



Progress Update on Strategic Plan

Strategic Plan 2021-2024

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 transparent, 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.

Outcome	Actions	Timeframe	Progress Update
LCPF Resourcing Arrangements	<ul style="list-style-type: none"> • Ensure the resilience of the LCPF team to support robust succession planning and address capacity risks; • Develop resilience in the Employer risk function. 	2021/22	<p>The Lancashire County Pension Fund (LCPF) took back the employer risk services for the Pension Fund from the Local Pensions Partnership (LPPA) under a contractual arrangement with the County Council, acting as the administering authority for the LCPF on 01 April 2021.</p> <p>This has resulted in the provision of an employer risk service for the Fund that is more efficient than the previous arrangement.</p> <p>Resilience and support to the pensions team in place at the County Council, including future succession planning arrangements has been achieved through the appointment of an additional grade 9 post as well as the regrading of the Technical Advisor post to grade 11 to reflect the significant additional management and workload responsibility of the employer risk</p>

			service and additional responsibilities being transferred to the Technical Advisor role from the Head of Fund in respect of the Internal Disputes Resolution Procedure Appeals Officer duties. Further recruitment needs are now being identified.
Service Based Review	Service Based Review of LPPA and LPPI	2021/22	<p>An extensive review of the investment services provided to the Fund by LPPI has been undertaken in 2021/22. This was undertaken by the independent investment advisers and Head of Fund. The final report and outcomes are to be considered by the PFC at its meeting on 11th March 2022. The key areas covered within the report are as follows:</p> <ul style="list-style-type: none"> • Investment beliefs • Investment Management Fees and Investment return • Service Quality and Assurance • Investment Governance <p>Relationship management with LPPA has continued in 2021/22 including management of the outcomes of the PwC Audit on LPPA. Further service based work will take place during 2022/23, taking into account PACE requirements and pension team resourcing.</p>
Compliance with all statutory regulations	<ul style="list-style-type: none"> • Develop and put in place a 3 year plan with the support of internal audit for the systematic review of membership caseload with LPPI. • Review the revised Pension Regulator Code of Practice 14 	2021/22	<p>The implementation of the new Single Code of Practice, replacing the COP14, has been delayed by the Government to Summer 2022. As COP14 remains in place, the LPB considered a report on the revised compliance statement for the Fund in relation to TPRs Code of Practice No 14 in January 2022.</p>

	<p>(COP14) and develop performance monitoring against that.</p> <ul style="list-style-type: none"> • Develop support mechanisms for Fund Employers to improve their compliance and participation levels in improvements to fund performance. • Develop training plans for fund employers particularly in areas where performance needs to improve. 		<p>Scoping work for the new single code continues with a gap analysis of the new requirements from the code.</p> <p>The LCPF employer risk team are working closely with the LPPA engagement team to facilitate supporting LCPF employers in fulfilling employer's responsibilities in the LGPS, including identifying specific training needs to be undertaken by LPPA's engagement team.</p> <p>A project to target outstanding leaver forms from employers, commenced in early December 2021 led by the LCPF employer risk team. In turn this will facilitate ensuring the accuracy of the 2022 valuation data. It is anticipated that procedures will be put in place later this year to ensure an on-going robust escalation policy within LPPA, to target employers where it is identified that there are issues around the submission of data, together with mechanisms to support those employers with training where that is identified.</p>
<ul style="list-style-type: none"> • LPP A quality and performance scores are high and the service is operating effectively. • High member feedback and the experience. • High employer satisfaction with 	<ul style="list-style-type: none"> • Define the agreements to be reviewed and agree or ratify performance measures. • Define separate performance arrangements for McCloud. • Review the Member satisfaction scores and methodology of how scores are developed. • Performance KPI's and implementing necessary 	2021/22	<p>LPPA produced quarterly reports on administration services and performance, including service level agreements, members survey results and employer engagement. These have been reported to the PFC and considered by the LPB at each of their meetings in 202/22.</p> <p>During 2022/23 the Pension Fund will – working alongside LPPA - give consideration to service measurements/KPIs.</p>

LPPA service quality	<p>adjustments to bring performance in line with SLAs or employer expectations.</p> <ul style="list-style-type: none"> Ensuring documented and transparent process for the determination of accountability for errors and allocating the costs associated with these appropriately. 		
<ul style="list-style-type: none"> Ensuring LCPF interests are protected. Monitor cost arrangements for LPP I and LPP A, for transparency and to ensure appropriate costs are charged to LCPF. Monitoring the realisation of the agreed investment cost savings, irrespective of the growth of the pool 	<ul style="list-style-type: none"> Effective monitoring to evidence that LPP I investment management fees are reducing year on year over the period of the strategic plan; subject to the maintenance and improvement of service quality standards and the LPP A cost per member, reducing over the same time horizon. This includes managing and benchmarking the cost per member for LPP A. LPP I - MIFID II and Cost Transparency Reports for the financial year are reviewed by the Investment Panel annually. 	2021/22	This activity fell within scope of the Investment Service Based review report – see above.
Ensure appropriate and effective implementation of Responsible Investment	Oversee the LPP I in the implementation of RI strategies and the RI dashboard.	2021/22	<ul style="list-style-type: none"> A new RI policy has been developed and approved by the PFC in November 2021. RI Dashboard reporting from LPPI is currently being reviewed and a paper will be presented to the PFC at its meeting on 11 March 2022. Quarterly meetings with the LPPI Responsible Investment Team are taking place with the Fund.

			<ul style="list-style-type: none"> LPPI produce a quarterly report on RI for the PFC.
<p>Improve the risk management framework, processes, and delegations to LPP A and LPP I</p>	<ul style="list-style-type: none"> Revise the Fund's risk management framework to ensure appropriate ongoing assessment of existing and new risks. Monitor and conduct appropriate oversight of the delegations to LPP I and LPP A to mitigate the risks outlined in the LCPF risk register and implement appropriate oversight 	2021/22	<p>The processes for risk management have been improved through the introduction of 'risk templates' for each risk, the development of a new 'heat map' and greater quarterly oversight of the risk register by the Local Pension Board.</p> <p>LCPF meet quarterly with LPP A and LPP I to manage fund risks. LPP I are currently developing quarterly reporting to provide better assurance to the risk controls that LPP I are responsible for. This report is due by Q2 2022.</p> <p>In addition, specific risks including investment risks have been reviewed and updated by the Pension Fund during 2021/22.</p> <p>A review of the LCPF Risk Management Framework is also planned for 2022/23.</p>
<ul style="list-style-type: none"> To monitor the transitioned employer risk service and develop a performance management framework. To work with employers to ensure they are providing the right data to the Fund and LPP A. 	<ul style="list-style-type: none"> LCPF to develop an effective employer risk framework and communicate effectively to employers how this may affect them. Implement measures to mitigate employer risk to include putting in place bonds and security and early intervention on terminations and addressing ongoing funding risks Carry out employer funding level reviews and interim valuations where the 	2021/22	<p>The transition of the employer risk files from LPPA, including live on-going cases, was successfully completed in April 2021. From April to September 2021 documented procedures were put in place whilst dealing with on-going cases, to the extent that the LCPF team now have robust processes to admit new employers to the fund and terminate employers from the fund.</p> <p>Work is currently being undertaken to implement employer security such as Bonds, guarantees and land charges to protect the Fund and employers. An assessment of employers who present a higher risk is currently</p>

	<p>circumstances of the employer alters materially or the risk of the employer significantly changes.</p> <ul style="list-style-type: none"> • Proactive Engagement with employers to keep employer risk at an acceptable limit. • Document roles and responsibilities in running the pension scheme in a roles and responsibilities matrix 		<p>being undertaken, with direct communication being undertaken with higher risk employers. This involves the administration of Covenant assessments monitoring employers' financial strength and the risk this places on the Fund. As part of this monitoring, we anticipate formalising an arrangement with our actuarial advisors to support, in particular, the employer covenant monitoring which will take place in conjunction with the assumptions to be set as part of the 2022 valuation process.</p>
<p>Ensure compliance with the Pension Regulator's (TPR) code of practice No. 14 and subsequent revisions.</p>	<p>Review the COP14 guidance and revisions to ensure compliance.</p>	<p>2021/22</p>	<p>As COP14 remains in place, the LPB considered a report on the revised compliance statement for the Fund in relation to TPR Code of Practice No 14 in January 2022.</p> <p>The implementation of the new Single Code of Practice, replacing the COP14, has been delayed by Government to Summer 2022.</p>

Asset and Liability Management Asset management

Asset Liability and 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 and affordable 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.

Outcome	Actions	Timeframe	Progress Update
Target a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due.	Conduct sensitivity analysis on the Fund's asset strategy against the Fund's liabilities to confirm how robust the asset strategy is to deliver the outcomes in the Funding Strategy Statement.	2021/22	Solvency is considered by the independent investment advisers at each quarterly Investment Panel meeting. A report is then made to the PFC each quarter. In 2021/21 the target funding level has been exceeded. As part of the Investment Panel meetings, the risk framework is monitored looking at Funding level, contributions, liquidity/cashflow and asset allocation.
Review employer funding levels for identification of changes and interim	Early anticipate the 2022 valuation decisions and position for Fund employers.	2021/22	The high-level timetable for the 2022 valuation process was established in 2021. Ahead of the valuation, the Fund has revised key policies linked to the valuation in respect of the

<p>valuation if required. Complete the 2022 Valuation</p>			<p>Admission and Termination policy and Inter-valuation contribution review policy. Both of these policies were approved at the PFC in June 2021 and form the parameters under which the LCPF employer risk team are now working.</p> <p>The Fund commissioned and provided data to the Fund Actuary, Mercer, to enable an interim valuation review in advance of the 2022 valuation date (31 March 2022). These preliminary results were received in November 2021 and give the Fund an understanding of the Fund's overall position allowing for the changes since 2019 and show potential outcomes and potential outlook for contributions to allow the Fund to start communicating the possible impact with the different employers/groups later this year.</p> <p>The next key steps in the process are summarised below:</p> <ul style="list-style-type: none"> • January to March 2022 –and any data cleansing required. • April to June 2022 – analysis of initial results and setting discount rate and inflation assumptions. • June/July 2022 – Provision of full Fund data, covering all individuals and employers, to the Fund Actuary. • July to September 2022 – In conjunction with the Fund actuary, work will begin on a draft Funding Strategy statement for later consultation with scheme employers.
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			<ul style="list-style-type: none"> • Early September 2022 – Preliminary results available; and • October to December 2022 –Final results issued. As in previous valuations, the Fund will seek to engage with groups of employers as well as providing the opportunity for individual employers to discuss their position with officers and the Fund Actuary.
Ensure effective cash-flow management to meet pension fund payments in the future	<ul style="list-style-type: none"> • Investment Panel to monitor cash-flow throughout the plan and ensure cash strategies are appropriate and in keeping with the Strategic Asset Allocation. • Investment Panel to ensure it hold assets to ensure sufficient liquidity in the Fund. 	2021/22	As part of the Investment Panel meetings, the risk framework is monitored looking at Funding level, contributions, liquidity/cashflow and asset allocation.
Monitor and improve the transparency over the costs of the Fund	Keep investment management fees on pooled funds and investment fees more generally under review, with a view to managing these to an acceptable level	2021/22	This activity fell within scope of the Investment Service Based review report – see above.
Ensure that the Investment Strategy is up to date and appropriate	To periodically review the Investment Strategy and implement any changes and to document the Fund's Investment Beliefs and objectives	2021/22	<p>Investment beliefs fell within scope of the Investment Service Based review report – see above – and a set of beliefs will be presented to the Pension Fund Committee at its meeting on 11 March 2022.</p> <p>The Investment Strategy will be reviewed as part of the 2022 valuation process.</p>

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.

Outcome	Actions	Timeframe	Progress Update
<ul style="list-style-type: none"> • Implementation of the regulations following the McCloud judgement. • Communications with employers and members on impacts and requirements under McCloud. Plan in place to address data gaps 	<p>To implement any regulations from the SAB or government. This will include:</p> <ul style="list-style-type: none"> • Undertaking calculations for all relevant members • Review records of those who have retired or left the Fund • To identify employers where the cost is greatest • To develop policies where data is not available 	<p>2021/22</p>	<p>As part of the McCloud readiness strategy, LPPA undertook a data collection exercise with LCPF employers in July 2021. Employers were asked to complete an online form, with details relating to their historical data submissions.</p> <p>A summary of responses received from LCPF employers confirmed that historic data submitted included the relevant hours changes required to implement accurate McCloud adjustments where necessary. LPPA continue to support LCPF employers with any specific enquiries regarding McCloud.</p> <p>The ministerial statement confirms that McCloud will not be in place until 1 April 2023 with draft LGPS regulations still awaited to facilitate this. Once LGPS regulations are finalised LPPA and software providers will be able to progress and finalise preparations to ensure the McCloud remedy can be implemented.</p>

Implementation of changes to statutory regulations	Review and implement all amending legislation and regulations and develop appropriate assurance processes to ensure that LPPA have changed their systems and processes to ensure adoption of new regulations or legislation.	2021/22	Continued client engagement with the LPPA management team and administrators is undertaken regularly to ensure compliance with current and anticipated regulatory positions. Participation with other client funds and the LPPA technical team is also undertaken where new regulations are implemented or where a response to consultation on new regulations is required.

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.

Outcome	Actions	Timeframe	Progress Update
The LCPF develop different communication channels and leverage the use of digital media to meet the needs of all of its stakeholders	<ul style="list-style-type: none"> • Ensure the LCPF website/ LPPA portals and member engagement channels are accessible and regularly updated with accurate information for members and employers. • LCPF have effective oversight of all communication channels. • LCPF to develop effective employer Communications in advance of the valuation • LPP A to develop effective employer and member Communications in relation to McCloud 	2021/22	<p>LPPA are responsible for communicating with members and the Pension Fund meets regularly with LPPA colleagues to ensure adequate communication and engagement.</p> <p>LCPF to develop Fund Communications Strategy/Plan.</p> <p>During 2021/22 additional content has been added to the LCPF new website which was launched in March 2021.</p> <p>LCPF have ensured that content specific to the Pension Fund has been included in Newsletters developed by LPPA.</p>

<p>Cyber Security and Scams</p>	<p>LPPA and LCPF put in place processes to safeguard members and employers in online activities and comply with the Pension Regulator's Scorpion initiative</p>	<p>2021/22</p>	<p>A paper on the current status of cybersecurity arrangements for the Fund went to the Local Pension Board in October 2021.</p> <p>Cybersecurity and Scams are an important area for TPR and hence a particular focus will be necessary during 2022/23 with reference to the introduction of the Single Code of Practice for all pension funds.</p>
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Glossary

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 (LPPI) and administration activities (LPPA).

LPPI – Local Pensions Partnership Investment.

LPPA – Local Pension Partnership Administration

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

Stakeholders – Employers, Active Members, Deferred Members, Retirement Members and Survivors and Dependents.