

Pension Fund Committee

Meeting to be held on 27 March 2015

Electoral Division affected: None

Lancashire County Pension Fund – Strategic Plan 2014/15 – 2016/17

(Appendix 'A' refers)

Contact for further information:

George Graham, County Treasurer's Directorate, (01772) 538102.

george.graham@lancashire.gov.uk

Executive Summary

One of the areas for development identified in the Fund's Annual Governance Statement last year was the need to define more clearly the overall objectives and strategic planning framework for the Fund.

Given the dependence of the Fund on the three yearly actuarial valuation cycle as a driver for much of its activity it is proposed to place a three year strategic plan at the centre of this planning framework and articulate a series of specific objectives under the four dimensions of the management of the Fund:

- Governance
- Asset and Liability Management
- Administration
- Communication

This three year plan will be supported by annual business plans for each of the services responsible for supporting the work of the Fund.

The developmental focus in the draft plan attached at Appendix A is:

- The continuing implementation of the various elements of the LGPS reform agenda, including the drive for increased collaboration, alongside the embedding of a range of new processes developed already,
- The refinement of the Investment Strategy to address the results of the 2013 Valuation and become more liability aware and address issues of socially responsible investment as appropriate, as well as preparing the Fund for the 2016 valuation;
- Improving engagement with employers and scheme members;
- Better understanding the risks to the Fund posed by the relative financial strength and funding level of individual employers.

Recommendation

The Committee is recommended to approve the draft Lancashire County Pension Fund Strategic Plan – 2014/15 – 2016/17, as set out in Appendix 'A'.

Background and Advice

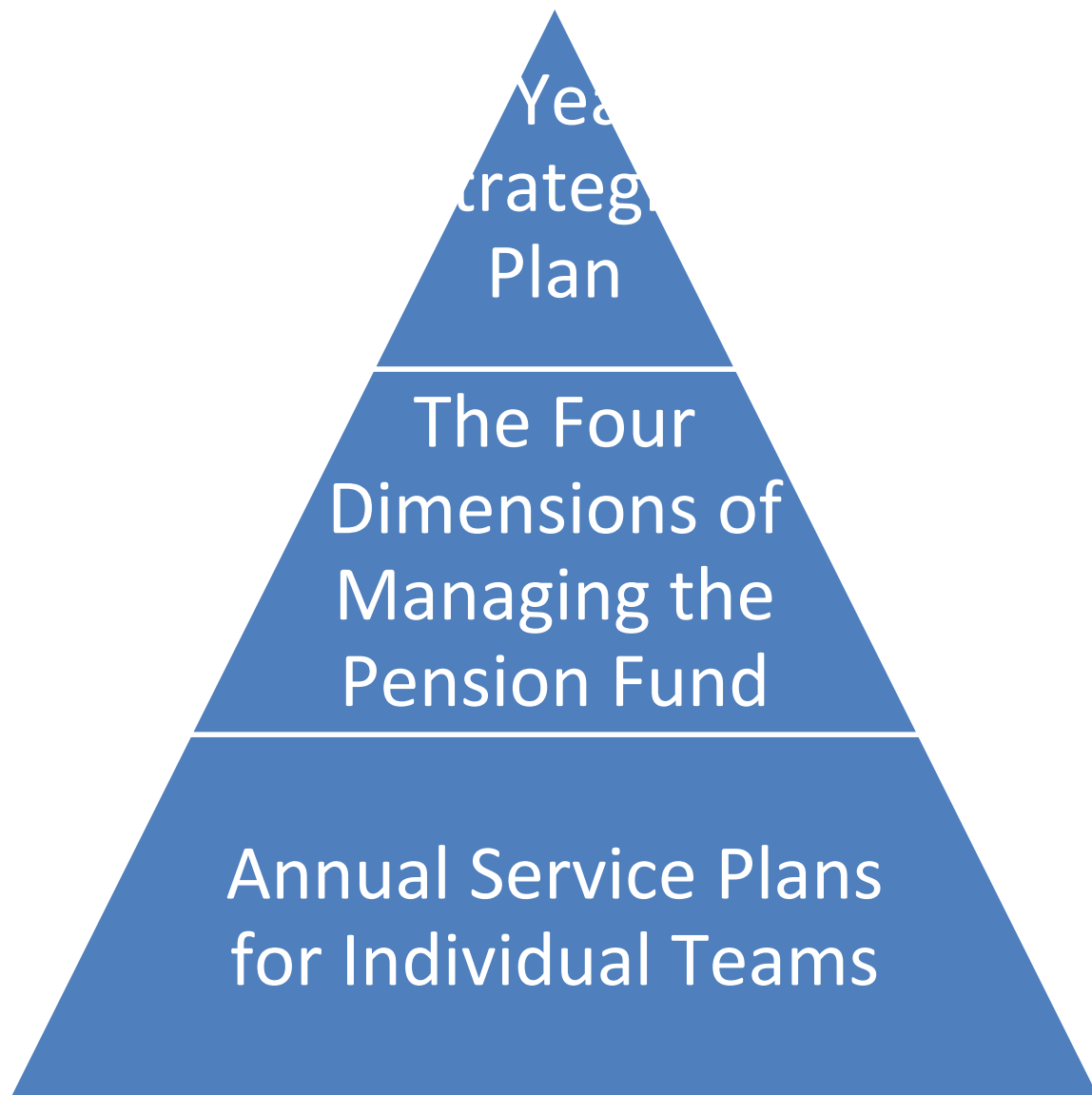
Any significant business in order to operate effectively needs a clear strategic planning framework which is focussed on the achievement of a range of specific longer term objectives. This is as true of pension funds within LGPS as any other large entity. The Fund's Annual Governance Statement which was considered in June 2014 noted the need for improvements to the strategic planning framework for the Fund as an area for development in the coming year.

The fact that this is identified as an area for development does not mean that what currently exists does not work simply that it can be done better. The main weakness identified in the current arrangements is that they are disjointed with the overall strategic approach not being brought together in one place and the service plans of the individual teams supporting the operation of the Fund sitting in isolation. The other area where improvement could usefully be made is the timescale over which strategic planning focuses. Given the three yearly actuarial valuation cycle drives so much of the Fund's business a three year strategic cycle supported by annual service plans which already form part of the County Council's performance management framework would seem to be sensible.

From the point of view of the Fund there are four areas of activity where focus is required, and these should be recognised in any effective strategic planning framework:

- Governance – Ensuring the effective operation of the framework of control and the understanding and addressing of the risks to which the Fund is exposed.
- Asset and Liability Management – The design and delivery of investment strategies aimed at meeting specific investment objectives, whether in terms of growing the asset base or offsetting movements in liabilities.
- Administration – Processes for maintaining member contribution records and for the accurate and timely calculation and payment of benefits.
- Communication – Processes for communicating both with scheme members and employers and promoting the benefits of participation in the scheme.

The framework generated through focussing on these four dimensions of the operation of the Fund can be expressed diagrammatically as shown below.



This framework provides a filter through which the activities of the individual teams can be coordinated and through which the objectives of the Fund can be expressed in a form which is more accessible to stakeholders.

A draft 3 Year Strategic Plan using this framework is set out at Appendix 'A' for approval. The key areas of activity identified reflect the discussions which the Committee has already had in relation to future work:

- The continuing implementation of the various elements of the LGPS reform agenda, including the drive for increased collaboration, alongside the embedding of a range of new processes developed already,
- The refinement of the Investment Strategy to address the results of the 2013 Valuation and become more liability aware and address issues of responsible investment as appropriate;
- Improving engagement with employers and scheme members;
- Better understanding the risks to the Fund posed by the relative financial strength and funding level of individual employers in preparation for the 2015 valuation.

Consultations

The work identified in the Strategic Plan at Appendix 'A' either flows from processes on which consultation with Fund Stakeholders has already taken place, where work is in reaction to statutory changes or where consultation on specific pieces of work is separately required. Consequently other than internal discussions no specific consultation has been undertaken in relation to the Strategic Plan.

The plan will be communicated to stakeholders through the internet, and will be signposted in a new Employer Newsletter, which will begin publication early in the new financial year.

Implications:

Risk management

Activity within the Strategic Plan takes some of its focus from the issues identified in the Risk Register. In addition a coherent strategic planning framework is in itself an important means of mitigating a range of strategic risks through the maintenance of appropriate focus on agreed key objectives.

Financial

The activities identified within the Strategic Plan can be carried out within the existing relevant budgets.

Human Resources

The maintenance of appropriate levels of knowledge and skills amongst both officers and elected members is a key factor within the delivery of the Strategic Plan.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact/Directorate/Tel
N/A		

Reason for inclusion in Part II, if appropriate

N/A