

Lancashire County Pension Fund

**Strategic Plan 2015/16 –
2017/18**

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 150,000 people employed by around 270 organisations across the County. With assets approaching £6bn invested to provide retirement security for our members we are by any measure a big business.

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.

The coming three years will present the Fund with a range of significant challenges, this plan is part of our approach to ensuring we are able to meet those challenges effectively and continue to provide retirement security for our members.

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 Terry Burns
Chair of the Pension Fund Committee



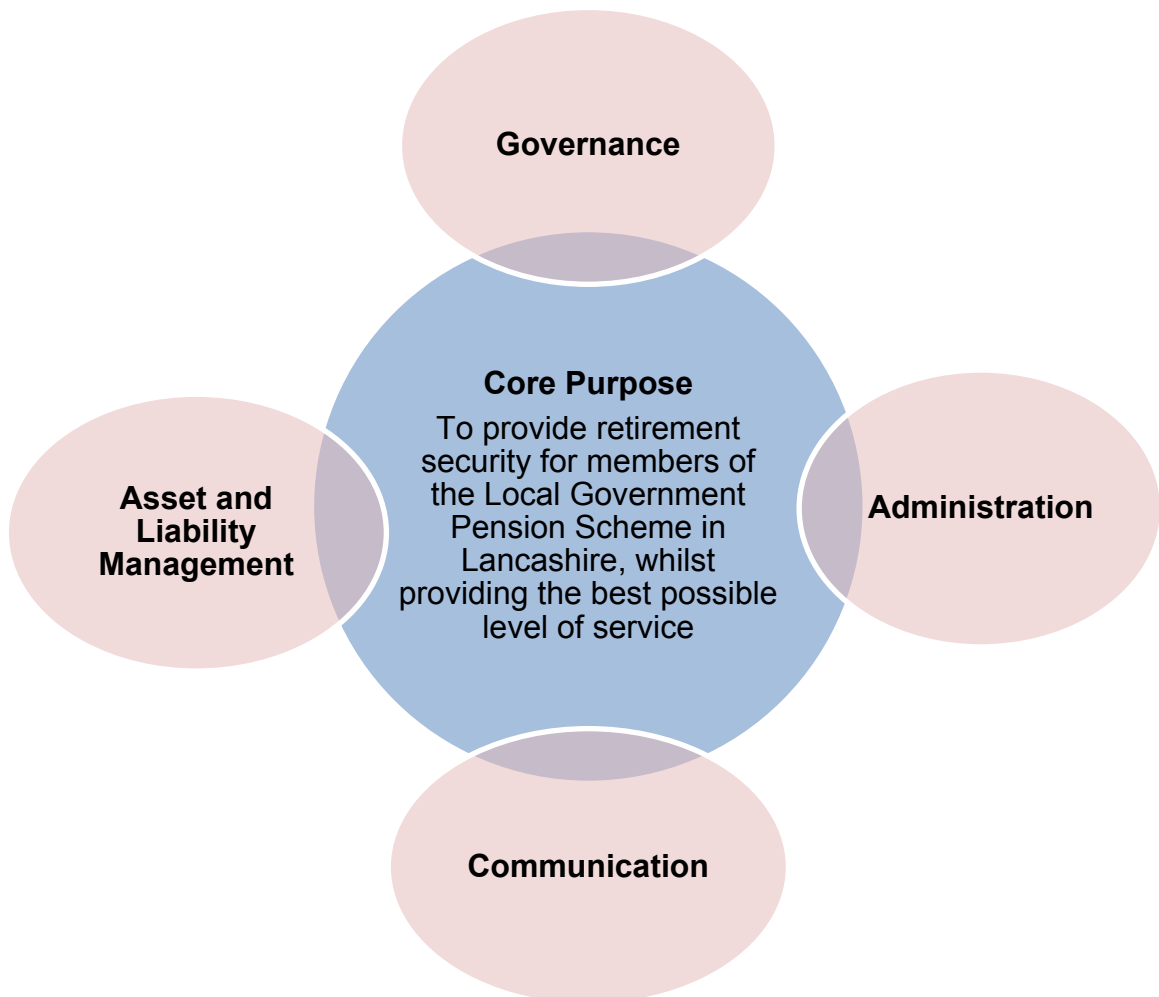
George Graham
Director - Lancashire County Pension Fund

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 things 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

Lead officer – Andrew Fox Head of Policy and Compliance

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:

Action	How will this be achieved?	How will success be measured?	Timescale
Implement the new governance requirements including creating and supporting the Local Pension Board	<ul style="list-style-type: none"> • Assessment of new legislation and regulatory requirements; • Creation of appropriate structures; • LPB members elected and Chair appointed; • LPB meetings to commence by 31 July 2015; • Comprehensive and ongoing training of PFC and LPB members. 	<ul style="list-style-type: none"> • Independent review of Fund governance; • LPB in place, undertaking relevant work plan; • Positive assessment of PFC skills, knowledge, and effectiveness. 	<p>LPB in place by 1 April 2015</p> <p>Governance review by 31 December 2015</p> <p>Confirmation of new structures by 31 March 2016</p> <p>Ongoing member training</p>

Action	How will this be achieved?	How will success be measured?	Timescale
Put in place an effective workforce planning and development approach to provide increased capacity to be innovative and the ability to support individuals to realise their potential	<ul style="list-style-type: none"> • LCPF workforce development policy created; • Skills audit and requirements assessed; • Training needs assessment; • Coaching and mentoring provision; • Succession planning arrangements; • On the job training and formal training where required. 	<ul style="list-style-type: none"> • Workforce development policy in place and communicated to all stakeholders. • Integration with PDR requirements; • TNA undertaken for each officer; • Training plans in place with a variety of methods employed; • Career ladder in place; • Mentoring sessions being held where appropriate. 	<p>Workforce policy and career ladder by 30 September 2015</p> <p>TNA and training plans by 31 March 2016</p> <p>Mentoring established and operating by 31 March 2016</p>
Review the effectiveness of Fund governance	<ul style="list-style-type: none"> • Assessment of decision-making processes • Policy and process review; • Links to compliance monitoring processes; 	<ul style="list-style-type: none"> • Independent review including external audit and LPB; • Agreement and approval of revised processes; • Governance element incorporated into compliance monitoring. 	<p>Governance review by 30 September 2015</p> <p>PFC approval by 30 November 2015</p> <p>Compliance monitoring programme in place by 1 April 2015</p>
Continue to explore the potential opportunities arising from collaboration with other Funds within both Local Government Pension Scheme, and wider Pension Fund community	<ul style="list-style-type: none"> • Take legal advice to create appropriate structure which is scalable; • Progress London Pension Fund Authority (LPFA) collaboration as first step on this journey. • Identify areas where collaboration may be beneficial. 	<ul style="list-style-type: none"> • Approval of appropriate vehicles and governance for pooling and collaboration; • Demonstration of appropriate cost/benefit analysis; • Ability for scaling to other interested parties. 	<p>Decision on LPFA collaboration by 31st July 2015</p> <p>Depending upon above, creation of appropriate vehicle by 31 March 2016</p>
Continue to develop and implement an effective compliance and monitoring programme	<ul style="list-style-type: none"> • Finalisation of Compliance Manual; • Implementation of compliance monitoring programme including monthly, quarterly, and annual tests • Development of PFC reporting 	<ul style="list-style-type: none"> • Agreed Compliance Manual distributed to stakeholders; • Compliance monitoring programme in place and assurance reported/ actions planned. 	<p>Manual agreed by 31 March 2015</p> <p>Monitoring programme from 1 April 2015</p> <p>First assurance report to PFC June 2015</p>

	regime.		
Action	How will this be achieved?	How will success be measured?	Timescale
Enhance current risk management processes	<ul style="list-style-type: none"> • Ongoing assessment of existing and new risks; • Improved horizon scanning; • Linking of risk register to compliance programme; • Development of trend analysis. 	<ul style="list-style-type: none"> • Ongoing identification and updating of risk register; • Regular strategic planning and longer term perspective; • Transparency of risks and monitoring; • Enhanced reporting of risk reporting and internal control assurance. 	Risk approach to be enhanced on an ongoing basis throughout 2015/16

Asset and Liability Management

Lead officer – Mike Jensen Chief Investment Officer

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:

Action	How will this be achieved?	How will success be measured?	Timescale
Implement the recommendations of the Member Working Group on Responsible Investment	<ul style="list-style-type: none"> • Adherence to the UN Principles of Responsible Investment • Measurement of the quality of commitment to good governance of invested companies against a benchmark • Measurement of the environmental impact of the Fund's 	<ul style="list-style-type: none"> • Sign off by the UNPRI organisation • Reporting of the benchmarking results to PFC and Fund stakeholders • Reporting of the benchmarking results to PFC and Fund 	<ul style="list-style-type: none"> • Initially by May 2015 and annually thereafter • September 2015 as part of the Fund's Annual Report, then annually • September 2015 as part of the Fund's Annual Report, then annually

	<p>investments.</p> <ul style="list-style-type: none"> Actively engage with the Local Authority Pension Fund Forum to further the Fund's Responsible Investment Objectives. 	<p>stakeholders</p> <ul style="list-style-type: none"> Member and officer attendance at LAPFF meetings in order to influence the Forum's agenda 	<ul style="list-style-type: none"> Regular attendance from June 2015.
<p>Develop a more structured approach to assessing the risks to the Fund posed by individual employers and identify appropriate asset allocations to reduce the risk to the Fund.</p>	<ul style="list-style-type: none"> Undertake formal covenant reviews for each employer in the Fund. Review and assess the potential risks from the results. Identify appropriate asset allocations for different risk categories of employer to feed into 2016 post valuation Investment Strategy update. 	<ul style="list-style-type: none"> Stratification of the whole employer base according to the risk posed to the Fund. Allocation of each strata of employer to a specific asset mix. 	<ul style="list-style-type: none"> Covenant reviews completed by May 2016. Revised asset allocations agreed alongside the valuation process by February 2017.
<p>Completion of the 2016 Actuarial Valuation and identification of changes, if any, required in the Investment Strategy</p>	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Maintenance of stable contribution rates. Actuary's assessment of the quality of the data provided. Adoption of revised Investment Strategy by PFC 	<ul style="list-style-type: none"> Provision of data from April 2016. Agreement of assumptions by PFC tbd in line with Actuary's timetable. Feedback of results from September 2016. Revised Investment

	<p>throughout the process, but particularly as results become available.</p> <ul style="list-style-type: none"> • Review of Investment Strategy in light of results. 		<p>Strategy to PFC Feb / March 2017.</p> <ul style="list-style-type: none"> • Implementation of revised Rates and Adjustments Certificate from April 2017.
<p>Continue to explore the potential opportunities arising from collaboration with other Funds within both Local Government Pension Scheme, and wider Pension Fund community</p>	<ul style="list-style-type: none"> • Finalise discussions with the LPFA on the benefits of pooling investments. • Identify other potential opportunities either to share expertise with other funds or to make appropriate investments alongside each other. 	<ul style="list-style-type: none"> • Decision on the ALM Partnership with LPFA. • Opportunities identified and taken through to conclusion and then reported to PFC by the Investment Panel. 	<ul style="list-style-type: none"> • Partnership Decision July 2015. • Other opportunities and investments ongoing.
<p>Review and update of the 5 asset class investment strategies in order to ensure that they remain relevant to both the needs of the Fund and deliverable within market constraints.</p>	<ul style="list-style-type: none"> • Formal review of progress against and the continuing relevance of each strategy by the Investment Panel. • Commissioning of revised strategies by the Investment Panel. • Consideration and approval of revised strategies by PFC. 	<ul style="list-style-type: none"> • Approval of proposals for change by PFC. • Achievement of target returns (and levels of volatility) by investments selected under the strategies. 	<ul style="list-style-type: none"> • Infrastructure Strategy for formal approval June 2015. • Equity and Private Equity to go to PFC during 2015/16 • Property and Credit Strategies to go to PFC during 2016/17. • Infrastructure to go to PFC following review during 2017/18.
<p>Development and implementation of a Liability Management</p>	<ul style="list-style-type: none"> • Agreement by Investment Panel and PFC on the degree to which the 	<ul style="list-style-type: none"> • Adoption of agreed strategy by PFC. • Impact on the scale of the 	<ul style="list-style-type: none"> • Strategy agreed by the end of the 2015 calendar year.

<p>Strategy</p>	<p>Fund should seek to manage its liabilities.</p> <ul style="list-style-type: none"> • Adoption and implementation of approved strategy, including the appointment of any fund managers required. 	<p>Fund's risk exposure specifically to:</p> <ul style="list-style-type: none"> ○ Long term interest rates ○ Inflation 	<ul style="list-style-type: none"> • Implementation during 2016/17. • Initial review at end of 2017/18.
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Administration

Lead officer – Diane Lister Head of Your Pension Service

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.

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

Action	How will this be achieved?	How will success be measured?	Timescale
Review and ensure compliance with the new TPR Code of Practice for Public Sector Pension Schemes	Undertake gap analysis Act on results	Via a public statement of compliance. Target 100% compliance with the relevant regulations. No reported breaches of law	31 March 2016
Develop and implement a member and employer self-service strategies	Introduce email/online processes in all areas of casework Develop website and employer e-solutions Develop self-service functionality within the Altair system	Demonstrable transference of transactional activity to the employer and to the member. Set targets to measure % shift	31 March 2017

Action	How will this be achieved?	How will success be measured?	Timescale
Consider collaborative opportunities and work towards building capacity for the future	Work in partnership with likeminded Authorities Attract new business	Organisational structure and capacity in place New business secured	31 December 2016
Review employer compliance with Pension Administration Strategy Statement	Implement monitoring process. Measure and report results to PFC	% Employer compliance	31 December 2015
Undertake systematic analysis of appeals	Implement case review process	Year on year reduction in 1 st and 2 nd stage appeals	1 April 2017
Review basic financial control processes surrounding pension fund administration and pensioner payroll.	Undertake gap analysis Act on results	Full Assurance from internal and external auditors.	1 April 2016

Communication

Lead officer – Diane Lister Head of Your Pension Service

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 increase transparency; building trust, confidence and engagement in pension saving as the norm, ensuring that investment issues are communicated appropriately to the Fund's stakeholders.
- To communicate in a friendly and direct way to all our stakeholders, treating them all equally, and aiming to achieve a full 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:

Action	How will this be achieved?	How will success be measured?	Timescale
Develop a Pension Fund website	Design and implement new website for the Fund's information as opposed to pensions administration processes	Increased engagement in funding and investment issues e.g. through the number of website visitors	December 2015

Action	How will this be achieved?	How will success be measured?	Timescale
Develop and implement a Member engagement strategy	<p>Promote the use of online and email communication and information sharing, making online self-service the norm and the website the first point of contact for members.</p> <p>Take a multimedia approach to communication and engagement in recognition that different styles and methods of communication suit different stakeholders</p>	<p>Demonstrable increase in online self- service activity.</p> <p>Increase in web contact/reduction in telephone contact</p> <p>Increase in customer satisfaction</p>	December 2017
Undertake systematic analysis of customer feedback	<p>Implement formal process for review of complaints and compliments</p> <p>Set targets for customer satisfaction and measure</p>	<p>Year on year reduction in complaints/increase in compliments</p> <p>Targets achieved</p>	March 2017

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.

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.

TPR – The Pensions Regulator who from April 2015 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:

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