective Scheme Members
- ▶ Pensioner Scheme Members and deceased dependants
- ▶ Deferred Scheme Members
- ▶ Admitted & Scheduled Scheme Employers participating in the Fund
- ▶ Trustees
- ▶ Other Bodies

This document sets out the mechanisms which are used to meet our communication needs. We aim to use the most appropriate communication method for the audiences receiving the information. This may involve using more than one medium of communication.

▶ Contributing Scheme Members

Member Self Service

All members can request their own password to view their record. Amendments can be made to update certain details and calculations can be performed.

Annual Benefit Statement

Once a year members of the Scheme are sent an Annual Benefit Statement to their home address. The Statement details information held on the Pension Section database and provides estimates of the current and future value of the members' benefits. From 2010, unless opted out, members will be able to also view the state pension forecasts.

Pensions 4u Newsletter

A newsletter is produced once a year and is sent to Members' home addresses, it is also available on the Council website. The publication informs members of LGPS regulation changes and other related topics. There is also a Foreword from the Chairman of the Pensions Committee. The publication is also used to remind members of keeping the Pensions Section up-to-date with their details.

Pension's Website

The Pension's Website has been developed, which displays: all Forms in PDF format to download, Croydon Council's Policies and Regulations on the Local Government Pension Scheme. The Website is a key method of communication.

Pension's Open Day

Croydon Council holds an annual Open Day inviting all staff members to attend either a morning or afternoon session, where members have the opportunity to find out the most up-to-date information and speak 1-2-1 to a pensions administrator. Past speakers have been from the Communities & Local Government, Local Government Employers' Organisation and the Council's Fund Managers.

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Pension Roadshows, Seminars and Surgeries

This is a valuable aid for scheme members, roadshows are used to target specific topics with support being enlisted from our advisers and fund managers. The Pensions Section have held roadshows in various locations within the Borough, enabling all members of the LGPS to have access to information. Surgeries are also held across the borough offering individual 1-2-1 meetings.

Scheme Guides

Scheme guides are provided to all new prospective scheme members on appointment and can be viewed on the internet by all staff.

Literature

All up-to-date information on the scheme is held on the website in our 'Your Local Government Pension Scheme Guide'. All our available forms are held on the website in pdf and word format. There is also information on various ways of topping up benefits, with a direct link to our AVC provider - Prudential.

Pensions Helpline

Members can call the Pensions Section on one central helpline number, which is consistently advertised on all our literature. The number is 0208 760 5768 x62892.

► Prospective Scheme Members

Initial Contact

All permanent new members of staff are automatically enrolled to the scheme. Each new member is sent a welcome letter statutory notice confirming membership of the LGPS along with our LGPS Scheme Guide, and contact information.

Pensions Helpline

Prospective Scheme Members can call the Pensions Section on one central helpline number, which is consistently advertised on all our literature. The number is 0208 760 5768 x62892.

► Pensioner Scheme Members and deceased dependants

Pensioners Payslip

All pensioners receive a payslip in March, April, May along with their P60 at the end of the year. A payslip will also be received where the amount of net pension changes by more than £20.

Pensioners Newsletter

All Pensioners receive an annual newsletter which is sent out in April and sent to their home address. This publication includes the pensions increase, and other relevant information. There is also a Foreword from the Chairman of the Pensions Committee.

Abridged Pensions Annual Report

This is a publication which is sent out annually informing members of the Fund.

Life Certificates—Pensioners Living Abroad

The fund undertakes an annual exercise, conducted through correspondence, in order to establish the continued existence of pensioners living abroad.

Pensioners Forum

This is a new service which will begin at the end of the year.

Pensions Helpline

Members can call the Pensions Section on one central helpline number, which is consistently advertised on all our literature. The number is 0208 760 5768 x62892.

Pensioners Birthday Card

A birthday card is sent to pensioners on their 100th birthday.

▶ Deferred Scheme Members*Annual Benefit Statement*

Once a year all members benefits are sent out in an Annual Benefit Statement direct to home addresses. Summarising the basic information held on the Pension Section database.

Update of Information

If there are any changes to the LGPS regulations which are relevant to Deferred Scheme Members correspondence will be sent directly to their latest home address held on the pensions database.

Pensions Helpline

Members can call the Pensions Section on one central helpline number, which is consistently advertised on all our literature. The number is 0208 760 5768 x62892.

▶ Admitted & Scheduled Scheme Employers participating in the Fund*All Employer Forums*

Meetings are held quarterly for Employers; specifically this has been used as a mechanism for communicating major strategic issues, significant LGPS legislation changes, tri-annual valuation matters and the Funding Strategy Statement.

Employers' are kept informed throughout the process of the tri-annual valuation which is carried out by the Councils Actuaries. The Employers' comments are always encouraged and welcomed and where appropriate taken into consideration.

Employers' Guide

An Employers' guide has been produced to assist the smaller employers in discharging their pension administration responsibilities.

▶ Trustees

There is a governing body of Trustees called The Pension Committee. The Committee meet quarterly to deal with all matter relating to the investment and the management/administration of the Council Pension Fund. In addition to reports from the fund managers and investment advisers, the Committee considers reports on matters such as the funding level, communications strategy and best practice standards.

Training is provided from the Fund's Officers, advisors and external experts with regard to investment and administration matters. A log of all training is maintained in the Members Training Report.

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► Other Bodies

AVC Provider

AVC's (Additional Voluntary Contributions) are a way to top up your tax free lump sum and pension from your Local Government Pension Scheme. Croydon Council's AVC provider is Prudential. Contact details are available from Croydon Council's website.

Trade Unions/Employer Representatives

We will work with the relevant Trade Unions and Employer Representatives to ensure the Scheme is understood by all interested parties. All efforts will be made to ensure that all pension related issues are communicated effectively with the Trade Unions.

London Pensions Officer's Group

Pensions Officers from other London Boroughs meet regularly in order to share information and ensure uniform interpretation of Local Government Pension Scheme, and other prevailing regulations.

National Information Forum

All administering Authorities are invited to attend, these meetings provide an opportunity to discuss issues of common interest and share best practice. The Office Government Pensions Committee are represented at each meeting.

National Association of Pension Funds (NAPF)

All administering Authorities who are members of the NAPF are invited to attend, these meetings provide an opportunity to discuss issues of common interest and share best practice.

Seminars

Representatives of the Council regularly participate at seminars and conferences.

The table below shows the availability of Fund publications along with their publication frequency and review periods.

Communication Material	Paper based	Electronic form	Internet for all to view	When published	When reviewed
Pension Scheme Guide	✓	✓	✓	Constantly available	Annually
Topping up Benefits	✓	✓	✓	Constantly available	Annually
Annual Benefits Statements	✓	✗	✗	Annually	Annually
Statutory Notifications	✓	✗	✗	On joining & ABS	Annually
Members Self Service	✗	✓	✓	On joining	Bi-annually
Pension Updates	✓	✓	✓	As required	After each publication
Annual Pension Fund Report	✓	✓	✓	Annually	Annually
Annual Newsletter	✓	✓	✓	Annually	After each publication
Early Leaver information	✓	✓	✓	Sent with Deferred benefits statement	Annually
Retirement information	✓	✓	✓	Sent with retirement details	Annually
Pension Increase incorporated in the Pensioners Newsletter	✓	✓	✓	Annually	Annually
Actuarial valuation report	✓	✓	✓	Tri-annually	Tri-annually
Pension Fund Committee	✓	✓	✓	Quarterly	Quarterly
Communication Policy	✓	✓	✓	Upon request	Quarterly
Governance Compliance Statement	✓	✓	✓	Upon request	Quarterly

While these publications are reviewed within our timescales, these are also reviewed in conjunction with LGPS and other related legislation changes.

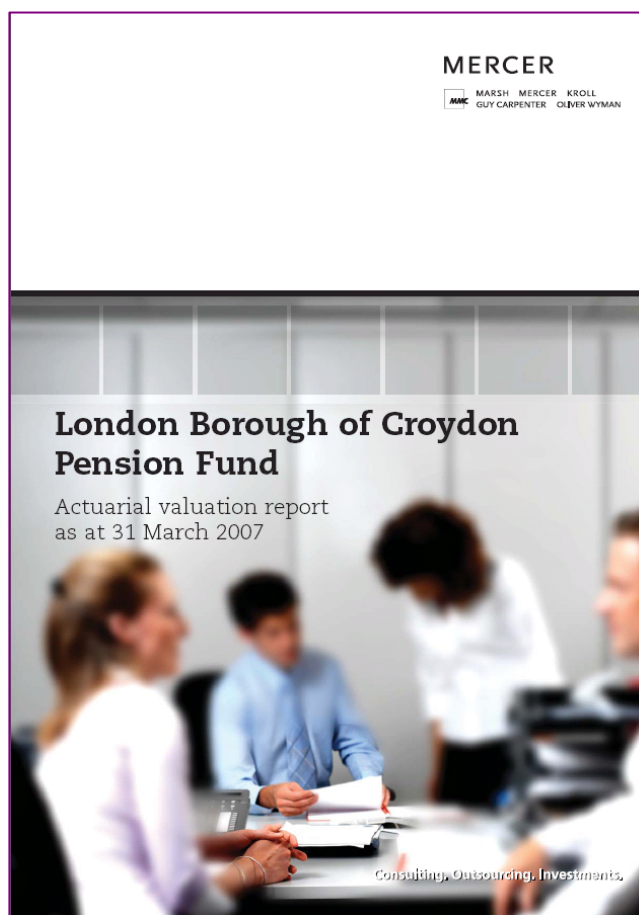
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4.6. Actuarial Valuation

What is an Actuarial Valuation?

It is a professional assessment undertaken by the Actuary to determine whether the Fund's assets are likely to be sufficient to meet the accrued benefits. The LGPS regulations require that the Fund obtains an actuarial valuation of assets and liabilities every three years. The last valuation was in 2007. Therefore, revised contribution rates applied from 1 April 2008, with the next valuation being carried out as at 31 March 2010, with contribution rates applicable from 1 April 2011.

A copy of the last valuation can be found on the Council's website.



4.6.1. Funding Strategy Statement (FSS)

The LGPS regulations require the Fund to have in place an FSS. After consultation with employers, the Fund has now achieved this. The funding of current and future pension liabilities needs to have regard for a clear and reasonable investment strategy that, taking into account the investment risks, sets strategy that aims to meet the actuarial assumptions and funding objectives. The Fund engages consultants to assist with this exercise every three years to link with the valuation exercise. From 1 April 2008, revised rates of contribution are effective, based on the results of the 2007 actuarial valuation.

5. The scheme at a glance

5.1. 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 other statutory pension schemes. But employees of designating bodies or admitted bodies can only join if covered by the relevant agreement.

5.2. Benefits on death in service

A lump sum is payable, normally equivalent to three year's 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 dependent children.

5.3. Benefits on retirement

For membership from April 2008 onwards, pension benefits are calculated as 1/60th of final pay for each year of membership. Benefits for earlier membership consist of a pension calculated as 1/80th of final pay for each year of membership 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 membership or pension. Members can normally exchange some pension to provide a bigger lump sum.

5.4. Benefits on death after retirement

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

5.5. Extra benefits

The scheme offers several ways for members to improve benefits:

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

5.6. Employee contributions

The rate of contribution payable by members varies according to pay level, ranging from 5.5% of pay to 7.5% of pay. The pay ranges to which each contribution rate applies are adjusted each April in line with changes in the cost of living.

5.7. Age of retirement

Normal retirement age is age 65, but:

- Pension benefits are payable at any age if awarded due to ill health
- Members may retire with full 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, but requests made before age 60 need employer consent. Actuarial reductions may apply where benefits come into payment before age 65
- 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 age 65 but only up to age 75.

5.8. Cost of living increases

Pensions payable to members who retire on health grounds and to members' spouses etc and children 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.

A Scheme Summary of the LGPS is available on our website.

6. Changes to the Local Government Pension Scheme

The last 12 months have seen further scheme developments and further discussion about the future of the LGPS.

The LGPS (Miscellaneous) Regulations 2009 came into force at 31st December 2009 and made a number of significant changes to the 2008 Scheme regulations.

- CLG decided to place Civil Partners on a level footing with spouses, so that membership prior to 6th April 1988 is now to be taken into account in the calculation of Civil Partner's survivor benefits, at no cost to members.
- Members can now choose to pay Additional Survivor Benefit Contributions (ASBCs), so that any period of their active membership before 6th April 1988 can be taken into account in the calculation of the benefit to be paid to their surviving nominated cohabiting partner.

6.1. Reductions to pensions tax relief for High Earners

In his Budget statement of April 2009 the Chancellor of the Exchequer announced a number of changes to tax rates and allowances for taxpayers with income over £100,000. The Chancellor's Pre Budget Report was presented to Parliament in December 2009 and included planned changes to taxes, including their impact on pension schemes and their members.

6.2. Pay Bands 2010

The pay bands that determine the rate of scheme contributions for members are uplifted annually by the same percentage as pensions.

This year public sector occupational pensions will increase by zero percent; therefore the pay bands by which a member's rate of contributions are determined will stay the same. Where a member has had an annual incremental increase or if their particular employer

does award an annual uplift, this may result in them paying a higher rate of contributions from April 2010.

Band	Salary Range	Contribution Rate
1	£0 to £12,600	5.5%
2	Over £12,600 to £14,700	5.8%
3	Over £14,700 to £18,900	5.9%
4	Over £18,900 to £31,500	6.5%
5	Over £31,500 to £42,000	6.8%
6	Over £42,000 to £78,700	7.2%
7	Over £78,700	7.5%

6.3. Pension Fund Fraud/National Fraud Initiative

Since 1996 the Audit Commission has run the National Fraud Initiative (NFI), an exercise that matches electronic data within and between audited bodies to prevent and detect fraud.

The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively. The use of data for NFI purposes is controlled to ensure compliance with data protection and human rights legislation. In 2006 the Audit Commission published a Code of Data Matching Practise, which, for the 2008/09 NFI exercise, has been updated to take account of new legislation as a result of the Serious Crime Act 2007.

The NFI currently matches all public sector pension scheme data (of which Croydon Council is one) to the Department for Work and Pensions (DWP) database of deceased persons. This acts as an automated life certification process for the Pension Fund.

Croydon Council is committed to the NFI process and undertook the data matching exercise in 2008. The Fund accepts that the vast majority of payments are legitimate but this exercise is very much worthwhile in order to protect the Pension Fund against any possible fraud. Any cases where fraud is suspected will be pursued and where necessary, legal action taken.

6.4. Pensions Increase

Pension in payment and deferred benefits are subject to an annual review under the Pensions (Increase) Act 1971. The Pensions Increase (Review) Order 2009 required an increase of 5.0% (2008: 3.9%) to be awarded from 6th April 2009.

This is reduced proportionately for pensions in payment for less than 12 months. The increase corresponds to the increase applied to State benefits and pensions paid by other public service pension schemes. It reflects the rise in the retail Prices Index (RPI) during the 12 months to the end of September last.

Further details can be obtained from the Pensions and Treasury Management Section at Croydon Council.

7. Management of the Assets

Net Fund Assets - The distribution of the net assets of the Fund at 31st March 2010: -

Investment Manager	Investment Mandate	% of Fund
Deutsche Bank Advisors	Global Thematic Equities (segregated)	8.94%
Fidelity	Global Equities including emerging markets (segregated)	16.98%
Franklin Templeton	Global Equities (segregated)	9.00%
Edinburgh Partners	Global Opportunities Fund (Pooled) (US Dollar)	9.12%
Sarasin	Global Thematic Fund (Pooled)	9.03%
Pantheon Private Equity	Invest in unquoted companies (Pooled)	2.08%
Equitix	Private equity – PFI projects (Pooled)	0.55%
Knightbridge	Private equity – Venture capital (Pooled) (US Dollar)	0.20%
Standard Life	Corporate Bond Fund (Pooled)	18.39%
Wellington	Sterling Core Bond (Pooled)	12.09%
Bluecrest	Fund of Hedge Funds (Poolod)	1.99%
Fauchier	Fund of Hedge Funds (Poolod)	1.96%
Henderson Global Investors	Property Funds	4.33%
Nordea	Global Tactical Asset Allocation (Pooled)	3.82%
All Fund Managers – Cash Management	Maximising short term returns prior to the investment of funds	1.30%
London Borough of Croydon Cash Management	Cash LIBID 7 day notice deposit account	1.21%
Non Cash Net Fund Manager balance	Not applicable	0.07%
Non Cash Net London Borough of Croydon balance	Not applicable	(1.06%)
Total		100.00%

During 2009-10 the Pension Fund's investment portfolio was restructured with the objective of achieving a more consistent level of return, aligned with the 25 year recovery plan for the Fund, with a much lower aggregate level of risk. The Pensions Committee has authorised the Deputy Chief Executive and Executive Director of Resources and Customer Services to exercise delegated powers to vary the Pension Fund's target asset allocation between UK and overseas equities, property, bonds, cash and alternative asset classes as is deemed necessary, and switch investments between existing and other fund managers as required.

Asset Allocation Guidelines and Investment Performance Benchmarks

The Fund's advisors gave their views on the appropriate asset allocations for the fund.

From their advice the following target asset allocation was determined:-

Asset Class	Investment
Equities	50.00%
Private Equity	4.00%
Bonds	30.00%
Fund of Hedge Funds	4.00%
Property	7.00%
Global Tactical Asset Allocation	4.00%
Cash / Other	1.00%
Total	100.00%

The actual asset allocation at 31st March 2010 was

Asset Class	Investment
Equities	53.07%
Private Equity	2.83%
Bonds	30.48%
Fund of Hedge Funds	3.95%
Property	4.33%
Global Tactical Asset Allocation	3.82%
Cash / Other	1.52%
Total	100.00%

The investment managers have been set the following benchmarks: -

Portfolio	Mandate	Benchmark	Target % Rolling Years
Equities			
DB Advisors	Global Thematic Equity	MSCI World NDR	2-4% p.a. over three years
Fidelity	Global Active	MSCI World NDR	2% p.a. net of fees over 3 years
Franklin Templeton	Global Active	MSCI World GDR	2% p.a. gross of fees over 5 yrs
Edinburgh Partners	Global Active	MSCI World GDR	3% p.a. gross over 3 - 5 yrs
Sarasin	Global Thematic Equity	MSCI World NDR	2-4% p.a. over three years
Private Equity			
Pantheon	Private Equity	FTSE All Share Index	300 - 500 bpt over long term
Knightsbridge	Private Equity	MSCI AC World NDR	
Equitix	Private Equity	Absolute Return 12%	
Bonds			
Standard Life	Global Unconstrained	ML Non Gilt £ All Stocks	0.8% p.a. gross of fees
Wellington	Global Unconstrained	ML £ Broad Market Index	1.0% - 1.5% p.a
Fund of Hedge Funds			
Fauchier	Hedge Fund	3 Month LIBOR + 5%	over rolling 5 years
Bluecrest	Hedge Fund	3 Month LIBOR +10%	(10 - 15% p.a. net of fees)
Property			
Hendersons	Property	IPD All Properties Index	
Global Tactical Asset Allocation			
Nordea	GTAA	3 Month LIBOR +10%	

7.1. Fees

Fees for the investment managers are related to the assets under management. In the case of Pantheon Ventures, there is also a performance-related element to the fee which is again based on the assets under management.

7.2. Monitoring the Investment Managers

Performance of the investment managers is measured by the World Markets (WM) Company. Their report is included within the report to the quarterly Pension Committee meeting, to which investment managers are invited, the purpose of which is to review the performance of the investment managers. To assist the Fund in fulfilling its responsibility for monitoring the investment managers the Fund retains the services of Mercer Investment Consulting and an independent investment adviser. Additionally, the Council's officers and advisers meet the investment managers regularly to review their actions together with the reasons for their investment performance.

7.3. Realisation of Investments

In general, the Fund's investment managers have discretion as to the timing of realisations of investments and in considerations relating to the liquidity of those investments. The Fund's investment managers have responsibility for generating cash for investment in new assets. The Pension Committee decides, with the advice from its investment advisers, on how investments should be realised for cash.

7.4. Pension Committee Arrangements

As an administering pension authority, the Council discharges its duties in respect of maintaining the Pension Fund in the form of the Pension Committee. Its terms of reference are to deal with the management of the Fund, including matters relating to employee liability.

The Pension Committee is made up of six voting Members of the Council, two non-voting pensioner representatives and a non-voting employee representative. The Committee is also able to co-opt non-voting specialist representatives as is required. In addition, officers and the Fund's external advisers support the meetings. The Pension Committee is scheduled to meet on at least four occasions during the 2008/09 Municipal Year and formal minutes are taken and acted on accordingly.

Further ad-hoc meetings also take place to discuss various matters as they arise, in particular regarding asset allocation.

7.5. Custody

For the additional security of the invested assets, the Fund employs The Bank of New York Mellon as an independent custodian for its segregated UK equity holdings. The other holdings of the Fund are in pooled arrangements where the custodian is determined by the investment manager.

7.6. Expected Return on Investments

The Pension Committee discussed and agreed that in order to have a more consistent level of return that is aligned with the Actuary's 25 year recovery plan, the investment allocation strategy should be revised as shown in the table in paragraph 2.2 of this statement. The asset allocation of the Fund will, however, be kept under constant review and may be changed from time to time. Any major changes will be reflected in an updated version of this statement.

8. Investment Report

8.1. General

During 2009/10, for local authority pension funds, there was an average increase in value of 35.2%. This was considerably above CPI inflation and average earnings growth of 3.4% and 3.2% respectively.

2009/10 saw a significant recovery for equities in the major markets including returns of 52.4% in the UK, 48.8% in Europe, 29.6% in Japan and 43.2% in North America. Equity returns were significantly in advance of the UK bonds (gilts) return of 0.8%.

8.2. Strategy

The Pension Committee has reviewed its strategy for allocating the Pension Fund to various investment categories. The revised asset allocation strategy is intended to generate an investment return on the Fund in line with the requirements of the Actuary's 25-year recovery plan, but at a much lower level of risk. This strategy is set out in detail within the Statement of Investment Principles, above.

8.3. Performance

The Fund's performance is compared with the Council's own customised benchmarks. It is also compared to the average return from 87 local authority pension funds with a total Market Value of £123,422m (£96,636m during 2008/09).

The return for local authorities as a whole is 35.2%, which compares with the return of the Council's Fund of 38.2%. This was due to the Croydon Pension Fund having a greater percentage of equity investments than the average local authority pension fund.

The significant fall in the value of equities in 2001 to 2003 and greater life expectancy of pensioners, together with improvement in benefits provided by the Local Government Pension Scheme (LGPS), had a major impact on the funding position of the Fund, such that the Actuarial Valuation as at 31st March 2004 showed that the funding level was 57%.

However, since 2004, the funding position has improved considerably and the Actuarial Valuation as at 31st March 2007 showed that despite the continuing increase in longevity of

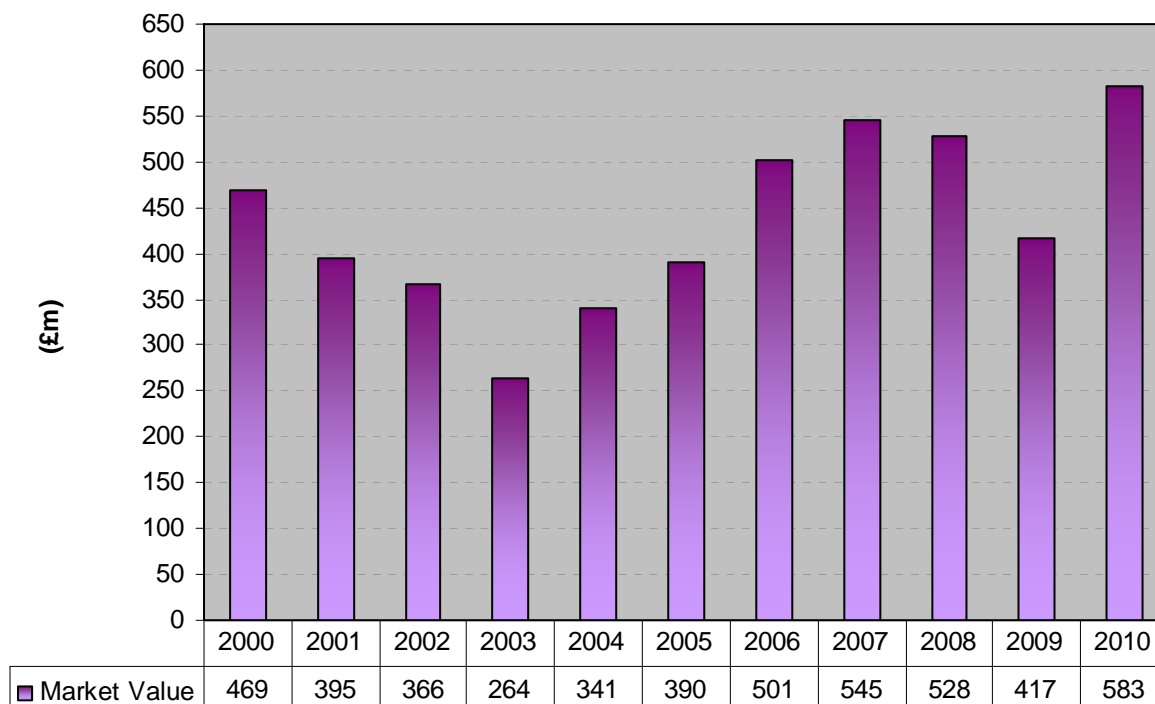
pensioners and the improved benefits under the new look LGPS, the funding level had still increased to 68%.

8.4. Income and Expenditure

	2009/10 £000s	2008/09 £000s
Income – Contributions Receivable		
Contributions from Employers	30,983	27,841
Contributions from Employees	9,479	9,206
Transfer Values	9,877	5,697
Early retirement costs recovered	1,747	2,829
TOTAL INCOME	52,086	45,573
Expenditure – Pensions Benefits		
<i>Benefits Payable</i>		
Pensions	28,026	25,737
Lump Sums	9,088	7,302
<i>Payments to and on account of leavers</i>		
Refund of Contributions	61	4
Transfers Values Paid	6,324	5,834
Pensions Administration and other expenses	1,497	1,059
TOTAL EXPENDITURE	44,996	39,936
Net additions from dealings with members	7,090	5,637
Returns on Investments		
Investment Income	9,130	12,654
Net Losses/Gains on currency revaluations	73	52
Change in market value (Realised and Unrealised)	151,219	(128,244)
Investment Management Expenses	(1,095)	(674)
Net Returns on Investments	159,327	(116,212)
Net increase in the Fund during the year	166,417	(110,575)
Net Assets at the start of the year	417,044	527,619
Net Assets at the end of the year	583,461	417,044

8.5. Movement of the Fund

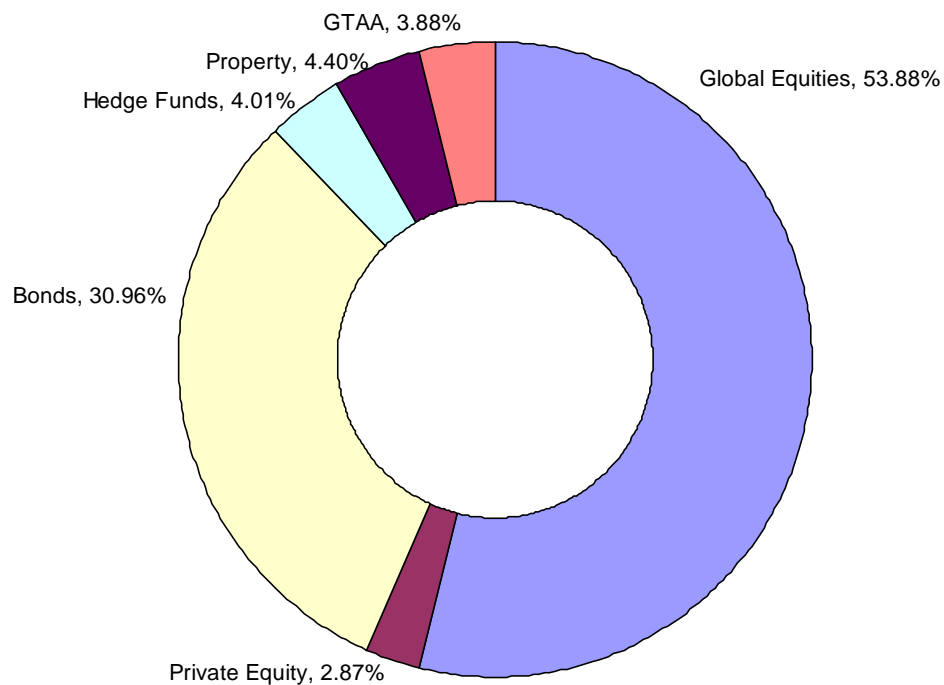
The net assets of the Fund at 31 March 2010 were £583 million compared with £469 million at 31 March 2000. The chart below shows the growth of the Fund's assets over the past ten years.



Net Assets	2009/10 £m	%
Market Value of investments	574.6	98.47%
Other Balances held by Fund Managers	0.4	0.07%
Cash held by Fund managers	7.6	1.31%
Pension Fund Net Current Assets	0.9	0.15%
Total at the end of the year	583.5	100.0

8.6. Analysis of Market Value of Investments

Investments - Percentage Split



Investments	2009/10 £000s	% of Investments
Global Equities	309,658	53.88%
Private Equity	16,483	2.87%
Bonds	177,873	30.96%
Hedge Funds	23,017	4.01%
Property	25,254	4.40%
GTAA	22,283	3.88%
Total at the end of the year	574,568	100.00%

8.7. Statistics 2009/2010

Returns	Croydon Fund	Average Local Authority
1 year (% per year)	38.2	35.2
3 years (% per year)	1.3	1.7
5 years (% per year)	7.6	7.1
10 years (% per year)	n/a	3.8

Pension Fund Investment Distribution:	Croydon Fund	Average Local Authority
Global Equities	53.88%	65.87%
Private Equity	2.87%	3.55%
Bonds	30.96%	19.52%
Hedge Funds	4.01%	2.71%
Property	4.40%	7.10%
GTAA	3.88%	1.25%

8.8. Top 25 Global Holdings

	Market Value At 31 March 2010	% of Total Global Equity Investment
APPLE INC	2,710,083	0.88%
AMERICA MOVIL SAB DE CV ADR	2,328,738	0.75%
HEWLETT-PACKARD CO	2,200,421	0.71%
EXXON MOBIL CORP	2,101,818	0.68%
SCHLUMBERGER LTD	2,095,949	0.68%
PFIZER INC	2,026,026	0.65%
GENERAL ELECTRIC CO	1,963,137	0.63%
PROCTER & GAMBLE CO	1,714,554	0.55%
DANAHER CORP	1,696,926	0.55%
RECKITT BENCKISER GROUP PLC	1,645,280	0.53%
SAIPEM	1,644,927	0.53%
MACQUARIE GROUP LIMITED	1,610,778	0.52%
TESCO	1,604,231	0.52%
ERSTE GROUP BANK AG	1,594,320	0.51%
AMAZON.COM INC	1,565,874	0.51%
QUALCOMM INC	1,549,792	0.50%
WORLEYPARSONS LTD	1,534,489	0.50%
BANK OF AMERICA CORP	1,533,381	0.50%
MTU AERO ENGINES INVEST	1,523,233	0.49%
WAL-MART STORES INC	1,499,406	0.48%
HENGAN INTL GROUP CO LTD	1,474,749	0.48%
HANG LUNG PROPERTIES LTD	1,459,254	0.47%
PEARSON	1,448,120	0.47%
DEUTSCHE BOERSE AG	1,445,982	0.47%
ABB LTD	1,441,175	0.47%
	43,412,655	14.02%

8.9. Net Assets Statement

At 31 st March 2010	2009/10 £000s	2008/09 £000s
Investments held by the Fund Managers		
UK equities	---	216,858
Global equities	309,658	112,927
Private equity	16,483	13,044
Bonds	177,873	28,325
Hedge funds	23,017	---
Property	25,254	5,284
Global Tactical Asset Allocation	22,283	---
Total investments held by the Fund Managers	574,568	376,438
Other Balances held by the Fund Managers		
Outstanding dividends and tax reclaimable	630	1,430
Outstanding trades for securities sold	2,047	2,018
Outstanding trades for securities purchased	(2,248)	(2,087)
Total Other Balances held by the Fund Managers	429	1,361
Cash held by the Fund Managers	7,587	9,046
Total Assets held by the Fund Managers	582,584	387,205
London Borough of Croydon Net Current Assets		
Sundry debtors	717	2,487
Cash	7,052	34,011
Sundry Creditors	(6,892)	(6,659)
Net Assets at 31st March 2010	583,461	417,044

A full set of the audited pension fund accounts are available on request from the Pensions and Treasury Management Section at Croydon Council on 020 8760 5768 (extn 62892).

Appendices:

Appendix 1: Pension Fund Annual Accounts 2009/10

CROYDON'S ROLE AS A PENSION ADMINISTERING AUTHORITY

The Council as a Local Authority and a pension administering authority is acting in two separate roles. As a Local Authority it is accountable to the residents of the London Borough of Croydon for its stewardship of public funds. As a pension administering authority it is accountable both to its employees who are members of the Pension Fund, and to past employees in receipt of a pension for its stewardship of pension assets. The two roles, and the relevant interest groups, are significantly different. Consequently, the Pension Fund accounts are presented in an appendix to clearly demonstrate the distinction.

FUND'S OPERATIONS AND MEMBERSHIP

The London Borough of Croydon Pension Fund (the Fund) operates a defined benefits scheme whose purpose is to provide pensions to all of the Council's employees, with the exception of teaching staff, and to the employees of admitted and scheduled bodies who are members of the Fund.

The Local Government Pension Scheme (LGPS) is a statutory pension scheme, whose rules are governed by Parliament in accordance with the Superannuation Act 1972. The rules of the scheme are laid down in two separate sets of regulations; the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and the Local Government Pension Scheme (Administration) Regulations 2008, both of which came into force on 1 April 2008, and provide the statutory basis within which the Fund can operate. Separate transitional regulations provide the link between the old and new scheme provisions.

Below is a list of the admitted and scheduled bodies contributing to the Fund:

Admitted:

Age Concern, BRIT School, Cabrini Children's Society, Croydon Citizens Advice Bureau, Croydon Community Mediation, Creative Environmental Network, Oasis Academy Coulsdon, Croydon Voluntary Action, Croydon Youth Development Trust, Apetito, Fairfield (Croydon) Limited, Fusion, Harris City Academy Crystal Palace, Interserve, Harris City Academy South Norwood, Eldon PFI, Harris Academy Purley, Oasis Academy Shirley Park, Sutton Community Transport, Courier Cars Wallington Cars and Couriers, Olympic (South) Ltd and Veolia.

Scheduled:

London Borough of Croydon, Coulsdon College, Croydon College, and John Ruskin College.

Management of the Fund

The London Borough of Croydon has a statutory responsibility to administer and manage the London Borough of Croydon Pension Fund on behalf of all the participating employers of the Fund in Croydon, and the past and present contributing members, and their dependents.

The Council is also responsible for making decisions governing the way the Fund is invested. In this respect, the Council delegates responsibility for making investment decisions and monitoring arrangements to the Pension Committee. The Pension Committee's responsibilities include reviewing and monitoring the Fund's investments; selecting and deselecting investment managers and other relevant third parties and establishing investment objectives and policies. The Pension Committee is made up of six voting Members of the Council, two non-voting pensioner representatives, a co-opted non-voting member and a non-voting employee representative. In addition, the committee is supported by officers and external advisors.

CROYDON'S ROLE AS A PENSION ADMINISTERING AUTHORITY

The Council as a Local Authority and a pension administering authority is acting in two separate roles. As a Local Authority it is accountable to the residents of the London Borough of Croydon for its stewardship of public funds. As a pension administering authority it is accountable both to its employees who are members of the Pension Fund, and to past employees in receipt of a pension for its stewardship of pension assets. The two roles, and the relevant interest groups, are significantly different. Consequently, the Pension Fund accounts are presented in an appendix to clearly demonstrate the distinction.

FUND'S OPERATIONS AND MEMBERSHIP

The London Borough of Croydon Pension Fund (the Fund) operates a defined benefits scheme whose purpose is to provide pensions to all of the Council's employees, with the exception of teaching staff, and to the employees of admitted and scheduled bodies who are members of the Fund.

The Local Government Pension Scheme (LGPS) is a statutory pension scheme, whose rules are governed by Parliament in accordance with the Superannuation Act 1972. The rules of the scheme are laid down in two separate sets of regulations; the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and the Local Government Pension Scheme (Administration) Regulations 2008, both of which came into force on 1 April 2008, and provide the statutory basis within which the Fund can operate. Separate transitional regulations provide the link between the old and new scheme provisions.

Below is a list of the admitted and scheduled bodies contributing to the Fund:

Admitted:

Age Concern, BRIT School, Cabrini Children's Society, Croydon Citizens Advice Bureau, Croydon Community Mediation, Creative Environmental Network, Oasis Academy Coulsdon, Croydon Voluntary Action, Croydon Youth Development Trust, Apetito, Fairfield (Croydon) Limited, Fusion, Harris City Academy Crystal Palace, Interserve, Harris City Academy South Norwood, Eldon PFI, Harris Academy Purley, Oasis Academy Shirley Park, Sutton Community Transport, Courier Cars Wallington Cars and Couriers, Olympic (South) Ltd and Veolia.

Scheduled:

London Borough of Croydon, Coulsdon College, Croydon College, and John Ruskin College.

Management of the Fund

The London Borough of Croydon has a statutory responsibility to administer and manage the London Borough of Croydon Pension Fund on behalf of all the participating employers of the Fund in Croydon, and the past and present contributing members, and their dependents.

The Council is also responsible for making decisions governing the way the Fund is invested. In this respect, the Council delegates responsibility for making investment decisions and monitoring arrangements to the Pension Committee. The Pension Committee's responsibilities include reviewing and monitoring the Fund's investments; selecting and deselecting investment managers and other relevant third parties and establishing investment objectives and policies. The Pension Committee is made up of six voting Members of the Council, two non-voting pensioner representatives, a co-opted non-voting member and a non-voting employee representative. In addition, the committee is supported by officers and external advisors.

STATEMENT OF ACCOUNTING POLICIES AND PRINCIPLES - PENSION FUND

1. GENERAL PRINCIPLES

The financial statements have been prepared in accordance with the provisions of Chapter 2 (Recommended Accounting Practice) of the 2007 Pensions Statement of Recommended Practice (SORP) as required by the Code of Practice on Local Authority Accounting in the United Kingdom 2008, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

2. STATEMENT OF INVESTMENT PRINCIPLES

This is published in the Croydon Pension Scheme Annual Report.

3. BASIS OF PREPARATION

Accruals

The financial statements, apart from transfer values received and paid (see below), have been prepared on an accruals basis. The accruals basis of accounting requires the non-cash effects of transactions to be reflected in the financial statements for the accounting period in which those effects are experienced, and not in the period in which any cash is received or paid.

Transfer Values

Transfer values receivable and payable that were not received or paid by Croydon Council (acting on behalf of the Pension Fund) at the year end, are not included within the financial statements for the year in accordance with the accounting treatment required by the Pensions SORP (Statement of Recommended Practice).

AVCs

Additional voluntary contributions, which are separately invested, are not included in the Pension Fund Accounts in accordance with Regulation 5(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No.1831).

Valuation of Investments

All investments are valued at fair value within the accounts. Fair value is defined as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The implementation of this principle is explained in detail for each class of asset in the notes to the accounts.

Investment Management and Administration Costs

Paragraph 42 of the Local Government Pension Scheme (Administration) Regulations 2008 permits the Council to charge the scheme's administration and investment management costs to the Fund. A proportion of relevant Council officers' salaries including related on-costs (these consist mainly of employer's National Insurance Contributions and employer's pension contributions have been charged to the Fund on the basis of actual time spent on scheme administration and investment related business. The fees of professional advisors and administrators are also charged to the Fund.

Returns on Investments

The returns on investments include, investment income, the net gain or loss on currency transactions, the realised gain and the unrealised gain on investments.

Acquisition costs

The cost of acquiring property and securities includes brokerage commission, legal fees and stamp duty.

Going Concern

The Pension Fund Accounts have been prepared on a going concern basis. That is the accounts assume that the Fund will continue in operational existence for the foreseeable future. This means in particular that the accounts assume that there is no intention to curtail significantly the scale of operations.

4. EARLY RETIREMENT COSTS DUE TO REDUNDANCY

Employees, who are members of the Local Government Pension Scheme, aged 50 or over (55 or over from 2010/11 onwards) and take early retirement due to redundancy are entitled, under the regulations, to receive their pension from the date their employment ceases, based on the number of years of their service without any actuarial deduction. This causes a strain on the Pension Fund that is measured as a capitalised cost, and recovered from the London Borough of Croydon over a period of between one and five years.

PENSION FUND ACCOUNTS

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010**CONTRIBUTIONS AND BENEFITS**

	Note No.	2009/10 £000	2008/09 £000
Employees' contributions:			
London Borough of Croydon		8,406	8,259
Scheduled bodies		456	436
Admitted bodies		617	511
Employers' contributions:			
London Borough of Croydon		27,578	25,085
Scheduled bodies		1,519	1,343
Admitted bodies		1,761	1,413
Employers' deficit funding contributions		125	-
Transfer values received	15	9,877	5,697
Early retirement costs recovered	8	1,747	2,829
		52,086	45,573
Benefits - Pensions		28,026	25,737
- Lump sums	14	9,088	7,302
Payments to and on account of leavers - Refund of contributions		61	4
- Transfer values paid	15	6,324	5,834
Administrative expenses	11	1,497	1,059
		44,996	39,936
Net additions / (withdrawals) from dealings with members		7,090	5,637

RETURNS ON INVESTMENTS

	Note No.	2009/10 £000	2008/09 £000
Investment income	13	9,130	12,654
Net gains / (losses) on currency revaluations and underwriting commissions		73	52
Change in market value of investments:			
Unrealised	3	34,648	(126,770)
Realised	3	116,571	(1,474)
Investment management expenses	12	(1,095)	(674)
Net returns on investments		159,327	(116,212)
Net increase / (decrease) in the Fund during the year		166,417	(110,575)
Net assets at the start of the year		417,044	527,619
Net assets at the end of the year		583,461	417,044

NET ASSETS STATEMENT AS AT 31 MARCH 2010**Investments held by the Fund Managers:**

	Note No.	2009/10 £000	2008/09 £000
Global equities	2 - 5	309,637	329,785
Private equity	2 - 5	16,483	13,044
Bonds	2 - 5	177,873	28,325
Hedge funds	2 - 5	23,017	0
Property	2 - 5	25,254	5,284
Global Tactical Asset Allocation	2 - 5	22,283	0
Transition account	2 - 5	21	0

Total Investments held by the Fund Managers

574,568 376,438

Other Balances held by the Fund Managers

Outstanding dividends and tax reclaimable		630	1,430
Outstanding trades for securities sold		2,047	2,018
Outstanding trades for securities purchased		(2,248)	(2,087)

Total Other Balances held by Fund Managers

429 1,361

Cash held by the Fund Managers

7,587 9,406

Total asset held by the Fund Managers

582,584 387,205

Net current assets:

Debtors	9	717	2,487
Cash held by the London Borough of Croydon		7,052	34,011
Creditors	10	(6,892)	(6,659)

Net assets at the end of the year

583,461 417,044

NOTES TO THE PENSION FUND ACCOUNTS

1. ACTUARIAL POSITION

The accounts summarise the transactions and net assets of the Fund and do not take account of liabilities to pay pensions and other benefits in the future. The adequacy of the Fund's investments and contributions in relation to its overall obligations was reviewed at the triennial actuarial valuation of the Fund as at 31 March 2007 in accordance with the Local Government Pension Scheme Regulations 1997 (as amended). The employers' contribution rates for 2009/10 are as follows:

Croydon Council (including schools' non-teaching staff) - 22.1%
 Scheduled bodies - 22.1%
 Admitted bodies - rates vary depending upon those determined by the Actuary.

During 2007/08 the Actuary completed his triennial Actuarial Valuation as at 31 March 2007 which calculated the total accrued liabilities to be £808m. The market value of the Fund's assets at the valuation date was £544m. The Fund deficit was therefore £264m producing a funding level of 68%. This compares with a deficit of £254m and a funding level of 57% as at the 31 March 2004 Actuarial Valuation. A triennial Actuarial Valuation is being prepared as at 31 March 2010.

The 2007 Actuarial Valuation recommends that recovery of the deficit be spread over 25 years as from 1 April 2008 and that the employers' contribution rates for Croydon Council (including schools' non-teaching staff) and the scheduled bodies increase to 20.5% for 2008/09, 22.1% for 2009/10 and 23.2% for 2010/11 onwards. The employers' contribution rates for the admitted bodies will vary depending on those determined by the Actuary.

To contribute towards funding their share of the deficit one admitted body (BRIT School) decided to make a deficit funding payment of £125k during 2008/09. The amount is separately disclosed as required by the SORP. However, as stated above, the London Borough of Croydon and the scheduled and admitted bodies are all contributing towards reducing the deficit through increased monthly contributions in accordance with the recovery plan.

The actuarial assumptions used in preparing the valuation were:

	Past Service Nominal p.a.%	Future Service Nominal p.a.%
Investment returns (equities)	5.90	6.50
Pay increases (excluding increments)	4.70	4.50
Pensions increases	2.95	2.75
Retail Price Index (RPI) price inflation	N/A	2.75

2. INVESTMENTS

The Pension Committee agreed to authorise the then Executive Director of Finance and Resources, now the Deputy Chief Executive and Executive Director of Resources and Customer Services to exercise delegated powers to vary the Pension Fund's target asset allocation between UK and Overseas equities, Property, Bonds, Cash and alternative asset classes as is deemed necessary and switch investments between existing and other fund managers, as required. The dynamics which drove this process from late 2007 were the volatility in equity markets and the availability of investment opportunities tied into temporary market inefficiencies. The objective was to achieve a more consistent level of return aligned with the 25 year recovery plan for the Fund but with a much lower aggregate level of risk.

The Fund's advisors gave their views on the appropriate asset allocations for the fund. From their advice the following target asset allocation was determined:-

Asset Class	Investment
Equities	50.00%
Private Equity	4.00%
Bonds	30.00%
Fund of Hedge Funds	4.00%
Global Tactical Asset Allocation	4.00%
Property	7.00%
Cash	1.00%
Total	100.00%

NOTES TO THE PENSION FUND ACCOUNTS

2. INVESTMENTS (continued)

Asset Category	Fund Managers
Equities	DB Advisors, Fidelity and Franklin Templeton (segregated funds); Edinburgh Partners and Sarasin (pooled funds)
Private equity	Private Equity - Equitix and Knightsbridge (the services of Pantheon have been retained)
Bonds	Standard Life and Wellington
Hedge Fund of Funds	Bluecrest and Fauchier
Property	The services of Henderson Global investors have been retained
Global Tactical Asset Allocation	Nordea
Cash	Cash is invested by the in-house team

The current fund manager, UBS, failed to obtain any of the revised portfolio following a competitive tendering process

The following were the key events in the transition to new fund managers

Private Equity

In July 2009 Croydon made a £5m commitment to Equitix and in September 2009 a \$13m commitment to Knightsbridge. In March 2010 Croydon increased its commitment to Equitix by a further £5m. Drawdowns and cash returns have been frequent across these funds and the Pantheon fund during the year. Because of the nature of the investments cash is transferred to the investment funds incrementally over a period of a number of years.

Property

Since December 2009 further drawdowns have been made into Croydon's property fund with Henderson Global Investors. The sum invested is short of the target allocation because of a lack of suitable investment opportunities over recent years.

Fund of Hedge Funds

On 1 December 2009 Croydon funded two fund of hedge funds, managed by, Bluecrest and Fauchier with £8m each. An additional £3.23m each was funded in the transition below for investment on 1 February 2010. The cash was generated by liquidating UBS assets at the end of November.

Futures Overlay

The transition manager, Bank of New York Mellon (BoNYM) implemented a futures overlay on 15 December 2009 to a value of £38m, in order for the Pension Fund to gain exposure to the intended asset allocation above, as soon as possible prior to the transition of assets.

Global Tactical Asset Allocation

On 1 January 2010 Croydon funded a Global Tactical Asset Allocation mandate with Nordea amounting to £24m. The cash was generated by liquidating UBS assets at the end of December.

2010 Transition

During January 2010 BoNYM transitioned the Croydon Council Pension Fund's existing equity and bond accounts with UBS to its chosen portfolio of new managers. This was achieved through a transfer of most of the UBS portfolio to the BoNYM transition account on 15 January (part had been liquidated earlier for cash flow purposes) and a combination of asset transfers and cash funding to the new managers to provide them with, as near as possible, their desired portfolio.

Over £442m was transferred from UBS to the transition account on 15 January and combined with the remaining cash from the futures overlay. The transition managers valued the final funds on 19 January at £481m, they then traded for three days to align the portfolios to meet the new managers' requests. On 22 January the portfolio to transfer was valued at £472m. Funding to the new managers occurred between 26 January and 2 February, apart from the Fund of Hedge Funds and some Private Equity funded in November / December 2009.

VALUATION OF INVESTMENTS

The assets of the Pension Fund are included in the Net Asset Statement at their fair value. The fair value for the following asset classes is:

Segregated Global Equities (Fidelity, Franklin Templeton, Deutsche Bank)

Investment accounting was outsourced to BoNYM with effect from 1 April 2009. The BoNYM pricing unit (Global Pricing) uses its prices to reprice the investments held by the segregated fund managers to achieve consistent pricing across the entire segregated portfolio.

NOTES TO THE PENSION FUND ACCOUNTS

2. INVESTMENTS (continued)

The BoNYM pricing unit operates under the following pricing guidelines:

Designation of a primary source

All pricing vendors are external. Where available, BoNYM uses more than one vendor for securities of each asset type, class or issue. At the time of acquisition, each security is automatically assigned a primary pricing source, based on its characteristics. The price received from a primary source is used in portfolio valuation reports, unless a tolerance check, or price challenge results in the use of a price from a secondary vendor, or BoNYM are directed as to a price or source as described below:-

Use of Secondary Pricing Sources; Client / Manager Price Direction

Missing Prices

BoNYM monitors prices supplied by vendors and may use a secondary vendor or change a primary vendor designation if a price for a particular security is not received from the primary vendor or the vendor no longer prices a particular asset type, class or issue. When a vendor does not send a price for a particular asset, it may indicate an inactive, delisted, bankrupt or suspended equity or bond for which BoNYM vendors no longer have enough data to provide a price. In such cases, Global Pricing would use a secondary vendor, if available. If a secondary vendor source is not available, BoNYM will reflect the last available price. In daily, weekly or monthly valued accounts, the client or their investment manager(s) may direct the use of an alternative price or source for any position not priced by BoNYM pricing vendors.

Tolerance Checks

Vendor-provided prices are subjected to automated tolerance checks to identify and avoid, where possible, the use of inaccurate prices. Questionable prices identified by either of the tests noted below, are reported to the vendor that provided the price. Pricing Specialists then follow-up with the vendors. If the prices are validated, the primary price source is used. If not, a secondary source price which has passed the applicable tolerance check is used (or queried with the vendor if it is out of tolerance), resulting in either the use of a secondary price, where validated, or the last reported default price, as in the case of a missing price. For monthly valued accounts, where secondary price sources are available, an automated inter source, tolerance report identifies prices with an inter-vendor pricing variance of over 2% at an asset class level.

For daily valued accounts, each security is assigned, where possible, an indicative major market index, against which daily price movements are automatically compared. Tolerance thresholds are established by asset class. Prices found to be outside of the applicable tolerance threshold are reported and queried with vendors as described above.

Pooled Equity Funds (Sarasin & Edinburgh Partners)

Sarasin

The investment with Sarasin is in their Global Thematic Fund. The price of shares in the fund is published daily in the Financial Times. The share price at 31 March is provided to BoNYM.

Edinburgh Partners

The investment with Edinburgh Partners is in their Global Opportunities Fund. The price of shares in the fund is published daily in the Financial Times. The share price at 31 March is provided to BoNYM.

Bonds

Standard Life - Trustee Investment plan

Investments in the Trustee Investment Plan are valued each working day and a unit price is set. The pricing basis depends on the overall cash flow of the fund, and more specifically, whether the cash flows result in the fund having to purchase, sell or transfer stock. This gives rise to three pricing bases; offer, bid and mid. Generally, if there is a positive cash flow into the fund the offer basis is used. This basis takes account of the cost of buying investments. However, if there is an overall outflow of funds the pricing basis may be switched to a bid basis. This means that a lower price will apply, reflecting the cost of selling the underlying investments. This is in accordance with the accounting rules for pooled investment vehicles required by the 2007 Pensions SORP.

Wellington - Sterling Core Bond Plus

Multiple pricing sources are used: a tolerance of 5% is accepted between prices. Outside of that range there is a manual review of each price.

NOTES TO THE PENSION FUND ACCOUNTS

2. INVESTMENTS (continued)

Private Equity Investments

Fund investments are carried at fair value as determined quarterly by the General Partner in its discretion. The Partnership's fund investments are generally carried at the valuations provided by the general partners or managers of such investments. The valuations provided by the general partners or managers typically reflect the fair value of the Partnership's capital account balance of each fund investment, including unrealised gains and losses, as reported in the audited financial statements of the respective fund. In reviewing these underlying valuations, the General Partner is advised by the Investment Advisor, who reviews the capital account balances and may adjust the value of each fund investment. The General Partner uses the market approach to estimate the fair value of private investments. The market approach utilises prices and other relevant information generated by market transactions, type of security, size of the position, degree of liquidity, restrictions on the disposition, latest round of financing data, current financial position and operating results, among other factors. In circumstances where fair values are not provided in respect of any of the Company's fund investments, the Investment Advisor will seek to determine the fair value of such investments based upon information provided by the general partners or managers of such funds or from other sources. Notwithstanding the above, the variety of valuation bases adopted and quality of management data of the ultimate underlying Investee companies means that there are inherent difficulties in determining the value of these investments. Amounts realised on the sale of these investments may differ from the values reflected in these financial statements and the difference could be significant.

Hedge Funds and Global Tactical Asset Allocation

Pricing supplied by Globeopp.net. Net asset values are reconciled on a daily basis.

Property

The Fund does not have any direct investments in property but invests indirectly through the property fund manager Henderson Global Investors, who invest in several property funds that are repriced by BoNYM at their bid prices.

NOTES TO THE PENSION FUND ACCOUNTS

3. CHANGE IN MARKET VALUE OF INVESTMENTS

	Balance Brought Forward £000	Purchases £000	Sale Proceeds £000	Realised Gains/ (Losses) £000	Unrealised Gains/ (Losses) £000	Balance Carried Forward £000
Global equities	329,785	45,402	(236,496)	138,272	32,674	309,637
Private equity	13,044	6,666	(2,378)	94	(943)	16,483
Bonds	28,325	147,585	(264)	(22)	2,249	177,873
Hedge funds	0	30,473	(8,013)	12	545	23,017
Property	5,284	17,999	0	0	1,971	25,254
Global Tactical Asset Allocation	0	24,000	0	0	(1,717)	22,283
Transition account	0	755,332	(733,395)	(21,785)	(131)	21
	376,438	1,027,457	(980,546)	116,571	34,648	574,568

4. ANALYSIS OF INVESTMENTS

Investments are valued at the close of business on 31 March 2010 in accordance with the valuation methodologies detailed in Note 2.

	2010			2009		
	Book £000	Market £000	Market %	Book £000	Market £000	Market %
Global equities						
UBS FTSE 350 Fund	0	0	0.0%	233,067	216,858	57.6%
DB Advisors	47,382	52,172	9.1%	0	0	0.0%
Edinburgh Partners	47,547	53,195	9.3%	0	0	0.0%
Fidelity	88,751	99,082	17.1%	0	0	0.0%
Franklin Templeton	46,199	52,516	9.1%	0	0	0.0%
Sarasin	46,734	52,672	9.2%	0	0	0.0%
UBS Global Asset Management	0	0	0.0%	100,798	112,927	30.0%
Total equities	276,613	309,637	53.8%	333,865	329,785	87.6%
Private Equity						
Pantheon Ventures	8,569	12,125	2.1%	8,775	13,023	3.5%
MUST 2 (Mercury Unquoted Securities Trust)	0	20	0.0%	0	21	0.0%
Equitix	3,181	3,181	0.6%	0	0	0.0%
Knightsbridge	1,408	1,157	0.2%	0	0	0.0%
Total private equity	13,158	16,483	2.9%	8,775	13,044	3.5%
Bonds						
UBS Life UK Fixed Interest Tracker Fund "A" units	0	0	0.0%	24,477	28,325	7.5%
Standard Life	105,409	107,307	18.7%	0	0	0.0%
Wellington	70,215	70,566	12.3%	0	0	0.0%
Total Bonds	175,624	177,873	31.0%	24,477	28,325	7.5%
Hedge Fund of Funds						
Bluecrest	11,230	11,608	2.0%	0	0	0.0%
Fauchier	11,243	11,409	2.0%	0	0	0.0%
Total Hedge Fund of Funds	22,473	23,017	4.0%	0	0	0.0%
Property						
Henderson Global Investors	25,981	25,254	4.4%	7,983	5,284	1.4%
Global Tactical Asset Allocation						
Nordea	24,000	22,283	3.9%	0	0	0.0%
Bank of New York Mellon						
Other investment balances *	152	21	0.0%	0	0	0.0%
Total investments	538,001	574,568	100.0%	375,100	376,438	100.0%

NOTES TO THE PENSION FUND ACCOUNTS

4. ANALYSIS OF INVESTMENTS (continued)

At the close of the 2009/10 accounting period the UK economy was beginning to recover from the recession. During the year The FTSE 100 has varied between a low of 3,925 and a high of 5,680. The emergent recovery is reflected in the increase in the valuation of the Pension Fund's assets. It is, however, too early to assess whether the recovery is sustainable.

* Other Investment Balances

The Pension Fund holds title to various shares in financial bodies that were casualties of the recent financial crisis - i.e. Bradford and Bingley and Northern Rock. Although the market values these holdings at zero value the Fund still has rights which may in future give rise to a cash settlement. The Fund's custodian holds the documentation relating to these holdings.

5. GEOGRAPHICAL ANALYSIS OF INVESTMENTS

	2010			2009		
	UK £000	Foreign £000	Total £000	UK £000	Foreign £000	Total £000
Global equities						
UBS FTSE 350 Fund	0	0	0	216,858	0	216,858
DB Advisors	4,330	47,842	52,172	0	0	0
Edinburgh Partners	0	53,195	53,195	0	0	0
Fidelity	7,541	91,541	99,082	0	0	0
Franklin Templeton	7,478	45,038	52,516	0	0	0
Sarasin	0	52,672	52,672	0	0	0
UBS Global Asset Management	0	0	0	0	112,927	112,927
Total equities	19,349	290,288	309,637	216,858	112,927	329,785
Private Equity						
Pantheon Ventures	0	12,125	12,125	0	13,023	13,023
MUST 2 (Mercury Unquoted Securities Trust)	20	0	20	21	0	21
Equitix	3,181	0	3,181	0	0	0
Knightsbridge	0	1,157	1,157	0	0	0
Total private equity	3,201	13,282	16,483	21	13,023	13,044
Bonds						
UBS Life UK Fixed Interest Tracker Fund "A" units	0	0	0	28,325	0	28,325
Standard Life	107,307	0	107,307	0	0	0
Wellington	0	70,566	70,566	0	0	0
Total Bonds	107,307	70,566	177,873	28,325	0	28,325
Hedge Fund of Funds						
Bluecrest	11,608	0	11,608	0	0	0
Fauchier	11,409	0	11,409	0	0	0
Total Hedge Fund of Funds	23,017	0	23,017	0	0	0
Property						
Henderson Global Investors	20,268	4,986	25,254	5,284	0	5,284
Global Tactical Asset Allocation						
Nordea	22,283	0	22,283	0	0	0
Bank of New York Mellon						
Other investment balances *	21	0	21	0	0	0
Total investments	195,446	379,122	574,568	250,488	125,950	376,438

NOTES TO THE PENSION FUND ACCOUNTS

6. INVESTMENTS EXCEEDING 5% OF THE MARKET VALUE OF THE FUND

There was no single investment greater than 5% of the total market value of the Fund.

7. INFORMATION IN RESPECT OF MATERIAL TRANSACTIONS WITH RELATED PARTIES

Related party disclosures are regulated by Financial Reporting Standard (FRS) 8 the purpose of which is to "ensure that accounts contain the disclosures necessary to draw attention to the possibility that the reported financial position and results may have been affected by the existence of related parties and by material transactions with them".

In broad terms parties are related for the purposes of FRS 8 when one has control or influence over the other, or they are subject to common control or influence. Influence in this context is expressed in terms of a party either:

being potentially inhibited from pursuing at all times its own separate interests by virtue of the influence over its financial and operating policies;

actually subordinating its own separate interests in relation to a particular transaction.

The related parties of pension schemes fall into three main categories:-

Employer related

Trustee related; and

Officers and managers

Employer Related Parties

The relationship between an employer and a pension scheme set up for its employees is by its nature very close. FRS 8 cites Pension Funds of a reporting entity as a specific example of a related party. The table below details the nature of the related party relationships. It should be appreciated that no improper influence attaches to any of these relationships and at no time has the Pension Fund been inhibited from pursuing its responsibility to serve the best interests of its members.

Transaction	Description of its Financial Effect
Cost of early retirement due to redundancy - Note 8	As explained in note 4 of the Statement of Accounting Principles and Policies, when employees who are members of the Local Government Pension Scheme take early retirement due to redundancy, there is a capitalised cost to the Pension Fund. This cost is re-imbursed by the employer granting early retirement.
Debtors - Note 9	Amounts due in respect of employers and employees contributions.
Creditors - Note 10	Payments are made by the Council's bank account on behalf of the Pension Fund. The Pension Fund reimburses the Council's bank account on a monthly basis.
Administration expenses - Note 11	The administration of the Pension Fund is undertaken by officers of the Council. The cost of their time is recharged to the Pension Fund as permitted by Paragraph 42 of the Local Government Pension Scheme (Administration) Regulations 2008.
Investment management expenses - Note 12	Council officers also provide investment monitoring services to the Pension Fund. It is also permitted under Paragraph 42 to recharge these costs to the Pension Fund

NOTES TO THE PENSION FUND ACCOUNTS

7. INFORMATION IN RESPECT OF MATERIAL TRANSACTIONS WITH RELATED PARTIES (continued)

The amounts involved in each of the above relationships is stated in their separate disclosure note.

Trustee Related Parties

Trustee related parties include:-

- a. trustees and their close families
- b. key management (that is the directors and any senior officer) of a corporate trustee and their close families
- c. entities controlled by, and associates and joint ventures of, the scheme itself
- d. companies and businesses controlled by the trustees or their close families
- e. companies and businesses controlled by the key management of a corporate trustee, or their close families.

There were no transactions between any of the categories of trustees listed above and the Pension Fund.

Officers and Managers

Relating parties under this heading including:

- a. key management (senior officers) of the Fund and their close families
- b. companies and businesses controlled by the key management of the Fund, or their close families.

There were no transactions between officers and managers of the Pension Fund and the Pension Fund.

The only financial relationship that either trustees or officers and managers have with the Fund is as prospective pensioners for those who are scheme members.

8. COST OF EARLY RETIREMENT DUE TO REDUNDANCY

The following note only applies to the London Borough of Croydon:

During the financial year 2009/10 the capitalised cost of early retirements (due to redundancy) requiring reimbursement to the Pension Fund was £1.4m (2008/09 £2.3m) of which £0.8m was reimbursed during 2009/10 (2008/09 £1.8m), the balance will be reimbursed in instalments during the following four financial years.

At the commencement of the financial year 2009/10, £2.4m (2008/09 £3.0m) of capitalised early retirement costs relating to prior year redundancies were the subject of reimbursements to the Pension Fund by annual instalments. During 2009/10 £0.9m (2008/09 £1.0m) was reimbursed to the Pension Fund, the remaining amount to be reimbursed by instalments during the following three financial years.

9. DEBTORS

Contributions due in respect of:

- Employers' contributions
- Employees' contributions
- Other debtors

2009/10 £000	2008/09 £000
521	434
165	144
31	1,909
717	2,487

Included in debtors is £686k (2008/09: £578k) of outstanding employers' and employees' contributions from various employer bodies. There were no material contributions due from employer bodies which were paid late.

Included in other debtors in 2008/09 is £1.8m of capitalised early retirement costs (due to redundancy) charged by the Pension Fund in 2008/09 to Croydon Council and other bodies but not settled by them as at 31 March 2009. In 2009/10 an amount of £0.9m was charged to Croydon Council and other bodies for early retirement costs due to redundancy. At 31 March 2010 this amount had been settled.

(See Note 4 of the Statement of Accounting Policies and Principles for an explanation of early retirement costs).

NOTES TO THE PENSION FUND ACCOUNTS

10. CREDITORS

	2009/10 £000	2008/09 £000
Croydon Council	(6,093)	(4,380)
Unpaid benefits	0	(607)
Accrued expenses	(799)	(157)
FTSE 100 Index Futures	0	(1,515)
	(6,892)	(6,659)

The amount due to Croydon Council relates to transactions between the Fund and the Council all of which were settled through the Pension Fund bank account after the year end.

11. ADMINISTRATIVE EXPENSES

	2009/10 £000	2008/09 £000
Pensions administration and payroll (see note below)	1,291	810
Actuarial expenses and valuation fees	53	51
Other administrative expenses	153	198
	1,497	1,059

£708k (2008/09 £453k) of Croydon Council's Pensions and Treasury section officers' time and related on-costs has been recharged to the Pension Fund. These relate to Croydon Council's costs of pensions administration and the non-investment accounting work.

12. INVESTMENT MANAGEMENT EXPENSES

	2009/10 £000	2008/09 £000
Fund managers' fees (see (a) below)	509	282
Investment advisors' fees	277	97
Direct salary and other related expenses (see (b) below)	309	295
	1,095	674

(a) Fund managers' fees for segregated funds are based on the value of the funds under their control. The charges for pooled funds are deducted at source from the investments held.

(b) £291k (2008/09 £253k) of Croydon Council's Pensions and Treasury section officers' time and related on-costs has been recharged to the Pension Fund in relation to all aspects of administering the investments of the Pension Fund including investment monitoring.

13. INVESTMENT INCOME

	2009/10 £000	2008/09 £000
Final distribution from the terminated UBS FTSE350 investment	6,745	11,042
Initial distributions from the new global equity fund managers	1,497	0
Distributions from Private Equity	81	0
Henderson property funds	280	362
Interest	527	1,250
	9,130	12,654

14. LUMP SUMS

	2009/10 £000	2008/09 £000
Lump sum retirement benefits	7,533	6,296
Ill health retirement grants	1,124	423
Death grants	431	583
	9,088	7,302

15. TRANSFERS VALUES PAID AND TRANSFERS VALUES RECEIVED

	Transfers paid		Transfers received	
	2009/10 £000	2008/09 £000	2009/10 £000	2008/09 £000
Group transfers	0	1,243	0	0
Individual transfers	6,324	4,591	9,877	5,697
Total	6,324	5,834	9,877	5,697

16. DETAILS OF STOCK RELEASED TO THIRD PARTIES UNDER STOCK LENDING ARRANGEMENT

There was no stock released to third parties under a stock lending arrangement.

17. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

There were no contingent liabilities at 31 March 2010. The Fund had the following contractual commitments denominated in Sterling, Euros and Dollars.

Fund Manager	Committed 000s	Drawn 000s	Due 000s
Pantheon			
USA IV Fund	\$16,151	\$13,791	\$2,360
Asia III Fund	\$1,997	\$1,639	\$358
Euro III Fund	€12,299	€10,085	€2,214
Equitix	£10,000	£3,207	£6,793
Knightsbridge	\$13,000	\$2,210	\$10,790

18. DETAILS OF ADDITIONAL CONTRIBUTIONS NOT INCLUDED IN PENSION FUND ACCOUNTS

In accordance with the Pension Scheme (Management and Investment of Funds) Regulations 1998, there were no additional contributions included in the Pension Fund Accounts since all Additional Voluntary Contributions (AVC's) are sent directly to the relevant AVC provider.

19. TOTAL CONTRIBUTIONS RECEIVABLE

There were no special or additional contributions receivable in the year.

20. TAXATION

Investment income is subject to UK tax which the Fund cannot recover under current tax legislation except for tax deducted at source from Real Estate Investment Trusts (REIT's). With respect to overseas tax, where a taxation agreement exists between this country and another whereby a proportion of withholding tax deducted from investment income can be recovered, this will be reclaimed, although the amount and timescales vary from one country to another.

21. MEMBERSHIP

Membership of the Fund consists of current and ex-employees not of pensionable age, retired employees and dependants.

	2009/10	2008/09	% change
Contributing members	6,890	6,603	4.35%
Deferred pensioners *	5,560	5,269	5.52%
Pensioners	5,760	5,514	4.46%
Total	18,210	17,386	4.74%

* This figures has been adjusted since the publication of the 2008-09 Annual Report

NOTES TO THE PENSION FUND ACCOUNTS

22. CONTRIBUTIONS TO THE FUND

Employees in the scheme are required by the Local Government Pension Scheme Regulations 1997 as amended in April 2007 to make contributions to the Fund by deductions from earnings. The contribution rate payable is determined by the pay band applicable to each individual employee. The pay bands are detailed below:-

Band	Range £	Contribution Rate
1	0 -12,600	5.5%
2	12,601-14,700	5.8%
3	14,701-18,900	5.9%
4	18901-31,500	6.5%
5	31,501-42,000	6.8%
6	42,001-78,700	7.2%
7	78,701+	7.5%

Manual Workers Banding - Year Commencing

1 April 2008	5.25%
1 April 2009	5.50%
1 April 2010	6.50%

For the year ended 31 March 2010 the employers' rate was 22.1% of pensionable pay for Croydon Council, the schools' non-teaching staff and scheduled bodies. Admitted bodies rates varied depending upon the rates determined by the Actuary.

23. PRIOR YEAR AMENDMENTS

a. Costs of Early Retirement due to Redundancy. In previous years the cost recovered had been 'netted off' against pensions paid. In future, the cost of pensions paid and the recovery of early retirement costs will be separately disclosed. As a consequence, an adjustment has been made to restate the prior year.

b. Investment Income. The transfer of the Pension Fund portfolio has necessitated a revised analysis of investment income. Consequently, there has been a revised analysis of the previous year's investment income to achieve comparability.

Appendix 2: Statement of Compliance – Myners’ Investment Principles

Principle 1: Effective Decision Making					
Administering authorities should ensure that: decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.					
Compliant			Regulatory Framework	How the Principle is Met	How Principle will be met in future
Fully	Part	Not			
✓			Elected members have a fiduciary duty to the fund, scheme members and local council tax payers in relation to the LGPS. They can delegate functions to officers but they retain overall responsibility for the management of the fund and its investment strategy, and individual decisions about investments.	All investment decisions are taken either by the Pension Committee, which is responsible for the management of the Council's Pension Fund, or by the Executive Director of Resources and Customer Services under his delegated powers.	
✓			The Investment Regulations permit administering authorities to appoint one or more investment managers to manage the investments of the fund on their behalf, provided that the investment managers are suitably qualified by their ability in and practical experience of financial matters to make investment decisions for them, and subject to their compliance with other specific requirements in the regulations.	The Committee has appointed fourteen fund managers to administer the fund on their behalf. Proper due diligence was carried out to ensure the managers comply with regulations.	
✓			Administering authorities are required to take proper advice to enable them to fulfil their obligations under the regulations.	The Pension Committee is advised by experienced Council officers and external advisers (one being appointed by Mercer Investment Consulting and an independent advisor, Valentine Furniss.	
✓			The Local Government Act 1972 powers require every local authority to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs.	All investment decisions are taken either by the Pension Committee, which is responsible for the management of the Council's Pension Fund, or by the Executive Director of Resources and Customer Services under his delegated powers.	

Principle 2: Clear Objectives

An overall investment objective should be set out for the Fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisors and investment managers.

Compliant			Regulatory Framework	How the Principle is Met	How Principle will be met in future
Fully	Part	Not			
✓			Regulation 36 of the LGPS Scheme Regulations 2008 requires each administering authority to obtain actuarial valuation of the assets and liabilities of each of its pension funds every three years, and to obtain an actuarial report and a rates and adjustments certificate.	An actuarial valuation and report was obtained in 2007.	An actuarial valuation will be carried out in 2010.
✓			In determining the common rate of employer's contribution to secure the solvency of the fund, the actuary must have regard to the existing and prospective liabilities of the fund arising from circumstances common to all the employers in the fund and to the desirability of maintaining as nearly a constant rate as possible.	See above	
✓			Regulation 9A of the Investment Regulations requires administering authorities to publish their policy on risk in their statement of investment principles.	Our risk policy is contained within our Statement of Investment Principles.	
✓			Administering authorities should consider a strategic asset allocation under Regulation 9 of the Investment Regulations	At both the Pension Committee and the Advisors/Officers level, strategic asset allocation is discussed, either in the context of performance monitoring or arising from a specific Officer report. The full range of investment opportunities is considered.	
✓			Regulation 9(2) of the Investment Regulations does require an administering authority, in formulating its investment policy, to have regard to the advisability of investing fund money in a wide range of investments and to the suitability of particular investments and types of investments.	See above	

Principle 3: Risk and Liabilities					
In setting and reviewing their investment strategy, administrating authorities should take into account of the form and structure of liabilities. These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.					
Compliant			Regulatory Framework	How the Principle is Met	How Principle will be met in future
Fully	Part	Not			
✓			The LGPS Investment Regulations provide administering authorities with a framework within which investments are to be managed. The regulations include measures intended to manage risk such as the investment limits and the choice and use of investment managers.	The Pension Committee has appointed fourteen fund managers to implement the strategy of the fund in accordance with the LGPS Investment Regulations.	
✓			Regulations 5 – 7 of the 2008 Regulations set out the provisions for admitted bodies in particular the requirements for securing guarantees against employer default.	Steps have been taken to ensure that there will be a bond taken out in the event of employer default.	
✓			Regulation 36 of the 2008 Regulations sets out the arrangements for fund valuations. In each case fund actuaries are reminded of the desirability of maintaining a constant employer contribution rate.	An actuarial valuation of the fund is taken every three years in accordance with the Regulations. The next actuarial valuation will take place in 2010.	

Principle 4: Performance assessment					
Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors. Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision making body and report on this to scheme members.					
Compliant			Regulatory Framework	How the Principle is Met	How Principle will be met in future
Fully	Part	Not			
✓			Administering authorities should be considering the appropriateness of their index benchmarks as part of the requirement under Regulation 6(6) of the Investment Regulations to seek proper advice.	Full consideration has been given to index benchmarks and their impact on investment strategies. The benefits to be gained from active or passive management are regularly considered and, where active management has been chosen, targets and risk controls have been set to reflect the potential to achieve higher returns. This is currently being done through private equity funds and the UK property fund.	
✓			Under Regulation 8 of the Investment Regulations, the performance of individual investment managers is subject to periodic review and the investments made must be reviewed at least once every three months.	The Fund's managers provide full reports on performance on a quarterly basis. The investment managers' performance and the Fund's overall performance are independently measured quarterly and annually by the World Markets (WM) Company and reported on a quarterly basis to the Pension Committee. The Fund's Investment Consultants, Mercer Investment Consulting, also monitor the investment managers and report their research and ratings to the Committee on a quarterly basis. Officers meet with managers on a regular basis and each managers has been scheduled to attend Committee meetings on at least an annual basis.	
	✓		Under regulation 31 of the 2008 Regulations, administering authorities are required to prepare, publish and maintain statements of compliance against a set of good practice principles for scheme governance and stewardship. These principles include references to members of decision making bodies receiving adequate training to discharge their duties.	The Statement of Investment Principles is reviewed annually and published in the Annual Report. An appendix detailing compliance with Myners Investment Principles is contained in this report.	Over the coming months, the business plan will be developed to incorporate member attendance, training, and other administering targets, which will be included in the Pension Fund Annual Report.

Principle 5: Responsible Ownership					
Administering authorities should: Adopt or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents; include a statement of their policy on responsible ownership in the statement of investment principles; Report periodically to scheme members on the discharge of such responsibilities.					
Compliant			Regulatory Framework	How the Principle is Met	How Principle will be met in future
Fully	Part	Not			
✓			Regulation (A(2)(g) of the Investment Regulations requires an administering authority to publish its policy on the exercise rights attaching to investments and to include the policy in the SIP.	Officers report quarterly to the Pensions Committee on the voting by PIRC and the investment managers carried out on the Fund's equity holdings. This report is available on the Council's website for members to view.	
✓			Regulations (A(2) requires funds to disclose in the SIP the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of any investments.	The Pension Fund's investment managers have adopted the Institutional Shareholder's Committee Statement of Principles. Sections 5 and 7 and the introduction of the Statement of Investment Principles detail the fund's policy on responsible ownership, including shareholder activism and the decision making duties of the Pension Committee and the investment managers.	Establish a global contract with PIRC to consistently vote across the Pension Fund's holdings with each investment manager.
✓			In taking forward any such policy, under Regulation 7(4) it is incumbent upon administering authorities to make clear in their terms of engagement with investment managers that they comply with the decision making bodies instructions.	The Governance Policy Statement is available to the public, establishing the roles of the Pension Committee and decision makers over the Pension Fund.	

Principle 6: Transparency and Reporting					
Administering authorities should: Act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against state objectives; and provide regular communication to scheme members in the form they consider most appropriate.					
Compliant			Regulatory Framework	How the Principle is Met	How Principle will be met in future
Fully	Part	Not			
✓			The LGPS Regulations 2008 contain requirements relating to policy and strategy statements. In relation to governance, investment and transparency:	Policy and Strategy statements are contained in the Pensions Annual Report.	To be annually updated.
✓			In addition to the requirement for the fund to produce a governance policy statement, the regulations set out the need for all administering authorities to submit a governance compliance statement to the secretary of state by 1 June 2008, and annually in future years.	The governance compliance statement is published within the Pensions Annual Report and separately on the authority's website. This is also submitted to the annually to the Secretary of State.	
✓			Regulation 34 sets out the information that must be contained in the pension fund annual report.	The content of the annual report complies with the requirements of Regulation 34.	
✓			The LGPS Regulations 1997 also provide the statutory framework from which the administering authority is required to prepare a funding strategy statement.		
✓			Regulation 67 of the 2008 Regulations required the administering authority to prepare, maintain and published a written statement setting out its policy for communications with: members, reps of members, prospective members, employing authorities.	The Communications policy statement is published within the Pensions Annual Report and separately on the authority's website.	
✓			The Investment Regulations require LGPS administering authorities to prepare and publish SIPS. Authorities are required to set out in their SIP the extent to which they comply with the updated Myners principles and to give reasons for any non compliance.	See this document.	

✓		Regulation 9A of the Investment Regulations requires administering authorities to consult with appropriate persons before publishing their SIP.	The Head of Pensions and Treasury is consulted before publication of the SIP in the annual report.	
✓		In the SIP, administering authorities are required to prepare written statements of the principles governing their decisions about investments.	Please see Statement of Investment Principles.	

* "The Responsibilities of Institutional Shareholders and Agents – Statement of Principles" has been drawn up by the Institutional Shareholders' Committee (members – ABI, NAPF and IMA) to set out best practice for institutional shareholders and/ or agents to identify their responsibilities in respect of investee companies. The Fund Managers appointed by the Council have been

Appendix 3: Pension Fund Auditors Report

Opinion on the pension fund accounting statements

I have audited the pension fund accounting statements for the year ended 31 March 2010 under the Audit Commission Act 1998. The pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of London Borough of Croydon in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Chief Financial Officer and auditor

The Chief Financial Officer's responsibilities for preparing the pension fund accounting statements, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the pension fund accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the pension fund accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I read other information published with the pension fund accounting statements and related notes and consider whether it is consistent with the audited pension fund accounting statements. This other information comprises the Financial Review. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the pension fund accounting statements and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the pension fund accounts and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the pension fund accounting statements and related notes.

Opinion

In my opinion the pension fund accounting statements and related notes give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the Pension Fund during the year ended 31 March 2010, and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Philip Johnstone
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First Floor
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xx September 2010