**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 :

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| **Outcomes** | **Actions** | **Timeframe** | **Progress September 2018** |
| Implement any new governance requirements to reflect changes in the Council's management structure | * 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 | Governance reviewed April 2018. No material changes identified. |
| Compliance with all statutory regulations. | * 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 | MiFiD 2 implemented on time. It is an on-going process which will continue to be reviewed.  The Fund has implemented GDPR regulations. LPP had an independent review of their implementation by a company that specialises in GDPR and data protection. LPP were rated as ‘excellent’. |
| Ensure that LPP are operating effectively and to the agreement | * Regular meetings with LPP * Monitoring of performance and KPI's | Throughout period of Strategic Plan | Regular meetings with LPP are held. Updates and performance measures are reported to committee on a quarterly basis. |
| Ensuring LCPF interests are protected as other funds join the LPP Pool as clients | * Performance monitoring * Analysis of any proposal which impacts on shareholding arrangements | Throughout period of Strategic Plan as proposals are submitted | Performance of both the investment and administration services provided by LPP are monitored regularly. Reports submitted to and considered by both the Pension Fund Committee and Investment Panel. |
| Ensure appropriate and effective implementation of Responsible Investment | * Working group to review; * Develop an RI Policy; * Evaluate closer working with LPFA; * Review RI Reporting | June 2018 | The Working Group is reporting back to the November Pension Fund Committee with a revised RI Policy and includes a new potential dashboard style reporting for RI.  Closer working with LPFA regarding RI is still being explored, and as such, LPFA representatives attended the RI Working Group Meeting in October. |
| Continue to enhance risk management processes | * Ongoing assessment of existing and new risks; * Where appropriate linking of risk register to LPP risk register * Develop a fund risk management framework; | Risk approach to be enhanced on an ongoing basis throughout the period of the Plan | Regular reports submitted to both the PF Committee and the LPB.  The LCPF continue to work closely with LPP to manage existing risks and identify and new emerging ones.  LCPF are current in the process of developing a Risk Management Framework. |
| Implement any changes to the Local Pensions Board arising from the Advisory Board review of their effectiveness | * 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 | No recommendations have been issued from the SAB. |
| Ensure compliance with the Pension Regulator's (TPR) code of practice No. 14 | Review the TPR's governance and administration 2017 report and guidance, specifically:-  • 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 | The Fund has a statement on compliance with COP 14 an update will be presented to the LPB annually.  Breeches are now reported to the LPB on a quarterly basis. |

**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:

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| **Outcomes** | **Actions** | **Timeframe** | **Progress September 2018** |
| Ensure effective cash-flow management to meet pension fund payments in the future | * 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 | Policy in place to manage some £70m in liquid assets by LCC's Treasury Management Team. Liaison between LPP and LCC to forecast and monitor cash flow is being undertaken. |
| All appropriate assets pooled. Agreed methodology for reporting savings. | * 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 | All appropriate assets are pooled. |
| Improve the transparency over the costs of the Fund | * 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 | Work on-going with LPP and managers to implement the CIPFA code. Classification of costs is improving. CIPFA has also issued new guidance re disclosures following pooling which will be reviewed and implemented. |
| Ensure that the Investment Strategy is up to date and appropriate. | * To periodically review the Investment Strategy and implement any changes | Ongoing throughout the period | Investment Panel continually reviews strategy. No modifications required as Investment Strategy implemented from 1 April 2018. |
| Completion of the 2019 Actuarial Valuation and identification of changes, if any, required in the Investment Strategy | • Provision of data to the Actuary at individual member level.  • Agreement of key assumptions with the Actuary by the PFC    • Engagement with employers on an ongoing basis throughout the process, but particularly as results become available.    • Review of Funding Strategy in light of results | Provision of data from April 2019.  •Agreement of assumptions by PFC to be in line with Actuary's timetable.  •Feedback of results from September 2019.  •Revised Funding Strategy Statement PFC Feb / March 2020.  •Implementation of revised Rates and Adjustments Certificate from April 2020 | Initial discussion with actuary have been undertaken. The Head of Fund and actuary have met with the Chief Finance Officers to being the employer engagement process. |

**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.

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| **Outcomes** | **Actions** | **Timeframe** | **Progress September 2018** |
| 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 | December 2019 | LPP have implemented changes to the administration service. The impact of these has been monitored and reports presented to the Pension Fund Committee |
| 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 | The revised pension administration strategy statement (PASS) was approved at Pension Fund Committee in July 2018 following a consultation with scheme employers. The PASS was published and distributed to employers in Sept 2018 and now includes charging scales for penalties where an employer is in breach of their requirements under the scheme. Work is on-going with the LCC finance team and the LPP date team to ensure that procedures are in place to identify and rectify breaches promptly. |
| Manage Employer Risk | Develop employer engagement strategy to assess risk of individual employers which will include   * 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 | New Admissions and termination policy completed April 2018.  Work is on-going with LPP employer risk team and Mercers to identify "high risk" employers to monitor. Initial funding review of employers as at March 2018 has been passed to LPP as part of that on-going exercise. |
| Implementation of changes to statutory regulations | Review and implement all amending legislation including the following legislation expected in 2018 :  • The 3 proposed policies covering caps and reforms being considered by government in respect of exit payments made to or in respect of a person leaving public sector employment.  • LGPS amending legislation covering fair deal in the LGPS, Freedom and choice options for AVC,s and extended early release options for deferred members | Implemented in accordance statutory timetables | Consultations regarding any amendments in this area are still awaited.  The Local Government Pension Scheme (Amendment) Regulations 2018 came into force on 14 May 2018. Those changes have been fully implemented by LPP. The freedom and choice options for AVC, which were included in the consultation, were not taken forward by the MHCLG in the final regulations. In addition the fair deal proposals were also not taken forward, however the MHCLG are still planning to proceed with this and will launch a separate consultation later this year. |

**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 upmost importance.

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

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| **Outcomes** | **Actions** | **Timeframe** | **Progress September 2018** |
| To ensure that all members and stakeholder appropriately identify and recognise LCPF | * Develop LCPF Branding * Develop a new website. | 2018-19 | A company has been engaged to produce a brand for LCPF. Website to be developed once determined. |
| Implementation of new AVC funds | * 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 | New Lifestyle funds introduced and communicated to members in July 2018.  Availability of Salary sacrifice schemes for AVC's have been communicated to Scheme employers both directly and through the practitioner's conference. To date 4 employers have adopted the scheme. It is expected that the New scheme will be launched Feb to March 2019. |

**Glossary**

GDPR- A European regulation which replaces 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.