



Lancashire County Pension Fund

**Strategic Plan 2018/19 –
2020/21**

Lancashire County Council as
administering authority of
Lancashire County Pension Fund



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Foreword

The Lancashire County Pension Fund is the means of pension saving and the provider of retirement security for around 167,000 people employed by around 400 organisations across the County. With assets approaching £7.2bn invested to provide retirement security for members.

This Strategic Plan sets out the key objectives of the Fund.

Like any business we need to set ourselves clear objectives and plan our work to achieve them. As much of what we do is driven by the cycle of actuarial valuations of the Fund we do this over a three year period.

This Strategic Plan sets out what we plan to do to achieve our objectives in four areas over the coming three years. This plan will be reviewed by the Pension Fund Committee each year and progress will be reported within the Fund's Annual Report.

We welcome feedback on the work of the Fund, and if you would like to make contact details are provided at the end of this plan.

County Councillor E Pope

Chair of the Pension Fund Committee

Abigail Leech

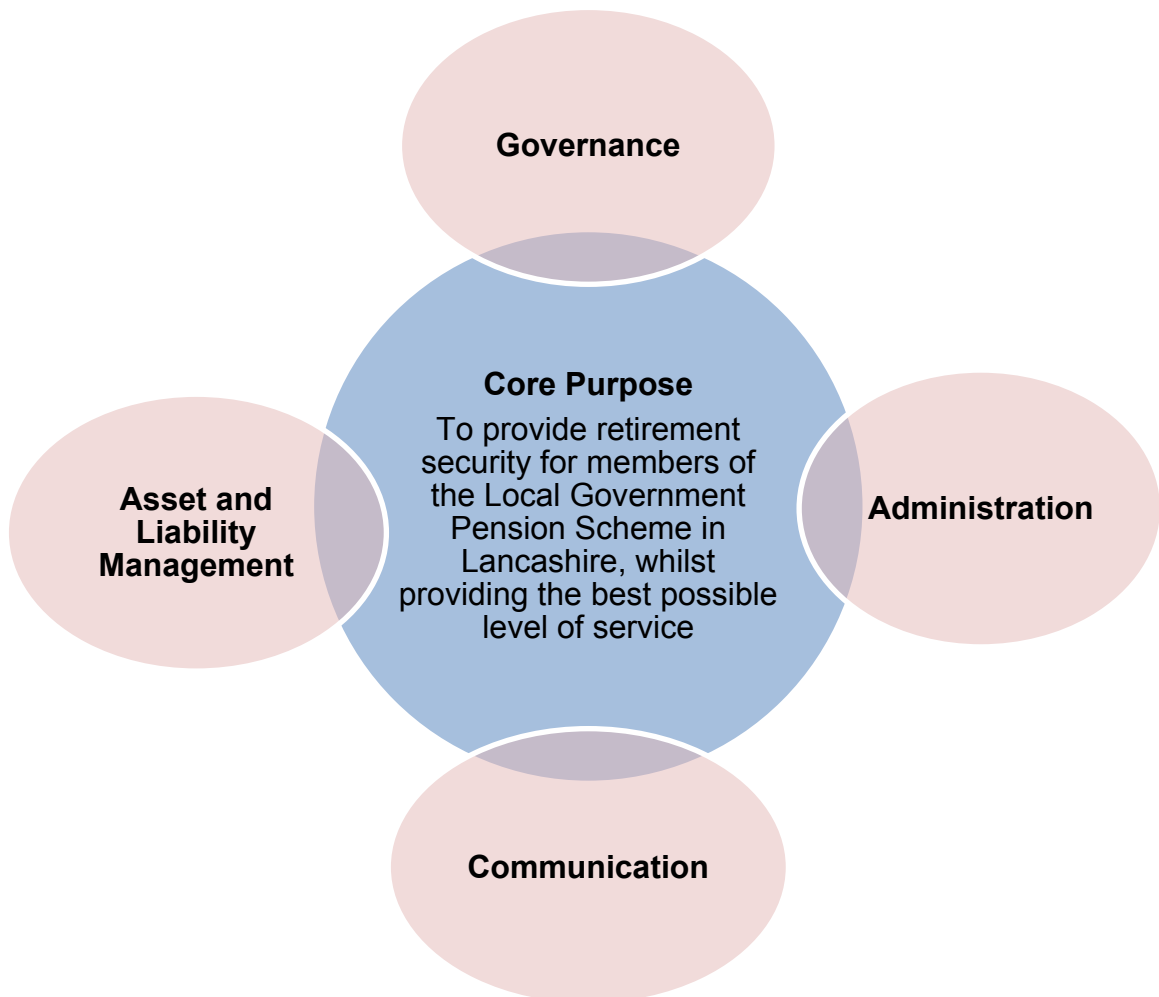
Head of Fund

What Are We Here For?

The core purpose of the Lancashire County Pension Fund, or more simply the reason we are here is to provide retirement security for members of the Local Government Pension Scheme in Lancashire, whilst providing the best possible level of service.

How Things Fit Together – Our Planning Framework

Our planning framework is based on doing the things that help us deliver our core purpose. These fall into four groups, or dimensions, which are shown in the diagram below:



The following sections of this plan set out the objectives we are aiming to achieve within each of these dimensions and the things that we are going to do over the next three years in order to achieve those objectives.

Governance

Governance is the overall set of processes we use to run the Pension Fund. It forms a key part of a number of the other areas of focus within this plan but is also crucial in its own right.

Our objectives in this area are:

- To be open and accountable to our stakeholders for our decisions, ensuring they are robust and evidence based;
- To ensure that the Pension Fund is effectively managed and its services are delivered by highly motivated people who have the appropriate knowledge and expertise, and with access to appropriate systems;
- To deliver value for money, excellent customer service and compliance with regulatory requirements and industry standards where appropriate.

Over the next three years we are aiming to undertake the following actions in this area:

Outcomes	Actions	Timeframe
Implement any new governance requirements to reflect changes in the Council's management structure	<ul style="list-style-type: none"> • Assessment of governance policy documentation of the fund in consultation with the new S151 officer. • Review officer scheme of delegation • Implement any changes in 2018/19. 	2018/19
Compliance with all statutory regulations.	<ul style="list-style-type: none"> • MiFID2 – ensure all appropriate documentation is completed by the deadline of Jan 2018. Continue to monitor compliance with MiFID2. • General Data Protection Regulations (GDPR) – ensure that the fund and LPP will be fully compliant with the new regulations by the deadline of May 2018 • Work with LPP representatives to implement changes 	2018/19
Ensure that LPP are operating effectively and to the agreement	<ul style="list-style-type: none"> • Regular meetings with LPP • Monitoring of performance and KPI's 	Throughout period of Strategic Plan
Ensuring LCPF interests are protected as other funds join the LPP Pool as clients	<ul style="list-style-type: none"> • Performance monitoring • Analysis of any proposal which impacts on shareholding arrangements 	Throughout period of Strategic Plan as proposals are submitted
Ensure appropriate and effective implementation of Responsible Investment	<ul style="list-style-type: none"> • Working group to review; • Develop an RI Policy; • Evaluate closer working with LPFA; • Review RI Reporting 	June 2018
Continue to enhance risk management processes	<ul style="list-style-type: none"> • Ongoing assessment of existing and new risks; • Where appropriate inking of risk register to LPP risk register • Develop a fund risk management 	Risk approach to be enhanced on an ongoing basis throughout 2018/19

	framework;	
Implement any changes to the Local Pensions Board arising from the Advisory Board review of their effectiveness	<ul style="list-style-type: none"> Assessment of Advisory Board findings and identify any weakness in the working of the Lancashire Local Pension Board 	Throughout period in response to publications and recommendations
Ensure compliance with the Pension Regulator's (TPR) code of practice No. 14	<p>Review the TPR's governance and administration 2017 report and guidance, specifically:-</p> <ul style="list-style-type: none"> Ensure scheme managers and pension board members are aware of their roles and responsibilities in running the pension scheme. Undertake an annual data review and introduce an improvement plan (where required) Ensure compliance with forthcoming TPR guidance on record keeping and breach reporting 	March 2019

Asset and Liability Management

Asset management is the process of achieving returns on the contributions to the Fund made by members and employers so ensuring that the money required to pay pensions is available when required. Liability management is the process by which the impact of changes in the value of the obligation to pay future pensions on the Fund is mitigated.

Our objectives in this area are:

- To ensure that resources are available to meet the Fund's liabilities through achieving investment performance at least in line with actuarial assumptions.
- To achieve full funding (i.e. no funding deficit) over a period no longer than the current recovery period.
- To achieve, as far as possible, stable employer contribution rates;
- To manage employers' liabilities effectively having due regard to the strength of each employer's covenant by the consideration of employer specific funding objectives.
- To maintain liquidity to meet projected net cash flow outgoings.
- To minimise irrecoverable debt on the termination of employer participation.
- To be a good asset owner.

Over the next three years we are aiming to undertake the following actions in this area:

Outcomes	Actions	Timeframe
Ensure effective cash-flow management to meet pension fund payments in the future	<ul style="list-style-type: none"> • Revised Investment Strategy implemented from 1 April 2018, which increases liquidity in the portfolio, Continue to monitor cash-flow throughout the plan. 	2018/19 and reviewed throughout Plan
All appropriate assets pooled. Agreed methodology for reporting savings.	<ul style="list-style-type: none"> • To oversee the completion of the pooling of investments • Continue development of a model to capture savings 	Expected completion of pooling early 2018 Savings model established 2018/19
Improve the transparency over the costs of the Fund	<ul style="list-style-type: none"> • Implement the CIPFA Code of Practice on Management expenses and the LGPS Advisory Board Code on Transparency 	On-going in line with publication of the CIPFA guidance on the Codes
Ensure that the Investment Strategy is up to date and appropriate.	<ul style="list-style-type: none"> • To periodically review the Investment Strategy and implement any changes 	Ongoing throughout the period
Completion of the 2019 Actuarial Valuation and identification of changes, if any, required in the Investment Strategy	<ul style="list-style-type: none"> • Provision of data to the Actuary at individual member level. • Agreement of key assumptions 	Provision of data from April 2019. •Agreement of assumptions

	<p>with the Actuary by the PFC</p> <ul style="list-style-type: none"> • Engagement with employers on an ongoing basis throughout the process, but particularly as results become available. • Review of Funding Strategy in light of results 	<p>by PFC to be in line with Actuary's timetable.</p> <ul style="list-style-type: none"> •Feedback of results from September 2019. •Revised Funding Strategy Statement PFC Feb / March 2020. •Implementation of revised Rates and Adjustments Certificate from April 2020
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Administration

Administration is the process through which the information required to maintain members' contribution records, collect contributions due and calculate and pay their benefits in an accurate and timely way is undertaken.

Our objectives in this area are:

- To deliver a high quality, cost-effective, user-friendly and informative service to all members, potential members and employers at the point where it is needed;
- To ensure that benefits are paid and contributions collected accurately and on time;
- To demonstrate compliance with all relevant regulatory requirements;
- To ensure that data is handled securely and used only for authorised purposes.

Outcomes	Actions	Timeframe
To ensure that the level of complaints and errors does not increase	To review the impact of the re-organisation of LPP administration service on LCPF	2018-19
Implementation of the penalty system policy from April 2018	Review and implement revised Pensions administration strategy statement to include specific charging scales and ensure procedures are put in place to recover those charges from employers.	June 2018
Manage Employer Risk	Develop employer engagement strategy to assess risk of individual employers which will include <ul style="list-style-type: none"> • A review of Pension strain factors underlying early retirement costs • Implementation of a revised Admissions and termination policy amending the actuarial assumptions used to assess the value of the liabilities at the point an employer exits the fund. • An on-going review of the employer covenant reports provided by LPP. • Consideration of on-going funding checks of scheme employer using bespoke actuarial monitoring tools. 	April 2018 April 2018 Annually Annually
Implementation of changes to statutory regulations	Review and implement all amending legislation including the following legislation expected in 2018 : <ul style="list-style-type: none"> • The 3 proposed policies covering caps and reforms being considered by government in respect of exit payments 	Implemented in accordance statutory timetables

	<p>made to or in respect of a person leaving public sector employment.</p> <ul style="list-style-type: none">• LGPS amending legislation covering fair deal in the LGPS, Freedom and choice options for AVC,s and extended early release options for deferred members	
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Communication

Communication is the process by which we ensure that Fund members and employers are aware of their benefits and of their responsibilities; and of the overall performance of the Fund. It is also the process by which we promote the benefits of the Fund.

Our objectives in this area are:

- To provide good pension information, promoting pensions in the workplace and to actively promote the Scheme to prospective members and their employers.
- To ensure transparency; building trust, confidence and engagement in pension saving as the norm, and ensuring that investment issues are communicated appropriately to the Fund's stakeholders.
- To communicate in an appropriate and direct way to all our stakeholders, treating them all fairly, achieving appreciation of the benefits of being a member of the Fund
- To ensure that our communications are simple, relevant and have impact;
- To deliver information in a way that suits all stakeholders, increasingly taking advantage of advances in technology.
- To treat information security with the utmost importance.

Over the next three years we are aiming to undertake the following actions in this area:

Outcomes	Actions	Timeframe
To ensure that all members and stakeholder appropriately identify and recognise LCPF	<ul style="list-style-type: none"> • Develop LCPF Branding • Develop a new website. 	2018-19
Implementation of new AVC funds	<ul style="list-style-type: none"> • Communicate new approved funds being added to Prudential's portfolio • Assist employers who wish to implement Salary sacrifice shared cost AVC arrangements 	April 2018 Ongoing throughout period of Strategic Plan from June 2018

Glossary

GDPR- A European regulation which replaces current data protection requirements including the UK Data Protection Act 1998

PFC – The Pension Fund Committee the body of elected councillors and other representatives of employers and scheme members responsible for making the key decisions about the management of the Fund.

LCPF –Lancashire County Pension Fund.

LGPS- Local Government Pension Scheme. This is a statutory scheme with regulations stipulating the benefits available.

LPB – The Local Pension Board, a body of 4 employers and 4 scheme members together with an Independent Chair who are responsible for overseeing the work of the County Council as Administering Authority for the Fund and making recommendations for improvement.

LPP - The Local Pensions Partnership is a collaboration between two LGPS funds – Lancashire County Pension Fund and London Pensions Fund Authority. It covers both investment and administration activities.

MiFID 2 -The second Markets in Financial Instruments Directive (MiFID II) is to be implemented in the UK from 3rd January 2018. Under this firms will be obliged to treat all local authorities, including Pension Funds, as retail clients unless they opt up to professional client status and meet certain criteria. These criteria include holding a minimum £10 million investment balance and employing knowledgeable and experienced staff to carry out investment transactions. LCPF will be opting up to professional status.

TPR – The Pensions Regulator who is responsible for ensuring that all public sector pension schemes adhere to proper standards of governance and service quality.

Contacts for further information

For further information on the contents of this plan please contact:

Overall management of the Pension Fund

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